

FRANCHISE DISCLOSURE DOCUMENT

GARAGE EXPERTS INTERNATIONAL LLC

a California limited liability company

245 Carl Karcher Way

Anaheim, California 92801

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The franchise offered is for the operation of customized residential garage floor coating and storage solutions, concrete floor coatings for exterior surfaces, industrial floor coatings for retail stores and commercial buildings, and we anticipate the launching of a home closets solutions service in 2014, all using the “Garage Experts” system and standards.

The total investment necessary to begin operation of a Garage Experts franchised business is \$49,500 to \$77,800. This includes \$15,000 - \$25,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact Dana Stuart at 245 Carl Karcher Way, Anaheim, California 92801.

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

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

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

Issuance date: January 10, 2014.

**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 administrators listed in Exhibit G for information about the franchisor, about other franchisors, or about franchising in your state.

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

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

1. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE LAWS.
2. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION AND ARBITRATION ONLY IN CALIFORNIA. OUT-OF-STATE MEDIATION OR ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE OR ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.
3. YOU MUST MAKE INVENTORY AND SUPPLY PURCHASES FROM OUR AFFILIATE OF \$78,000 ANNUALLY, WHICH INCREASES BY 5% ANNUALLY, EVEN IF YOU DO NOT NEED THE INVENTORY OR A LESS EXPENSIVE SUPPLIER IS AVAILABLE. THE FRANCHISOR MAY TERMINATE YOUR AGREEMENT IF YOU DON'T.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: See the next page for state effective dates.

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:

<u>State</u>	<u>Effective Date</u>
California	January 17, 2014
Illinois	January 17, 2014
Indiana	May 28, 2014
Maryland	March 24, 2014
Minnesota	January 17, 2014
North Dakota	February 12, 2014
South Dakota	January 17, 2104
Washington	February 19, 2014
Wisconsin	January 10, 2014

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EXHIBITS:

- A. Franchise Agreement
- B. General Release
- C. Guaranty
- D. State Addenda to the Franchise Agreement
- E. Franchisee Information
- F. Financial Statements
- G. State Administrators and Agents for Service of Process
- H. Manual Table of Contents
- I. State Addenda to the Disclosure Document
- J. Receipts

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

To simplify the language in this disclosure document, “we,” “us” or “GEI” means Garage Experts International LLC, the franchisor. “You” means the individual, corporation, partnership, limited liability company, or other entity who buys the franchise. If the franchisee will operate through a corporation, partnership, limited liability company or other entity, “you” also includes the franchisee’s owners or partners.

We conduct business under the name of our corporation and Garage Experts. We are a California limited liability company, organized on September 22, 2008. We have offered franchises to operate “Garage Experts” businesses (“Businesses”) since December 12, 2008. We have not previously engaged in any line of business or offered franchises for Businesses. We have not previously offered franchises in any other line of business, nor do we operate any Garage Expert businesses.

We are a wholly owned subsidiary of GEI Investment Holding, LLC (“GEI”), a Nevada limited liability company formed on December 20, 2013.

We have an affiliate, Versatile Building Products, Inc. (“VBP”), which was incorporated in 1999s. VBP is a supplier of certain goods to franchisees.

Our principal address and that of GEI and VBP is 245 Carl Karcher Way, Anaheim, California 92801. Neither VBP nor GEI has offered franchises in this or any other line of business.

You will operate under the “Garage Experts” name and service mark a primarily mobile business offering customized residential garage floor coating and storage solutions, concrete and decorative floor coatings for exterior surfaces like driveways and pool decks, industrial floor coatings for retail stores and commercial buildings, and we anticipate the launching of a home closets solutions service in 2014. You will sign a Franchise Agreement (Exhibit A) to operate your “Garage Experts” business. In addition, you must maintain an office location (“Office”) where you can accept delivery of supplies and products necessary for you to operate your Business. The Office may be located at your personal residence. It may also be a shared office or a warehouse storage unit, provided it must meet our policies and must be approved by us. The market for a “Garage Experts” business is residential. You will compete with other business offering similar products and performing similar services. Franchisees may be individuals or entities which meet our then current requirements.

A wide variety of Federal, state, and local laws, rules, and regulations have been enacted that may impact the operation of your Licensed Business, and may include those which (a) establish general standards, permitting restrictions and requirements and other specifications and requirements for the construction, design, maintenance and operation of the business premises; (b) set standards pertaining to employee health and safety; (c) regulate matters affecting the health, safety and welfare of your customers; (d) set standards pertaining to the availability of and requirements for public accommodations; (e) establish general standards, permitting restrictions and requirements relating to the construction and design of residential garage renovations and improvements; (f) establish standards and licensing requirements related to the operation of vehicles; (g) establish procedures for the disposal of hazardous wastes, and (h) set standards and requirements for fire safety and general emergency. A contractor license may be required in some states. You should investigate whether there are

regulations and requirements that may apply in the geographic area in which you are interested in locating your business and should consider both their effect and cost of compliance.

Our agent for service of process in this state is listed in Exhibit G.

ITEM 2 BUSINESS EXPERIENCE

Chief Executive Officer: Mike Meursing

Mr. Meursing has served as our Chief Executive Officer since our formation on September 22, 2008. He is also the founder of VBP and has served as its Chief Executive Officer since its formation in 1999. Mr. Meursing has also been President of Built to Last, a consulting company in Orange, California since May 2009.

Operations Manager: Renee Michel

Mrs. Michel has been the Operations Manager since Oct 21, 2013. Prior to that, Mrs. Michel was a self-employed Bookkeeper and Tax Preparer from August 2008 to September 2013. From June 2001 to August 2008, she was an Accounting Manager for Rescue Rooter Plumbing Company in Orange, California.

Director of Information Technology: Jason Griffiths

Mr. Griffiths has served as our Director of Information Technology since June 2009. From November 2004 through June 2009, Mr. Griffiths served as the Chief Technology Officer for On the Mark Enterprises in Santa Ana, California.

Vice President of Franchise Sales: Matthew Newman

Mr. Newman has served as our Vice President of Franchise Sales since February of 2009. Prior to that, Mr. Newman served as a Technical Sales Consultant for VBP since February, 2008. Mr. Newman was also the President of Vision Concrete, a concrete training facility in Temecula, California from June 2005 through December 2007.

Franchise Director: Dana Stuart

Ms. Stuart has served as Franchise Development since July 5, 2011. Prior to that, Ms. Stuart was an Instructor's Aide for the Saddleback Unified School District in Mission Viejo, California from October 2009 to June 2011. From August 2008 until June 2009, she was an Instructor's Aide for the Temecula Unified School District in Temecula, California and from 2003 until 2007, Ms. Stuart was self-employed in the concrete training industry.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this item.

**ITEM 4
BANKRUPTCY**

No bankruptcy is required to be disclosed in this item.

**ITEM 5
INITIAL FEES**

The initial License Fee for a new franchise is \$10,000 per territory.

The initial Territory Fee for a new franchise is \$5,000 per territory, which applies to the first 5 territories we sell in 2014. The initial Territory Fee increases to \$7,500 per territory for territories 6-10 sold by us in 2014; then increases to \$10,000 per territory for territories 11-15 sold in 2014, then to \$15,000 per territory.

We offer a 10% discount on the initial License and Territory Fees for a Veteran honorably discharged from any branch of the U.S. armed forces within ten (10) years of applying for a franchise with us.

The initial License and Territory fees are due to us in full when you return to us signed copies of your Franchise Agreement, and before you attend initial training.

We will refund 90% of the initial License and Territory fees if you do not pass our initial training in accordance with our current passing standards, if you return to us any materials we distributed to you during initial training.

In addition, if you do not earn total gross sales of \$750,000 or more in the first three years of operation following the effective date of this Agreement, then we will refund to you \$15,000 of initial License and Territory Fee through a Royalty Holiday, meaning that you will not pay Continuing Royalties of \$1,500/month for ten (10) months

Except as stated above, the initial License and Territory fees are fully earned and nonrefundable when both you and we execute the Franchise Agreement between us. The minimum purchase requirement from our affiliate is non-refundable.

You pay no other fees or payments for services or goods to us or our affiliates before your business opens.

**ITEM 6
OTHER FEES**

(1) Type of fee	(2) Amount	(3) Due Date	(4) Remarks
Continuing Royalty	<p>You pay a monthly continuing royalty of:</p> <ul style="list-style-type: none"> - \$300 for first 6 months after the Effective Date of your Franchise Agreement; - \$650/month for months 7-12; \$1,000/month for months 13-24; \$1,500/month thereafter. 	Payable by the 15 th day of each calendar month.	<p>Royalty is for any whole or partial month.</p> <p>If you purchase a second territory from us, the monthly royalty fees on the second territory are half the numbers stated in the left column if both territories are purchased at the same time or they maintain Platinum Badge status for two consecutive months. Platinum Badge status refers to meeting certain purchase, marketing, and customer service standards. We limit initial franchise purchases to two territories.</p> <p>In addition, if you do not earn total gross sales of \$750,000 or more in the first three years of operation following the effective date of this Agreement, then we will refund to you \$15,000 of initial License and Territory Fee through a Royalty Holiday, meaning that you will not pay Continuing Royalties of \$1,500/month for ten (10) months.</p>
Minimum Purchase Requirements	\$78,000	As invoiced	<p>You must purchase from VBP at least \$78,000 of cabinets, floor coatings, floor coverings, racking, modular storage systems, accessories, specialized application tools, industrial floor coatings, home closet solutions and supplies during each “Agreement Year” of your Franchise Agreement. You must increase your purchase amount 5% annually. The Minimum Purchase Requirements will apply regardless of whether you choose to maintain an inventory. VPB offers a 10% discount on product Purchases of products that it manufactures and a quarterly reward Badge program that may lower this cost.</p>

Training Courses	Our then-current charge, currently \$0 per person per day.	As requested	We provide an initial training program and additional training programs upon request (and subject to our scheduling requirements) for up to 2 persons at no charge. We may charge a fee for any additional personnel that attend the initial training program. You must pay all transportation costs, food, lodging and similar costs incurred in connection with attendance at any additional training courses.
National Advertising Fee Monthly	\$300 so long as our US franchisee count is 1-74; \$500 when our US franchisee count is 75-124; \$1,000 when our US franchisee count is 125 or more	Monthly	We may use the National Advertising Fees on national, regional, or local advertising, marketing, public relations, marketing research, and promotions, including a share of corporate overhead and marketing to sell franchises, not to exceed 15% of the amount of National Advertising Fees received in any given year. The National Advertising Fee is one half the amounts stated for a second territory.
Pay Per Click Advertising	Minimum \$565	Monthly	You must spend a minimum of \$565 per month on Pay Per Click (“PPC”) marketing to gain customers. You pay a minimum \$500 to us, we add a 13% mark up for our overhead, and we hire an outside search engine firm to manage the keyword advertising campaigns. The monies you pay in, less our 13% share, are set up as a monthly budget for the outside search engine firm to draw from. You may elect but are not required to spend more. Your monthly PPC spend is considered part of your local advertising and it applies towards your 5% advertising requirement

Transfer / Assignment	\$5,000 plus our then-current training fees, plus our out of pocket costs travel expenses if we determine that the transferee/assignee must successfully complete the initial training program	Upon submission of your request to transfer or assign.	Payable when you transfer your franchise or upon any "Assignment" as defined in the Franchise Agreement.
Late Fee ²	Interest of 10% per annum, or the highest interest rate allowable by law, whichever is less, on any unpaid Amounts.	Upon demand	Due only if you are late in paying any amounts owed to us.
Charges for unpaid checks, drafts or electronic payments	Our costs and expenses arising from the non-payment, including bank fees in the amount of at least \$50.00 and other related fees incurred by us	Upon demand	Payable only if any check, draft, electronic or other payment is unpaid because of insufficient funds or otherwise
Renewal Fee	\$5,000	Upon signing a successor franchise agreement	
Default Reimbursement	You must reimburse our costs and expenses arising from your default under the Franchise Agreement, including reasonable legal fees and reasonable hourly charts of our administrative employees	Within 5 days after you cure the default	Payable only if you default under your Franchise Agreement

Supplier Approvals	All costs that we incur to review and evaluate the proposed Supplier's application, and inspecting the proposed Supplier's facilities and equipment and all product testing, costs paid by us to third parties (including travel expenses), typically between \$1,000 and \$5,000.	On demand	Payable by you or the proposed Supplier only if you ask us to approve a Supplier.
Change in information of a business entity franchisee	\$2,500	On demand	Information regarding the owners and principal officers of entity franchisees must be updated when changes occur by revising Exhibit B to the Franchise Agreement.
National Account Administration Fee	Not to exceed 10% of Gross Sales which you earn resulting from performance of services to National Accounts	On demand	Payable only if you elect to participate in our National Account program and you service National Accounts in your Trade Area
Internet Service Fee	Our costs associated with any changes, modifications or updates to the information contained on your interior page of our website, usually in the range of \$100 to \$1,000 for typical changes	On demand	We may permit you to customize or post certain information to the interior page of our website. If you request us to modify or supplement your interior page, you must pay our costs and expenses to do so.

3-d Software Support Fee	\$300	Annually	You pay this fee to our affiliate, VBP, for 3-d software support
Promotional Materials	Then-current price	On demand	Typically between \$.16 and \$200.00 per item. You must participate in promotional campaigns we may establish. At this time, we cannot estimate the price of the
Trade Area Infringement Fine	<p>1st Violation: \$500 plus invoice amount of goods or services provided and/or rendered within the other franchisee's trade area.</p> <p>2nd Violation: \$1,000 plus invoice amount of goods or services provided and/or rendered within the other franchisee's trade area.</p> <p>3rd and Subsequent Violations: \$5,000 plus invoice amount of goods or services provided and/or rendered within the other franchisee's trade area.</p>	On demand	<p>For purposes of the Infringement Fine, trade area infringement occurs if you generate income from a customer by receiving payment for goods and/or services provided and/or rendered within the trade area of another Garage Experts franchisee, without first obtaining written permission from us and that franchisee. As provided in Section 15.3.3 of the Franchise Agreement, we may also terminate your franchise if you infringe on the trade area of another Garage Experts franchisee 3 or more times during the term of your Franchise Agreement. If you receive leads for customers located in another franchisee's trade area, you may offer such leads to the franchisee in whose trade area the customer resides only in accordance with our then current Policies, which may include restrictions on the referral fees, if any, that you may request or receive</p>

(1) All fees are imposed by and are payable to us by credit card. All fees are non-refundable. Except as individually negotiated between us and a franchisee, we impose all fees on a uniform basis in this state. Franchises sold prior to the date of the Franchise Disclosure Document may require the franchisees to pay fees on a basis other than as described in this Item.

(2) Interest begins from the date of the underpayment.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT

(1) Category of investment*	(2) Amount	(3) Method of Payment	(4) When Due	(5) To Whom Paid
Initial Licensee Fee (1)	\$10,000	Check	Upon signing franchise agreement	Us
Territory Fee (2)	\$5,000-\$15,000	Check	Upon signing franchise agreement	Us
Equipment, Furniture, Fixtures, and Signage (3)	\$10,000 to \$17,000	Check or Charge	Before Opening	Suppliers and VBP
Garage Experts Vehicle(s) (4)	\$2,000 to \$4,000	Check or Charge	Before Opening	Auto Dealer
Computer Hardware and Software (5)	\$3,500	Check or Charge	Before Opening	VBP
Wages, Travel and Living Expenses During Training (6)	\$2,500 to \$5,000	Check or Charge	As incurred	Airlines, hotels, restaurants and employees
Leasing Costs (7)	\$2,000-\$3,500	Check or Charge	Before Opening	Landlord
Advertising (8)	\$3,000 to \$5,000	Check or Charge	As Incurred	Media and other suppliers
Insurance Deposits and Premiums (9)	\$200 to \$500	Check or Charge	As Arranged	Insurance Companies
Licenses and Permits	\$100 to \$300	Check or Charge	Before Opening	Governmental Agencies
Professional Fees	\$1,000 to \$1,500	Check or Charge	As incurred	Attorneys, CPA's, etc.
Miscellaneous Supplies	\$100 to \$500	Check or Charge	As incurred	Third Party Vendors
Additional Funds (10) – 3 Months	\$10,000 to \$12,000	Check or Charge	As incurred	Employees, suppliers, utilities, landlords,

Total	\$49,500 to \$77,800
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*The initial License Fee is refundable upon the conditions described in Item 5 above. Otherwise, none of the fees paid to us in this chart are refundable. Whether such fees paid to third parties are refundable would depend upon the policies of the third parties.

1. We offer a 10% discount on the initial License Fee for a Veteran honorably discharged from any branch of the U.S. armed forces within ten (10) years of applying for a franchise with us.

2. The initial Territory Fee for a new franchise is \$5,000 per territory, which applies to the first 5 territories we sell in 2014. The initial Territory Fee increases to \$7,500 per territory for territories 6-10 sold by us in 2014; then increases to \$10,000 per territory for territories 11-15 sold in 2014, then to \$15,000 per territory. We offer a 10% discount on the initial Territory Fee for a Veteran honorably discharged from any branch of the U.S. armed forces within ten (10) years of applying for a franchise with us.

3. VBP will ship materials as needed. Return of equipment, fixtures and inventory purchased from VBP is subject to a 20% restocking fee.

4. You must own, purchase or lease the number of vehicles (“Vehicles”) meeting our standards and specifications on which the Garage Experts advertising wrap is placed that are needed to enable you to meet customer demand. These figures include the estimated upfront costs and the first three months’ payments (a total of \$700) to lease a vehicle if you do not already have one, as well as the estimated cost to make certain modifications and additions to the vehicle(s) as we require, including, installing decals, vehicle wraps, logos, and racks. You must maintain the condition and appearance of your Vehicle(s) to comply with our then- current standards. As there are numerous factors that may affect your Vehicle(s), we cannot meaningfully estimate your maintenance costs at this time.

5. This estimate includes the cost of a laptop, designer and phone sync software and a small color printer. We have not included the cost of required hardware and software maintenance agreements, if any. This figure also does not include any technical support costs associated with operating the hardware or software.

6. You must pay the expenses of person attending the Initial Training Program including transportation, lodging, meals and wages. The amount will depend, in part, on the distance the attendees must travel and the type of accommodations you choose. The estimates above contemplate the training of 2 persons for 5 days in Anaheim, California.

7. If you lease warehouse or office space for your operations, you will incur costs for a security deposit and rent.

8. This estimate covers a start-up advertising budget for marketing supplies, shirts, brochures, samples, pay per click, and other advertising.

9. This is an estimated down payment against the annual premiums you must pay for the insurance required under the Franchise Agreement and Manuals. This estimate is for workers' compensation, errors and omissions, automobile, and comprehensive general liability insurance.

10. These figures are estimates of your initial expenses covering the first three months of your operation. We cannot guarantee that you will not have additional expenses starting the business. Do not construe the estimates as a break-even point. Your costs will depend on: how well you follow our methods and procedures; your management skills; experience and business acumen; local economic conditions; the local market for our services; the prevailing wage rate; competition; and the sales level reached during the initial period. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Advertising

Local Advertising: You must spend at least 5% of Gross Sales on local advertising and promotion ("Local Advertising") conforming to our policies and standards. All advertising and promotion must be conducted in accordance with our policies and you may not use or publish any advertising material that does not conform to our policies. You must obtain our written permission to use or display any materials that we have not provided to you. You must submit any the materials to us for our review and we will grant or deny your request to use the materials. If we do not approve the materials within 15 days, they are deemed not approved. We may require you to stop using any previously approved materials.

Pay Per Click Advertising: You must purchase Pay Per Click marketing through us and we hire an outside search engine firm to manage the keyword advertising campaigns.

Computer Equipment & Software

You must obtain the "Computer System" as detailed in the Manuals. The POS System must be capable of accessing the Internet via a third party network. You must obtain all software and hardware that we specify, including 3-d software, from our affiliate, VBP. 3-d software is a computer assisted design ("CAD") software that allows you to show visuals to a customer of what requested products, such as a cabinet, will look like actually installed in their home or place of business.

Insurance

You must maintain suitable insurance coverage and minimum amounts specified in the Franchise Agreement, Manuals or by written notice, including workers' compensation insurance as required by applicable law, errors and omissions, automobile, and comprehensive general liability insurance. All policies must name us and our designated affiliates as an additional insured. You may obtain additional insurance coverage as you feel necessary. You may purchase your insurance from any carrier subject to our approval, not to be unreasonably withheld.

Real Estate

Your Office must meet our standards and specifications. Your Office may be located in your home, at a shared executive office or at a warehouse storage unit, so long as it meets our standards and policies. It is contemplated that you will order inventory on an as needed basis, subject to the minimum purchase requirements described below, so you will not normally need to store substantial amounts of inventory. If you do not have a location for your Office when you sign your Franchise Agreement, you must promptly locate a site for your Office. You are solely responsible for locating the site for your Office, subject to our acceptance.

You must be able to accept delivery of the goods and products necessary to operate your business at your Office.

Vehicles

A substantial portion of your Business will be conducted through the utilization of a truck, trailer, sport-utility vehicle or other vehicle (“Vehicle”) that enable you to deliver products and perform installation services at households within your Trade Area. You must already own or promptly purchase or lease a Vehicle. Each Vehicle must meet our then-current policies and specifications relating to the make, model, year, color and body wrap. Before using the vehicles in your Licensed Business, you must make any modifications and additions to the vehicles that we require, including applying and installing decals, logos and racks. You must maintain the condition and appearance of all Vehicles used in the Business in a level of cosmetic appearance this is consistent with the image of Businesses as clean, efficient and well operated.

Merchandise, Materials, Supplies and Services

You will offer, design, sale and install customized residential garage storage systems, decorative concrete coatings, garage floor coatings, industrial floor coatings, and home closet solutions that we authorize and which are subject to change (“Authorized Products and Services”). You must offer all and only the Authorized Products and Services under the specific name we designate. You may not provide, produce, advertise or sale, sell or give away any goods or services unless the same has been approved by us as an Authorized Product. Authorized Products and Services may vary among Businesses, and may vary depending on the geographic location of your Trade Area. We may periodically change the Authorized Products and Services and you must stop offering any Authorized Product or Services within 30 days if we notify that such product or service is no longer authorized.

All Authorized Products and Services that you offer must be of the highest quality, and the installation composition, specifications, construction and craftsmanship of the Authorized Products and Services must conform with applicable laws, and any instructions that we provide or that are in the Manuals.

You must use your best efforts to aggressively market and sell Authorized Products and Services and to capitalize on the full potential of your Business throughout your Trade Area.

You must purchase \$78,000 annually, which increases by 5% annually, of cabinets, floor coatings, floor coverings, racking modular storage systems, accessories, specialized applications tools, industrial floor coatings, home closet solutions, and supplies (the “Minimum Purchase Requirements”)

from VBP during each “Agreement Year” of your Franchise Agreement (i.e., each 12 month period beginning 90 days after execution of your Franchise Agreement. If you fail to meet your Minimum Purchase Requirements, we may, at our option, reduce the size of your Trade Area or terminate your territorial rights in the Trade Area, or terminate your Franchise Agreement.

We may periodically require that you purchase, use, offer, promote and/or maintain in stock products, floor coatings, floor coverings, racking, cabinets, storage units, tools, accessories, raw materials, fixtures, furnishings, equipment, uniforms, supplies, packaging, forms, computer hardware, software, modems and peripheral equipment and other items, which are produced or manufactured in accordance with our proprietary specifications and/or formulas, and which we select as designated products (“Designated Products”), and specified products that bear the “Garage Experts” mark or marks (“Garage Experts Brand Products”). You must purchase Designated Products and Garage Experts Brand Products only from us or our affiliates (if they sell the same) or from parties we designate.

We may establish and maintain a national warranty program as we deem appropriate. At this time, we have not established such a program. If we establish a warranty program, you must deliver the national warranties to your customers on the forms, terms and conditions we specify. You must perform promptly all of the terms and conditions of all warranty programs which we specify, including after termination or expiration of your Franchise Agreement. If, following expiration or termination of your franchise agreement, you fail to perform warranty work within 30 days after notice of the need to perform warranty work for any of your customers, you must immediately reimburse us for all costs and expenses related to the warranty work.

We are not presently the sole supplier of any goods or services which you must use in your Business. Our affiliate, VBP, is the only approved suppliers of the following categories of goods and services which you must use in your Business: all floor coatings, cabinets, slatwall, closets, and ceiling racks.

We may also designate certain products, tools, accessories, raw materials, fixtures, furnishings, equipment, uniforms, supplies, packaging, forms, computer hardware, software, modems and peripheral equipment and other products, supplies and equipment, other than Designated Products, which you may or must use and/or offer and sell in connection with your Business (“Ancillary Products”). You may, but are not required to, purchase Ancillary Products from us or our affiliates. You may use, offer or sell only the Ancillary Products that we have expressly authorized. You may purchase authorized Ancillary Products from us, our affiliate or a producer, manufacturer, distributor, or supplier (“Supplier”) that we designate or approve.

Each Supplier that we designate or approve must comply with our usual and customary requirements regarding insurance, indemnification, and non-disclosure, and must demonstrate: (a) its ability to supply an Ancillary Product meeting our specifications, (b) its reliability with respect to delivery and the consistent quality of its products or services; and (c) its ability to meet other requirements which we determine to be in the best interest of the franchise system.

At all times during the term of your Franchise Agreement, you must purchase and maintain in inventory the types and quantities of Designated and Ancillary Products as are needed to meet reasonably anticipated consumer demand. It is contemplated that you will order inventory on an as

needed basis as you make sales to customers, so you will not need to store substantial amounts of inventory. The Minimum Purchase Requirements will apply regardless of the amount of inventory you choose to maintain.

If you want to purchase products from a supplier that we have not designated or approved, you may request, in writing, that we approve the supplier and you or the supplier must reimburse us all of our reasonable costs incurred in reviewing the proposed supplier, including travel expenses related to inspecting, re-inspecting and auditing the Supplier's facilities and equipment, and all product testing costs paid by us to third parties. We will evaluate the supplier to determine whether, in our sole discretion, the supplier and its products are of the quality and standards we require. We may revoke our approval of a supplier at any time. We may, but are not obligated to, publish the standards to which we measure our suppliers. At your request, we will provide the general, but not the manufacturing specifications for Ancillary Products if the specifications are not contained in the Manuals. We will use our good faith efforts to notify you of our decision within 60 days after we receive your request for approval and all requested back-up information. If we do not deliver a written approval within 60 days, the Supplier shall be deemed disapproved.

Except for products you sell to National Accounts, you may only sell products at retail, and not for resale. All containers, packaging, and similar products must conform to our specifications, be purchased from us or a Supplier, and, if we require, must be imprinted with our marks.

You must operate your Business in compliance with the standards, procedures, policies, rules and regulations contained in the Manuals.

Except for your Minimum Purchase Requirements, we do not provide or withhold material benefits to you based on your use of designated or approved suppliers, but we may either require you to purchase replacement products from a designated or approved supplier or terminate your Franchise Agreement if you purchase from unapproved sources in violation of your agreement. We may establish purchasing or distribution cooperatives. We may negotiate volume buying arrangements with suppliers for the benefit of franchisees.

We estimate that 80-90% of your expenditures for leases and purchases in establishing your Business and on an ongoing basis during the operation of your will be for goods and services which are subject to sourcing restrictions (that is, which must meet our standards and specifications, or which must be purchased from suppliers which we designate or approve).

We or our affiliates may or will derive revenue from required purchases or leases by franchisees, if purchased from us or our affiliates. During fiscal year ending December 31, 2013, our affiliate, VBP's revenue from required purchases from franchisees was \$1,492,557. During fiscal year ending December 31, 2013, we derived no revenue from required purchases from franchisees.

Mike Meursing, an officer of ours, owns an interest in us and VBP.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section In Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 4.1	Items 8 & 11
b. Pre-opening purchases/leases	Sections 4.1 and 4.2	Item 8
c. Site development and other pre-opening requirements	Sections 4.1 and 4.2	Items 7 & 11
d. Initial and ongoing training	Article 6	Item 11
e. Opening	Section 4.5	None
f. Fees	Article 5	Items 5 & 6
g. Compliance with standards and policies/Operating Manual	Article 7	Item 11
h. Trademarks and proprietary information	Article 12	Items 13 & 14
i. Restrictions on products/services offered	Sections 7.3, 7.4, 7.10, 7.11 and 9.2	Item 16
j. Warranty and customer service requirements	Sections 7.3 & 16.1.8	Item 8
k. Territorial development and sales quotas	Section 2.4	Item 12
l. Ongoing product/service purchases	Section 2.4; Article 10	Item 8
m. Maintenance, appearance, and remodeling requirements	Section 4.3	Item 8
n. Insurance	Article 17	Items 6 & 8

o. Advertising	Article 8	Items 6 & 11
p. Indemnification	Sections 12.4, 14.2, 14.3, 18.1 and 18.2	None
q. Owner's participation/ management/staffing	Section 7.2	Items 11& 15
r. Records/reports	Sections 11.1 and 11.3	Item 6
s. Inspections/audits	Sections 11.2 and 11.4	Items 6 & 11
t. Transfer	Sections 14.2, 14.3 and 14.4	Item 17
u. Renewal	Sections 3.2, 3.3 and 3.4	Item 17
v. Post-termination obligations	Article 16	Item 17
w. Non-competition covenants	Section 13.1	Item 17
x. Dispute resolution	Article 20	Item 17

ITEM 10 FINANCING

Neither we nor any of our affiliates or agents offer you, directly or indirectly, any financing arrangement, including loans, guarantees, leases and installment contracts. We and our affiliates have no past practice or future intent of selling, assigning or discounting franchisees' financing arrangements to a third party. We and our affiliates do not receive any consideration from any person for the placement of financing with the lender. If you are a corporation or other business entity, we may require your owners to guarantee all of your obligations to us (Exhibit C).

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

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

Pre-Opening Obligations

Before you open your business, we will:

Location of Office. If you have not found a location for your Office when you sign the Franchise Agreement, you must promptly (within 30 days) locate a site within your Trade Area for your Office which meets our current standards and specifications. Your Office may be located in your personal residence, at a shared executive office or at a warehouse storage unit, so long as it meets our then-current standards and specifications. If you cannot find a mutually agreeable site, we may terminate the Franchise Agreement.

Operations Manual. We will provide to you an Operations Manual ("Manual"). (Franchise Agreement, Section 6.3.2). The current Manual contains 96 pages. The Table of Contents of the Manual is included as Exhibit H to this disclosure document.

Vehicles. You must own or promptly purchase or lease a Vehicle that will enable you to deliver products and perform installation services at households within your Trade Area. You must promptly purchase or lease the number of Vehicles sufficient to meet your needs and customer demands. You are solely responsible for purchasing or leasing your Vehicle(s). We will provide you with our guidelines and specifications for Vehicles, which may include requirements relating to make, model, year, and color. (Franchise Agreement, Section 4.2)

Design Assistance. We will provide a copy of our basic specifications for your Vehicle(s). You are responsible for modifying and maintaining your Vehicle. (Exhibit A, Section 4.3)

Training. We provide an initial training program described below. (Franchise Agreement, Section 6.1)

Time to Open

We estimate the typical length of time between signing a Franchise Agreement and opening a new Business is between 30 and 60 days after you sign your Franchise Agreement. Factors affecting this length of time (and which may extend it beyond the range given) can include your

ability to locate an acceptable site for your Office, obtain a lease, financing, building permits, zoning compliance and/or variances, local ordinances, weather conditions which might affect construction, shortages, delayed installation of equipment, fixtures and signs, obtaining leases and/or financing for your Vehicles, and how soon you can begin to receive training.

Obligations After Opening.

During the operation of the franchise business, we will:

1. You may, at no additional charge, request assistance and advice from our headquarters staff, field representatives, training staff and other designated representatives with respect to technical and sales support and general advice and assistance relating to the operation of your Business by telephone, electronic mail, facsimile or other means of communication. If you reasonably request, we will give you additional assistance and advice to help you operate your Business. If any advice, consultation or training is provided at your request or if we determine that your Business is not being operated in accordance with our policies, you must reimburse our expenses. (Franchise Agreement Section 6.3)

2. Provide a listing on our web site; access to our customer management and marketing database software to use for managing leads, including our Facebook and equivalent social media sites for postings; the right to purchase “Garage Experts” branded marketing literature, signs, shirts, and other designated or approved marketing or promotional items and Garage Experts Brand Products; and a 10% discount on all materials manufactured by VBP that you purchase from our affiliate, VBP (Franchise Agreement Section 6.3)

3. We will periodically designate products and services as “Authorized Products and Services” and we will periodically designate certain products as “Designated Products” or “Ancillary Products” which you must stock and provide. (Exhibit A, Sections 7.3, 10.2 and 10.3)

4. We have established an Intranet called the “Business Owners Success Site” or “B.O.S.S.” which will be used as a central place to communicate with customers, log calls, estimates and track advertising costs along with sales pipeline. We have sole discretion and control over all aspects of the B.O.S.S. intranet, including content and functionality. We may also choose to dismantle it any time. (Exhibit A, Section 7.12)

5. We will approve or disapprove any advertising, direct mail, identification and promotional materials and programs you propose to use in connection with local advertising. (Franchise Agreement, Section 8.1) The materials will be deemed disapproved if we have not approved the materials within 15 days of your submission.

National Accounts.

National Accounts are: any (i) potential or existing commercial customer that has multiple sites, offices, or retail premises; (ii) home improvement retail or wholesale outlet, regional home improvement or hardware store, design center, department store or “membership based retailer,” such as Costco or Sam's Club; (iii) construction company, contractor, homebuilder and/or (iv) related business whose clientele include potential customers for Authorized Products and Services. To competitively attract and effectively service National Accounts, we may establish policies governing the

manner that National Accounts are solicited and serviced, including reserving the exclusive right to solicit, enter into and administer national or regional contracts with National Accounts. You may not solicit National Accounts without our written consent. We will offer you the opportunity to service the office, facility, service or operation of the National Account located in your Trade Area. If you agree to participate in the National Account program you may service the National Account(s) located in your Trade Area. You must comply with all policies that we establish in connection with National Accounts. We do not represent or guaranty that any specified amount of National Account business will be provided within your Trade Area. If you elect not to participate in the program for a National Account, we may, without compensation to you, offer the arrangement with the National Account to another franchisee or service the National Account ourselves. (Franchise Agreement Section 7.11)

Advertising

Advertising Program (Franchise Agreement Section 5.3.1).

You must pay to us a monthly National Advertising Fee of \$300 so long as our US franchisee count is 1-74; \$500 when our US franchisee count is 75-124; and \$1,000 when our US franchisee count is 125 or more. We may use the National Advertising Fees on national, regional, or local advertising, marketing, public relations, marketing research, and promotions, including a share of corporate overhead and marketing to sell franchises, not to exceed 15% of the amount of National Advertising Fees received in any given year. We are not required to spend any particular amount of National Advertising Fees in your territory or area. We may source advertising material in-house or from regional or national advertising agencies. Franchisor controlled outlets are not required to contribute National Advertising Fees. The National Advertising Fee is one half the amounts stated for a second territory.

The receipt and expenditures of National Advertising Fees are audited as part of our annual audit. You may request an accounting of the advertising fund by making a written request to our President.

In the last fiscal year ended December 31, 2013, we did not raise or spend any National Advertising Fees.

In the event that we do not spend all advertising fees raised in a given year, we will carry over and apply those fees to the next fiscal year.

Local Advertising (Franchise Agreement Section 8.2)

You must spend at least 5% of your Gross Sales on local advertising and promotion of your Business, according to our specifications.

Pay Per Click Advertising

You must spend a minimum of \$565 per month on Pay Per Click marketing to gain customers. You pay a minimum \$500 to us, we add a 13% mark up for our overhead, and we hire an outside search engine firm to manage the keyword advertising campaigns. The monies you pay in, less our 13% share,

are set up as a monthly budget for the outside search engine firm to draw from. The amount you spend on PPC marketing will count towards your local advertising requirement of spending 5% of revenue towards local advertising.

Pay Per Click Advertising Fees Raised in the last fiscal year: \$125,091

Pay Per Click Advertising Fees Spent on:

-Production	\$0	0%
-Media Placement	\$109,481	87%
-Administrative Expenses	\$15,610	13%
-To Solicit New Franchisees	<u>\$0</u>	<u>0%</u>
	\$125,091	100%

Advertising Council

There is no advertising council composed of franchisees that advises the franchisor on advertising policies. The Franchise Agreement does not give us the power to form, change or dissolve an advertising council.

Advertising Cooperative

You are not required to participate in a local or regional advertising cooperative.

Internet

We have the sole right to register the Internet domain: www.garageexperts.com, and to establish sites using this domain name. You acknowledge that the domain name is our sole property. You may not use any computer or electronic medium (for example, any Internet home page, website, bulletin board, metatag, newsgroup or other Internet related medium or activity) that uses our marks, without our express written consent, or as expressly permitted in the Manuals.

We may include an interior webpage on our website that identifies Businesses by geographic location, address, telephone numbers and/or photographs. You may have to provide certain information about, and photographs of, your Licensed Business to be included on the interior webpage. We may terminate or disable the interior webpage at any time. You may request modifications or supplements to your interior webpage. If we agree to your request, you must reimburse us for all costs associated with any changes, modifications or updates to your interior webpage, usually in the range of \$100-\$1,000 for typical changes. We endeavor to accept or reject your proposed request within 15 days. (Franchise Agreement Section 9.1).

We have the exclusive and unrestricted right to manufacture, produce, license, distribute and market products (including “Garage Experts” Brand Products and products not bearing the Marks), including cabinets, floor coatings, floor coverings, racking, modular storage systems and accessories by means of the Internet. (Franchise Agreement Section 9.2)

We may enter into agreements with internet referral sources to refer customers to us and our franchisees, including you. You may not enter into any agreement or arrangement with an internet referral source without our consent. (Franchise Agreement Section 9.3)

Computer System

You must purchase, use and maintain a personal computer system (the “Computer System”) as specified in the Manuals or by us in writing. We may also specify computer hardware and software. At present, you must use Microsoft Word, Outlook, Adobe Acrobat, Excel, telephone sync software, and our proprietary 3-d software Programs. 3-d software is a computer assisted design (“CAD”) software that allows you to show visuals to a customer of what requested products, such as a cabinet, will look like actually installed in their home or place of business. At present, we specify the following hardware: digital still and video cameras, to enable you to send and receive e-mail and digital photos and video and audio signals of completed customer projects in the form and manner we prescribe. The Computer System must be capable of accessing the Internet via a third party network. You must obtain all software and hardware that we specify from our affiliate, VBP.

Your computer must be in good repair, with sufficient memory to carry out ordinary business functions as specified in the Manuals. You must purchase any upgrades, enhancements or replacements to the Computer System that we require and there are no contractual limitations on the frequency or cost of required upgrades. (Franchise Agreement Section 7.5.1) The approximate initial cost to you for the Computer Systems is \$3,500 (including software).

You must pay to our affiliate VBP \$300 per year to support the use of 3-d software and provide updates. You must incorporate any changes VBP makes to the 3-d software within 30 days of receiving notice from us. Otherwise, neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You are not under any obligation to upgrade or update any computer system during the term of the franchise agreement, but you must maintain your computer system in good working order. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts for your computer systems, including the \$300 that VBP charges to support its 3-d software, is approximately \$1,500.

Computer Equipment & Software

You must obtain the “Computer System” as detailed in the Manuals. The POS System must be capable of accessing the Internet via a third party network. You must obtain all software and hardware that we specify, including 3-d software, from our affiliate, VBP. 3-d software is a computer assisted design (“CAD”) software that allows you to show visuals to a customer of what requested products, such as a cabinet, will look like actually installed in their home or place of business.

Independent Access to Information.

At our request, you must allow us (or our designee) to have independent access to the information generated and stored on your Computer System and your files via any means, including electronic polling communications.

Training (Franchise Agreement, Article 6)

Before you commence operation of your Business, we will provide our Initial Training Program to up to 2 individuals (including your General Manager, at least one major owner of the franchise, or other person which you designate) for no fee, but you bear all expenses incurred by you and your personnel in connection with attending the Initial Training Program. The Initial Training Program will take place at our training facility in Anaheim, California and a Garage Experts Office in Orange County, California or at another place we designate. All attendees must successfully complete the training to our satisfaction. (Franchise Agreement Section 6.1.1)

The initial training program consists of approximately 5 days of training, in our sole discretion. The following table describes our initial training program:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The- Job Training	Location
Marketing <ul style="list-style-type: none"> • Ad words • Register Franchise Central • How to purchase/manage phone numbers • Managing the website • Marketing-placing orders • Confirm logins for garagecoatings.com ordering • Custom Source Reporting • Send Snip image via email • Facebook • Incentive Program basics • BOSS usage 	3		Our corporate office in Anaheim, California
Initial Start Up Order Packets	.5		Our corporate office in Anaheim, California
Floor Prep equipment basics	1		Our corporate office in Anaheim, California
Other Marketing Strategies <ul style="list-style-type: none"> • Local • Low Cost 	1		Our corporate office in Anaheim, California
Cabinet Vision <ul style="list-style-type: none"> • Send CVJ file for troubleshooting • Send PDF to client 	4		Our corporate office in Anaheim, California
Cabinet Assembly and Basics	2.5		Our corporate office in Anaheim, California

Sales and Branding Gold & Platinum Incentive Programs	2.5		Our corporate office in Anaheim, California
Cabinet Installation Slat wall and overhead cabinet hanging	2		Our corporate office in Anaheim, California
Purchase phone numbers Wrap up final IT areas Cabinet Vision training follow up Work on 3 garages	1.75		Our corporate office in Anaheim, California
Estimates and Field Measure	1.5		Our corporate office in Anaheim, California
Process of ordering materials from garagecoatings.com Finalize franchisee's initial order	.5		Our corporate office in Anaheim, California
Floor Installations	6.5		Our corporate office in Anaheim, California
Total	26.75	0	

The following Instructors teach our initial training program: Jeff Blakney, Pablos Cisneros, Denny Fite, Jason Griffiths, Jimmy McGhee, Renee Michel, Matthew Newman, and Dana Stuart. Item 2 above discloses the nature of the Instructors' experience for Jason Griffiths, Renee Michel, Matthew Newman, and Dana Stuart. We describe the nature of the experience of the following instructors here:

Equipment Technician. Jeff Blakney

Mr. Blakney has served as our Equipment Technician since December 2012. From April 2007 through November 2012, Mr. Blakney served as a Co-Owner of Concrete Floor Coatings Inc. in Laguna Hills, California.

Cabinet Supervisor Technician. Pablos Cisneros

Mr. Cisneros has served as a Cabinet Supervisor Technician for VPB since December 2010. Mr. Cisneros also served as a Cabinet Maker/Designer/Sales/Owner for Upscale Designs in Pomona, California from January 1998 through October 2010.

Information Technology Technician. Denny Fite

Mr. Fite has served as our Information Technology Technician since April 2012.

Coating Technician. Jimmy McGhee

Mr. McGhee has served as a Coating Technician for VBP from July 2010 to the present. Mr. McGhee also served as the owner of Sunset Services Coating Company from March 1999 through July 2010 in Huntington Beach, California.

The Instructors' length of experience in the field and with us is shown in the following chart:

<u>Instructor</u>	<u>Years of Experience in the Field</u>	<u>Years of Experience with the Franchisor*</u>
Jeff Blakney	12	1
Pablos Cisneros	5	3
Denny Fite	1	1
Jason Griffiths	13	4
Jimmy McGhee	4	3
Renee Michel	2	2
Matthew Newman	8	5
Dana Stuart	2	2

*Includes years of experience with our affiliate, VPB.

Training materials include our Manuals, Powerpoint presentations, and vendor samples.

At your request and subject to our availability, we will also offer you the opportunity to receive refresher training, at no additional charge, at our corporate office in Anaheim, California (Franchise Agreement Section 6.2) covering basically the same topics offered in our Initial Training Program, as in effect from time to time. You must bear all expenses incurred by you and your personnel to attend the refresher training, the amount of which we cannot meaningfully estimate as they will depend on how far you must travel and your choice in transportation, accommodations and meals

We may also offer you additional optional or mandatory training courses or programs ("Additional Training"). The Additional Training may also make optional training courses or programs

available to you on a national or regional basis at locations we select, to instruct you on new procedures or programs. The time and place of the Additional Training courses shall be at our sole discretion. In the case of mandatory programs, we will not obligate you to attend more than one such program, or for more than 2 to 4 days, in our sole direction, in any calendar year. We will not charge a fee for mandatory Additional Training that we require you and/or your personnel, but may establish charges to attend optional Additional Training. You bear all expenses for you and your personnel while attending Additional Training, regardless of whether the Additional Training is required or optional. (Franchise Agreement Section 6.4)

We may periodically schedule an annual convention or other system-wide or regional meeting at locations that we choose. If we schedule this convention or meeting, you (or your personnel that we designate) must attend, unless excused by us for good cause. You must pay all travel expenses that you or your personnel incur in connection with attending these meetings. (Franchise Agreement Section 6.5)

You must train each of your employees and all installers to our satisfaction in accordance with the Manuals. Before you begin operation of your Business, and at all times during the Term of your franchise, you must employ the number of trained employees and installers necessary, in our judgment, to adequately operate the Business. (Franchise Agreement Section 6.2).

ITEM 12 TERRITORY

We grant you the right to operate a single Business, including an Office in your home or another site acceptable to us, and one or more Vehicles within a specific geographic area (the “Trade Area”). You may not relocate your Office to any other location without our consent.

Your Trade Area will be described on Exhibit A to your Franchise Agreement and it will contain approximately 75,000 Qualified Households. Qualified Household means an “Owner Occupied Unit” determined by data issued by the United States Census Bureau, or other reliable source which we deem appropriate. The exact geographic boundaries of your Trade Area will be determined by us, based on criteria such as the number of Qualified Households in the area and the territorial rights which have previously been given to existing licensees and franchisees in the surrounding areas. Your Trade Area may be defined by reference to streets, natural boundaries or zip codes or may be one or more cities, counties, states, or countries, or some other defined area. Where a street boundary is used, the center of the street is the boundary. Our approval or designation of a geographic area as your Trade Area is not a guarantee that your Business will be successful in that Trade Area.

You will not receive any right of first refusal or other rights of any type to acquire any additional franchises, including relating to any unassigned area by virtue of your operations, if any, in that unassigned area. We may sell any unassigned area territory at any time, without advance notice to you. If we authorize you to operate outside the Trade Area, such authorization shall at all times be and remain subject to our right to rescind, cancel, amend or modify such authority in any manner we deem appropriate in our sole and absolute discretion.

Except as described below, during the term of your Franchise Agreement, neither we nor any of our affiliates will open or operate a Business within your Trade Area, nor knowingly supply others that operate a business that uses the “Garage Experts” name within your Trade Area. You

may not relocate your Office without our prior written consent. We will try to approve or reject your request to relocate your Office (if within your Trade Area) within 15 days of the date you submit all information we require.

We expressly reserve all other rights. These include the unrestricted right to:

(a) own or operate, and license others to own and operate (i) Businesses at any location outside of your Trade Area, and (ii) business which may be similar to Garage Experts Businesses but which operate under names other than “Garage Experts” at any location within or outside of your Trade Area;

(b) own or operate, and license other to manufacture, produce, license, distribute and market products (whether or not under the Marks), including cabinets, floor coatings, floor coverings, racking, modular storage systems, and accessories, through any outlet (within or outside of your Trade Area), including home improvement stores, hardware stores, specialty stores and through any distribution channel, at wholesale or retail, including by means of the Internet, Internet web site, mail order catalogs, direct mail advertising and other distribution methods;

(c) acquire or be acquired by, and subsequently operate and license others to operate non-“Garage Experts” businesses which may offer customized residential garage storage design and installation services or related goods and services at any location and of any time or category whatsoever, within or outside of your Trade Area;

(d) provide services to a customer in your Trade Area if the customer is a National Account; and

(e) advertise within and travel through your Trade Area.




Although we have agreed to provide you with certain protections in your Trade Area, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. As described in Items 6 and 8, you and we will agree on your Minimum Purchase Requirements before you sign your Franchise Agreement. If you fail to meet your Minimum Purchase Requirements during any 12 month period starting on 90 days following the effective date of your franchise agreement (“Agreement Year”), we may, at our option, either (a) reduce the size of your Trade Area, (b) terminate your rights in your Trade Area, or (c) terminate your Franchise Agreement.

Unless we agree otherwise, you may not solicit (including by using other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing) or accept orders from customers outside of your Trade Area. If you render services or provide products to customers located in another franchisee’s trade area, you may be required to pay us the Infringement Fee. We may, in our sole discretion, temporarily permit you to operate your Business in areas contiguous to your Trade Area that have not been assigned to another Garage Experts franchisee. If we allow you to do so, we may impose certain restrictions and terms (including signing a separate written agreement) and the right may be exclusive or non-exclusive. You are not allowed to construct or operate a fixed office, showroom or retail space outside of your Trade Area and we may cancel or modify your right to operate outside of your Trade Area at any time. If you receive leads for customers located in another franchisee’s trade area, you may offer such leads to the franchisee in

whose trade area the customer resides only in accordance with our then current Policies, which may include restrictions on the referral fees, if any, that you may request or receive.

ITEM 13 TRADEMARKS

The Franchise Agreement licenses to you the right to use the following Marks owned by our affiliate, VBP in accordance with our specifications and standards:

Mark	Identification Number	Principal or Supplemental Register of the United States Patent and Trademark	Registration Date
	3,742,970 (Class 20)	Principal	January 26, 2010
	3,673,973 (Classes 35 & 45)	Principal	August 25, 2009
	3,604,073 (Class 2)	Principal	April 7, 2009

We and VBP have signed a Trademark and Intellectual Property License Agreement under which VBP has licensed us to use the above Marks to offer and sell franchises, and to sublicense the right to use the principal marks in connection with the operation of the franchise, for a period of 50 years commencing November 10, 2008 and continuing from year to year unless either of us elects not to renew at the end of the initial 50 year term or any one year renewal term. Other than the license agreement referred to above, no agreements presently limit our right to use or license the use of these trademarks.

Additionally, the Franchise Agreement licenses to you the right to use the Marks owned by us, described below, in accordance with our specifications and standards:

Mark	Identification Number	Principal or Supplemental Register of the United States Patent and Trademark Office	Registration Date
Garage FX Flooring (Word Mark)	Serial # 85855609	Supplemental	Pending Publication

We also have common law rights in the Marks by virtue of using them in interstate commerce. We may have the right, as a matter of common law, to exclude other users from using the same or confusingly similar marks for similar products or services within the area of geographical influence of our company and/or our licensees. The specific legal rights which you and we have in a particular dispute would depend upon all the facts and circumstances surrounding the dispute.

You must follow our rules when you use these principal trademarks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you.

At present, you shall use “Garage Experts of _____” as your fictitious, assumed, trading as, or doing business as name. The blank shall be filled in with a geographic designation selected by Franchisee and approved by Company. Company reserves the right to change the approved fictitious name.

You may not use our registered name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

We have filed all required affidavits. As of the date of this disclosure document, there are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court; or any pending infringement, opposition, or cancellation proceeding, or any pending material federal or state court litigation involving the trademarks. We have learned that an individual is operating a business under the name “Garage Experts” in or around the Fort Myers, Florida area. Although we do not presently intend to offer franchises in the Fort Myers, Florida area, we and VBP are currently investigating this use. As of the date of this disclosure document, we do not know whether he had knowledge of our name and trademarks when he began operating his business. If his use of the “Garage Experts” name commenced in good-faith prior to the date that VBP filed applications with the United States Patent and Trademark Office for the above listed trademarks, he may have senior rights to use the “Garage Experts” name in that area and its natural zone of expansion. If his use of the “Garage Experts” name commenced in bad-faith or after the date that VBP filed the applications with the United States Patent and Trademark Office, then we and VBP intend to enforce our rights under applicable law and try to prevent his use of the “Garage Experts” name.

You must notify us of any infringement of, challenge to, or unauthorized use of the “Garage Experts” name or marks which comes to your attention, including any claim, suit or demand against you. We may take actions we deem appropriate to protect and defend you and our name or marks but we are not obligated by the Franchise Agreement to do so. You may not settle or compromise any trademark claim without our express written consent. We have the right to defend, compromise or settle these claims at our sole cost and expense, using attorneys of our own choosing and you must cooperate fully with us in the defense of this claim. You may participate at your own expense in defense or settlement, but our decisions about the matter will be final.

If we must stop using the Marks by court order, or as a result of any settlement of any claim by an existing user of any of the Marks or other third party, or if we deem it necessary or appropriate to change the Marks in order to mitigate any potential exposure or damages arising under any claim by an

existing user of any of the Marks or other third party, we will provide you with written notice of our decision to change the Business name, in which event you will have 30 days after the date of the notice (or a shorter time if required by a court order or settlement agreement) within which you may terminate your Franchise Agreement. If you do not terminate your Franchise Agreement, you must promptly change your Business name to the name we designate, in which event, we will reimburse you, in an amount not to exceed \$5,000 for your actual, reasonable, out of pocket costs to change your signs and other advertising materials to incorporate the new name and Mark. Except as described above, we are not liable for any losses or any consequential damages, including lost future profits, resulting from or arising out of any claims by a third part relating to your use of the Marks.

Periodically, in the Manuals or in directives or supplemental bulletins, we may add to, delete, or modify any or all of the Marks. You must modify or discontinue the use of a Mark, at your expense, if we modify or discontinue it. Except as described above, we will not compensate you for any modification or discontinuation of the Marks. You must adopt any new Mark we adopt. Except as described above, you must implement any change to our Marks within 60 days after notice to you.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own or have any pending patent applications material to the franchise. We will loan you one copy of our Manuals for confidential use in your Business. We claim a copyright in the Manuals, although we have not registered the copyrights. You may not duplicate, copy, disclose or disseminate the contents of the Manuals at any time, without our express written consent. We may modify or supplement the Manuals upon notice or delivery to you. You must keep the Manuals current at all times, and upon the termination or non-renewal of your Franchise Agreement return all Manuals to us or delete them if you have them in electronic form.

You may not copy, divulge or use any confidential information, which may include our policies and the contents of our Manuals, marketing concepts, customer lists and information, and operating methods and techniques (the “Confidential Materials and Practices”) during or after the term of your Franchise Agreement, except in the operation of your Business pursuant to a valid Franchise Agreement. You must follow all reasonable procedures we prescribe to prevent unauthorized use and disclosure of our Confidential Materials and Practices. You must inform your employees that have access to the Confidential Materials and Practices of their obligation to keep the information confidential and we may require that they sign a written non-disclosure agreement or acknowledgment.

There are no infringing uses actually known to us that could materially affect your use of the copyrights, trade secrets, processes, methods, procedures, or other proprietary information described above. There are no agreements currently in effect that limit our rights to use or license the above-mentioned copyrights in any manner.

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

You must designate a “General Manager” acceptable to us who will be principally responsible for communicating with us about business, operational and other ongoing matters concerning your

Business. If you are a business entity, we do not require that your General Manager be one of your owners. Your General Manager must (a) devote full time and best efforts solely to the operation of your Business and to no other business activities, (b) meet our educational, experience, financial and other reasonable criteria, and (c) attend and successfully complete our initial training program.

Each individual who owns a 10% or greater interest in the franchisee entity must sign an agreement (Exhibit C - Guaranty) assuming and agreeing to discharge all obligations of the “Franchisee” under the Franchise Agreement.

Each of your employees, including your General Manager(s), that have access to the Confidential Materials and Practices will have an obligation to keep the information confidential and we may require that they sign a written non-disclosure agreement or acknowledgment.

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

You may sell and offer only those products and services that we have approved (“Authorized Products and Services”) in connection with your Business. Authorized Products and Services may vary among Businesses, and may vary depending on the geographic location of your Trade Area. When you receive written notice from us, you must sell and provide additional Authorized Products and Services according to the instructions and within the time specified in the notice. You must stop selling and providing any previously approved or discontinued Authorized Products and Services within 30 days after receiving notice from us that the product or service is no longer approved. You may not stop offering any Authorized Product or Service without our express written approval.

You may not offer, sell or provide any Authorized Products or Services with any trademark, service mark, logo type or commercial symbol of any other person or business entity without our express written consent.

We may periodically establish and conduct promotional campaigns on an international, national or regional basis, which may by way of illustration promote particular products or marketing themes. You must participate in all promotional campaigns established in your Trade Area, for which you may be required to purchase point of sale advertising material, posters, flyers, product displays and other promotional material.

You may not use alternative distribution channels to solicit or fill orders.

**ITEM 17
RENEWAL, TERMINATIONS, TRANSFER, AND DISPUTE RESOLUTION THE
FRANCHISE RELATIONSHIP**

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

Provision	Section in Franchise Agreement	Summary
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a. Length of the franchise term	§ 3.1	10 years.
b. Renewal or extension of the term	§ 3.2	If you are in good standing, you may enter into 1 successor franchise agreement, with a 10 year term. You may be asked to sign a contract with materially different terms and conditions than your original contract. You have no further right to enter into additional successor franchise agreements, but may apply for the right to operate a Business pursuant to a new franchise agreement.
c. Requirements for franchisee to renew or extend	§§ 3.2 - 3.4	You must: (i) notify us between 9 and 12 months before your Franchise Agreement expires that you intend to exercise your right to a successor franchise agreement; (ii) have complied with your obligations under your initial franchise agreement, the Manuals and all other agreements then in effective between you and us or our affiliates and all agreements between you and Suppliers; must comply with our then-current qualification and training requirements; (iii) not have committed 3 or more material breaches during any 12 month period; (iv) sign a general release; (v) sign a new franchise agreement, which may differ from the current form franchise agreement; and (vi) pay a renewal fee.
d. Termination by franchisee	§15.8	You will have the option to terminate, with or without cause, during the 30 day period following the second anniversary of your franchise agreement.
e. Termination by Franchisor without cause	None	
f. Termination by Franchisor with cause	§§2.4.2, 15.1 – 15.7	We can terminate only if you default under your Franchise Agreement.
g. “Cause” defined – curable defaults	§15.4	You have 5 days to cure non-payment of fees and 10 days to cure defaults not listed in Sections 15.2 and 15.3 of your Franchise Agreement.

<p>h. “Cause” defined – non-curable defaults</p>	<p>§§2.4.2, 15.2 – 15.3</p>	<p>Non curable defaults: (i) bankruptcy or insolvency; (ii) unsatisfied judgment; (iii) seizure, take-over or foreclosed upon (iv) a levy of execution of attachment up on Franchise Agreement or upon any property used in the Business; (v) if you allow or permit any judgment to be entered against us or any of its our affiliates, arising out of or relating to the operation of the Licensed Business; (vi) conviction of a felony or any criminal misconduct relevant to the operation of your Business; (vii) if your or any of your owners, officers directors general manager, sales manager or operators manager is convicted of or pleads guilty or nolo contendere to a felony or any other crime or offense which may adversely affect our reputation and the system; (viii) imminent danger to the public health / health and safety violations; (ix) failure to comply with your confidentiality or non-competition provisions of your franchise agreement; (x) abandonment; (xi) Assignment without our consent; (xiii) repeated defaults, even if cured; (xii) repeated infringement on other franchisee’s trade areas; (xiii) violation of law which is not cured within 10 days; (xiv) knowingly maintaining false books, underreporting or under recording of Gross Sales, certain underreporting or under-recording; (xv) trademark and confidential information misuse; (xvi) misrepresentations in connection with the acquisition of the franchise.</p> <p>We may also terminate your Franchise Agreement if you fail to meet your Minimum Purchase Requirements.</p>
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i. Franchisee's obligations on termination/non-renewal	Article 16	You must stop using our Marks; stop using all photographs, images, videos and other depictions of projects and installations done for Garage Experts customers; pay all amounts due to us; return the Manuals, 3-d cabinet design software key, all training materials, CD ROMs, DVDs, records, customer lists, files, advertising and promotional materials and all other written materials incorporating our trade secrets; makes cosmetic changes to your Office and Vehicles so that they no longer resemble our proprietary design; at our election, sell the equipment and furnishings that we designate to us, upon receiving notice from us, assign to us or our designee (or, at our election, terminate) all voice and data telephone numbers used in connection with your Business; authorize and instruct the telephone company and all listing agencies of the termination of your right to use any telephone number or listing associated with your Business and authorize and instruct the telephone companies and listing agencies to transfer and assign the telephone numbers and directory listing to us, sign and deliver to us all documents that must be filed with any governmental agency indicating that you are no longer licensed to use our Marks. See also "r" below.
j. Assignment of contract by Franchisor	§14.1	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	§14.2.1 and Appendix I	Includes transfer of the agreement or change in ownership of a franchisee which is an entity.
l. Franchisor approval of transfer	§14.2	Transfers require our express written consent

<p>m. Conditions for franchisor approval of transfer</p>	<p>§§14.2 & 14.4</p>	<p>New franchisee: must qualify, assume the Franchise Agreement or sign a new Franchise Agreement, complete training, refurbish the Office, Vehicles and any other space (other than a personal residence) or equipment used in connection the Business.</p> <p>You must not be default under the terms of your Franchise Agreement or any other related agreements with us or under any agreement with our affiliates or the Manuals. You must: provide us with an estoppel agreement and a list of all persons having an interest in the Franchise Agreement or in the Franchisee; pay all amounts then-due to us; sign a general release, provide us with all documents relating to the transfer, disclose to us all material information that we request regarding the transferee, the purchase price, and the terms of the transfer, and pay an administrative/transfer fee plus reimburse us for our reasonable out of pocket expenses incurred in reviewing any proposed assignment and the proposed assignee. If we determine that the assignee must attend the initial training program, you must pay our then current training fee and reimburse us for our travel expenses to provide training. (See also “r” below).</p> <p>If the new franchisee is a business entity, all holders of a 10% or greater interest in the new franchisee must sign a guaranty.</p>
<p>n. Franchisor’s right of first refusal to acquire franchisee’s business</p>	<p>§14.3</p>	<p>We can match any offer for your business.</p>
<p>o. Franchisor’s option to purchase franchisee’s business</p>	<p>§16.1.2</p>	<p>Upon termination or expiration of your Franchise Agreement, we may purchase certain equipment and furnishings associated with your Business at net book value, using a 5-year straight line amortization period.</p>

<p>p. Death or disability of franchisee</p>	<p>§15.3.2</p>	<p>Same requirements as for transfer in "m" above, however, we will allow up to 6 months after your death or disability for your heirs, personal representatives or conservators ("Heirs") to (a) assume your Franchise Agreement or enter into a new franchise agreement (for which we will not charge an initial franchise fee or transfer fee) or (b) sell your franchise to an assignee approved by us. Upon the death or legal incapacity of one of your owners owning 25% or more of the equity or voting power of a corporate or limited liability company Franchisee, or a general or limited partner owning 25% or more of any of the partnership rights of a Franchisee which is a partnership, we will allow a period of up to 6 months after the death or legal incapacity for your Heirs to get our consent to the transfer or assignment of the stock, membership interests or partnership rights to the Heirs or to another person we accept. We may, during the 6 month period, assume management of the Business or appoint a third party to assume its management. If we, or a third party, assumes management of the Business, you must pay all of our costs and expenses incurred during this time plus a management fee equal to 5% of your gross sales during this time. If we assume management of the Business, you acknowledge that we (or the third party) have a duty to utilize only reasonable efforts and we are not liable to you or your owners for any losses or costs, including consequential damages or lost profits. If, within the 6 month period, the Heirs fail either to enter into a new franchise agreement or to sell the Business to a person we approve, or fail either to get our consent to the Assignment of the stock, membership interest or partnership rights to the Heirs or to another person we accept, the Franchise Agreement will automatically terminate.</p>
<p>q. Non-competition covenants during the term of the franchise</p>	<p>§13.1.1</p>	<p>You can not engage in "Competitive Activities," defined as: floor coating and storage solutions, concrete floor coatings for exterior surfaces, industrial floor coatings for retail stores and commercial buildings, or a home closets solutions service, in the United States.</p>

r. Non-competition covenants after the franchise is terminated or expires	§13.1.2	Except with our express written consent, no involvement in any Competitive Activities (defined above), for 2 years at: (i) any site within your Trade Area; (ii) within 25 miles of the boundaries of your Trade Area. Also, except with our express written consent, you may not solicit business for an individual or business entity that was one of your customers during the 12 month period preceding the termination of your Franchise Agreement.
s. Modification of the agreement	§21.7	The Franchise Agreement may be modified only by written agreement between the parties. The Manuals are subject to change.
t. Integration/Merger clause	§21.7	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Article 20	Both of us agree to attempt to resolve any dispute in a non-binding mediation held in Orange County, California prior to commencing any proceeding. All disputes must be resolved by arbitration in Orange County California, except for certain matters which may be brought in court.
v. Choice of forum	§20.3	Subject to state law, litigation will be held in Orange County, California. Both of us waive the right to a trial by jury.
w. Choice of law	§21.6	Subject to state law, California law applies, except for the provisions respecting non-competition, which are governed by local law.

**ITEM 18
PUBLIC FIGURES**

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

**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.

Here we set forth 2012 data for Average Sales, Average Cost of Goods Sold, and Average Closing Rate of seven (7) of our nine (9) outlets which operated for a full year in 2012. In 2012 we had 34 outlets, 9 of which met the characteristic of having operated a full year in 2012. Seven of our nine franchisees responded to our survey asking for this information. All seven outlets whose data is presented below were in operation five years or less in 2012.

Average Sales: \$339,195

Average Cost of Goods Sold (“COGS”): 34% of Sales

Average Closing Rate: 67%

	<u>Avg. Sales</u>	<u>Avg. COGS</u>	<u>Avg. Closing Rate</u>
Number of outlets who attained or surpassed the stated result (Notes 1 and 2)	2	4	4
Percent of outlets who attained or surpassed the stated result (Notes 1 and 2)	28.57%	57.14%	57.14%

Note 1- We base the number and percent of outlets who attained or surpassed the stated result on the seven (7) outlets who responded to our request for this information.

Note 2- For Average COGS, an outlet attained or surpassed the stated result if its COGS was equal to or less than the stated result.

Please keep in mind that the information we present is based upon reports from franchisees and we have not audited or in any way verified this information.

Further, a number of factors will directly affect the performance of your territory. These include, but are not limited to, the general market for our services in your area, competitive factors from other companies offering similar services in your market, and the success of your efforts to market your services, offer high customer service, and generally follow our Operations Manual and system. Written substantiation for this financial performance representation is available to you upon reasonable request.

Some outlets have earned this amount. Your individual results may differ. There is no assurance you will earn as much.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1
Systemwide Business Summary
For Years 2011 through 2013**

Column 1 Business Type	Column 2 Year	Column 3 Businesses at the Start of the Year	Column 4 Businesses at the End of the Year	Column 5 Net Change
Franchised	2011	8	10	+2
	2012	10	13	+3
	2013	13	35	+22
Company- and Affiliate-Owned	2011	0	0	0
	2012	0	0	0
	2013	0	0	0
Total Businesses	2011	8	10	+2
	2012	10	13	+3
	2013	13	34	+21

**Table No. 2
Transfers of Businesses from Franchisee to New Owners (other than the Franchisor)
For Years 2011 through 2013**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Totals	2011	1
	2012	0
	2013	0

Table No. 3

**Status of Franchised Outlets
For Fiscal Years Ending December 31, 2011 to December 31, 2013***

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termin- ations	Col. 6 Non- Re- newals	Col. 7 Re-acquired by Franchisor	Col. 8 Ceased Operati- ons- Other Reasons	Col. 9 Fran- chised Stores Operating at Year End
Alabama	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	3	0	0	0	1	3
Alaska	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Arizona	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	2	0	0	0	0	2
California	2011	1	0	0	0	0	0	1
	2012	1	2	0	0	0	0	3
	2013	3	4	1	0	0	1	6
Connecticut	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	1	0
	2013	0	0	0	0	0	0	0
Florida	2011	0	0	0	0	0	0	0
	2012	0	2	0	0	0	0	2
	2013	2	3	1	0	0	2	2
Georgia	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Idaho	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Illinois	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	1	0
	2013	0	1	0	0	0	1	0
Indiana	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	1	0
	2013	0	0	0	0	0	0	0

Kentucky	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	1	0
	2013	0	1	0	0	0	0	1
Maryland	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Minnesota	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	1	0	0	0	2	0
Missouri	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	2	0	0	0	0	2
Nebraska	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Nevada	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
New Hampshire	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
New Mexico	2011	0	1	0	0	0	0	1
	2012	1	1	0	0	0	1	1
	2013	1	0	0	0	0	0	1
N. Carolina	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	2	0	0	0	0	2
Oklahoma	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Pennsylvania	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
S. Carolina	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Texas	2011	1	0	0	0	0	1	0
	2012	0	1	0	0	0	0	1
	2013	1	3	0	0	0	0	4

Trinidad	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Washington	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	2	0
	2013	0	0	0	0	0	0	0
Wisconsin	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Wyoming	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	1	0
	2013	0	0	0	0	0	0	0
Totals	2011	8	3	0	0	0	1	10
	2012	10	11	0	0	0	8	13
	2013	13	29	1	0	0	7	34

Table No. 4
Status of Company- and Affiliate-Owned Businesses* For Years 2011 through 2013

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Businesses at Start of Year	Businesses Opened	Businesses Reacquired from Franchisee	Businesses Closed	Businesses Sold to Franchisee	Businesses at End of the Year
Totals	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0

*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

Table No. 5

Projected Openings as of December 31, 2013

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	0	0	0
Alaska	0	0	0
Arizona	0	0	0
Arkansas	0	1	0
California	0	1	0
Colorado	0	1	0
Connecticut	0	0	0
Delaware	0	0	0
D. of Columbia	0	0	0
Florida	0	2	0
Georgia	0	0	0
Hawaii	0	1	0
Idaho	0	0	0
Illinois	0	1	0
Indiana	0	0	0
Iowa	0	0	0
Kansas	0	0	0
Kentucky	0	0	0
Louisiana	0	0	0
Maine	0	0	0
Maryland	0	0	0
Massachusetts	0	0	0
Michigan	0	0	0
Minnesota	0	0	0
Mississippi	0	0	0
Missouri	0	0	0
Montana	0	0	0
Nebraska	0	0	0
Nevada	0	0	0
New Hampshire	0	0	0
New Jersey	0	1	0
New Mexico	0	0	0
New York	0	0	0
North Carolina	0	1	0
North Dakota	0	0	0
Ohio	0	0	0

Oklahoma	0	0	0
Oregon	0	1	0
Pennsylvania	0	0	0
Rhode Island	0	0	0
South Carolina	0	0	0
South Dakota	0	0	0
Tennessee	0	1	0
Texas	0	1	0
Utah	0	0	0
Vermont	0	0	0
Virginia	0	0	0
Washington	0	0	0
West Virginia	0	0	0
Wisconsin	0	0	0
Wyoming	0	0	0
TOTALS	0	12	0

Attached as Exhibit E is a list of the names of all current franchisees and the address and telephone number of each of their outlets.

Also attached as Exhibit E is the name, city, state, and last known telephone number of each franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during 2013 or who have not communicated with us within 10 weeks of the date of this disclosure document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No trademark specific franchisee association has been sponsored by us, or has requested to be included in this Franchise Disclosure Document.

We have not entered into any confidentiality clauses with a franchisee that would restrict their ability to discuss his or her personal experience as a franchisee.

ITEM 21 FINANCIAL STATEMENTS

Our audited financial statements for the years ended December 31, 2013, 2012 and 2011 are attached as Exhibit F.

**ITEM 22
CONTRACTS**

Exhibit A- Franchise Agreement.
Exhibit B- General Release
Exhibit C- Guaranty
Exhibit D- State Addenda to the Franchise Agreement

**ITEM 23
RECEIPTS**

You will find two copies of a detachable receipt in Exhibit J at the end of this disclosure document.

**Exhibit A Franchise
Agreement**

GARAGE EXPERTS INTERNATIONAL LLC
FRANCHISE AGREEMENT

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FRANCHISE AGREEMENT

This **FRANCHISE AGREEMENT** is made this ___day of _____, 20__ (“**Effective Date**”) by and between Garage Experts International LLC, a California limited liability company (“**Company**”), and _____, [] an individual, as sole proprietor, OR [] _____, a(n) _____(Franchisee”) with reference to the following facts:

A. Company and/or an Affiliate of Company owns certain proprietary and other property rights and interests in the “Garage Experts” trademark and service mark, and such other trademarks, service marks, logo types, insignias, trade dress, designs, and commercial symbols as Company may from time to time authorize or direct Franchisee to use in connection with the operation of the Licensed Business (“**Marks**”).

B. Company and/or an Affiliate of Company have developed and continue to develop, and Company owns or has the right to sublicense, a system for the operation of customized residential garage storage design and installation business which system includes various operating methods, techniques, Policies, products, distinctive signs, Trade Secrets, record-keeping and marketing techniques (the “**System**”).

C. Franchisee desires to obtain the license and franchise to operate a Business to be operated under the Business Name in and in strict accordance with the System and Policies established by Company, and Company is willing to grant Franchisee such license and franchise under the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

**ARTICLE 1
DEFINITIONS & APPLICABLE INFORMATION**

1.1 **Certain Definitions and Applicable Information.** In this Agreement the following terms shall have the meanings set forth in this Section 1.1 (see Appendix 1 for additional defined terms):

1.1.1 “**Business Address**” means: _____

1.1.2 “**Business Name**” means: “Garage Experts” subject to Section 12.6.

1.1.3 “**Franchisee Notice Address**” shall be:

Fax: _____

1.1.4 “**General Manager**” means (a) Franchisee, if franchisee is an individual, or (b) _____, or such other individual hereafter designated by Franchisee, and accepted by Company (and until subsequently disapproved by Company), who Franchisee warrants and covenants has the authority to act on behalf of Franchisee during the Term.

ARTICLE 2 GRANT

2.1 **Grant.** Company hereby awards Franchisee, and Franchisee hereby accepts, the right, license and obligation, during the Term, upon the terms and subject to the provisions of this Agreement and all ancillary documents hereto, to use and display the Marks, and to use the System to operate one (1) Business solely within the Trade Area. Without limiting the generality of the foregoing and subject to Section 2.5 below, Franchisee shall not sell or provide Authorized Products or Services to any customer located outside of Franchisee's Trade Area. If Franchisee receives leads for customers located in another franchisee's trade area, Franchisee may offer such leads to the franchisee in whose trade area the customer resides only in accordance with Company's then current Policies, which may include restrictions on the referral fees, if any, that Franchisee may request or receive.

2.2 **No Sublicensing Rights.** Franchisee shall not subdivide, sublicense, subfranchise, subcontract, sublease, or enter any management agreement providing for the right to operate the Licensed Business, or to use the Marks or System.

2.3 Territorial Rights.

2.3.1 Except as set forth in Section 2.3.2 and Section 2.4, during the Term neither Company nor any Affiliate of Company shall open or operate any Business within the Trade Area, nor knowingly supply others that operate a business that uses the "Garage Experts" name within the Trade Area.

2.3.2 Except to the limited extent expressly provided in Section 2.3.1, the license granted to Franchisee under this Agreement is nonexclusive and Company expressly reserves all other rights, including, the exclusive, unrestricted rights, in its discretion, directly and indirectly, itself and through its employees, Affiliates, representatives, franchisees, licensees, assigns, agents and others to:

(a) own or operate, and to license others (which may include its Affiliates) to own or operate (1) Business at any location outside the Trade Area, but regardless of the proximity to the Trade Area, and (2) businesses, including those that may be the same as or similar to a Business, which operate under names other than "Garage Experts" at any location, and of any type whatsoever, regardless of their proximity to the Trade Area and whether or not such businesses use any portion of the System;

(b) own or operate, and to license others to manufacture, produce, license, distribute and market products (whether or not under the Marks), including cabinets, floor coatings, floor coverings, racking, modular storage systems, and accessories; through any outlet (regardless of its proximity to the Trade Area), including home improvement stores, hardware stores, specialty stores and through any distribution channel, at wholesale or retail, including by means of the Internet, Internet web site, mail order catalogs, direct mail advertising and other distribution methods;

(c) acquire or be acquired by, and subsequently operate and license others to operate non-"Garage Experts" businesses which may offer customized residential garage storage design and installation services, or related goods and services, at any location, and of any type or category whatsoever, regardless of proximity to the Trade Area;

- (d) provide services to a customer in the Trade Area if the customer is a National Account; and
- (e) advertise within and travel through the Trade Area.

2.4 **Minimum Purchase Requirements; Loss of Territorial Rights.**

2.4.1 Franchisee agrees that, during each Agreement Year, Franchisee will purchase from Company or Company's Affiliate, cabinets, floor coatings, floor coverings, racking, modular storage systems, accessories, specialized application tools, home closet solutions, and supplies having a purchase price of not less than \$78,000, to increase 5% annually (the "**Minimum Purchase Requirements**").

2.4.2 If Franchisee fails to meet the Minimum Purchase Requirements, Company shall have the right, in addition to any other rights under the Agreement or under Applicable Law, to take any one or more of the following actions: (a) to unilaterally reduce the size of the Trade Area; (b) to unilaterally terminate Franchisee's territorial rights in the Trade Area as set forth in Section 2.3.1; or (c) terminate this Agreement. For purposes of determining compliance with the Minimum Purchase Requirements, all product purchases by Franchisee are net of any taxes or shipping charges.

2.5 **Temporary Additional Trade Area.**

2.5.1 In its sole discretion, Company may, upon written request of Franchisee, authorize Franchisee on a temporary and either exclusive or non-exclusive basis, or otherwise, to operate the Licensed Business in areas contiguous to the Trade Area which have not been assigned to any another franchisee (each a "**Unassigned Area**"), upon such terms and subject to such conditions (which may include the execution of a separate written agreement), and during such time period(s), as Company may determine. Notwithstanding the foregoing, Franchisee shall not establish, construct, maintain or operate a physical office, showroom, or any type of facility outside of the Trade Area.

2.5.2 Franchisee does not receive any right of first refusal or other rights of any type to an Unassigned Area by virtue of operations in that Unassigned Area. Company may sell any Unassigned Area territory at any time, without advance notice to Franchisee. If Company authorizes Franchisee to operate outside the Trade Area, such authorization shall at all times be and remain subject to Company's right to rescind, cancel, amend or modify such authority in any manner it deems appropriate in its sole and absolute discretion. Without limiting the foregoing, Company may give a notice to cease operating in an Unassigned Area without regard to whether the Unassigned Area has been sold to another franchisee or if Company or its Affiliate will commence operations in such area. After Company gives notice to cease operating in the Unassigned Area, Franchisee may (for a maximum of 15 days) provide Authorized Products and Services for which appointments orders were received before Company gave Franchisee notice to cease operating in the area. Franchisee will, without compensation, engage in an orderly transition of Franchisee's customers in the applicable Unassigned Area to the new franchisee, Company or its Affiliate, as applicable.

ARTICLE 3 TERM

3.1 **Term.** The "**Term**" of this Agreement shall begin on the Effective Date and continue for a period of ten (10) years, unless sooner terminated by Franchisee or Company in accordance with ARTICLE 15 of this Agreement.

3.2 **Successor Agreement.** Provided that Company is then offering franchises in the same state in which the Trade Area is located, Franchisee shall have the right at the expiration of the Term, (the "**Successor Agreement Right**") to enter into a new franchise agreement in the form then generally being

offered to prospective Company's "Garage Experts" franchisees operating in the state in which the Trade Area is located (the "**Successor Franchise Agreement**") for a ten (10) year period (the "**Successor Term**"). The term of the Successor Franchise Agreement shall commence upon the date of expiration of the Term; provided, however, that notwithstanding the terms of the Successor Franchise Agreement, the: (a) Franchisee shall pay a \$5,000 renewal fee upon execution of the Renewal Franchise Agreement; and (b) the Renewal Franchise Agreement shall be modified to conform to the Successor Term and provide no further successor agreement right or other renewal right.

3.3 Form and Manner of Exercising Successor Agreement Right. Franchisee shall exercise the Successor Agreement Right, if at all, strictly in the following manner:

3.3.1 Between 9 months and 12 months before the expiration of the Term, Franchisee shall notify Company in writing ("**Notice of Election**") that it intends to exercise the Successor Franchise Right. No sooner than immediately after the expiration of any waiting period(s) required by Applicable law and no more than 30 days after Franchisee receives Company's franchise disclosure document (if applicable), Franchisee shall execute the copies of said Successor Franchise Agreement and return them to Company.

3.3.2 If Franchisee exercises the Successor Agreement Right in accordance with Section 3.3.1 and satisfies all of the conditions contained in Section 3.4, Company shall execute the Successor Franchise Agreement and deliver one fully executed copy to Franchisee.

3.3.3 If Franchisee fails timely to perform any of the acts, or timely deliver any of the notices required pursuant to the provisions of Sections 3.3 or 3.4, such failure shall be deemed an election by Franchisee not to exercise its Successor Agreement Right and shall automatically cause Franchisee's Successor Agreement Right to lapse and expire.

3.4 Conditions Precedent to Entering into a Successor Franchise Agreement. Franchisee's Successor Agreement Right is conditioned upon Franchisee's fulfillment of each and all of the following conditions precedent:

3.4.1 At the time Franchisee delivers its Notice of Election to Company, and at all times thereafter until the commencement of the Successor Term, Franchisee shall have fully performed all of its material obligations under this Agreement, the Manuals and all other agreements then in effect between Franchisee and Company or its Affiliates, and all agreements between Franchisee and Suppliers.

3.4.2 Without limiting the generality of Section 3.4.1, Franchisee shall not have committed 3 or more material defaults of this Agreement during any 12 month period during the Term for which Company shall have delivered notices of default, whether or not such defaults were cured.

3.4.3 Concurrently with the execution of the Successor Franchise Agreement, Franchisee shall, and shall cause each of its Affiliates to, execute and deliver to Company a general release, on a form prescribed by Company, of any and all known and unknown claims against Company and its Affiliates and their Owners, officers, directors, agents, and employees. The release may cover future consequences of acts, omissions, events and circumstances predating the date of the release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the release is executed.

3.4.4 Franchisee shall comply with Company's then-current qualification and training requirements and shall pay all Travel Expenses incurred in connection with such training.

3.4.5 Franchisee shall meet all Minimum Purchase Requirements throughout the Term.

3.4.6 Franchisee shall perform in accordance with Company's Policies throughout the Term.

3.4.7 During the Term, Franchisee shall not have received an unreasonable number of consumer complaints or failed to satisfactorily resolve any consumer complaint to Company's satisfaction.

3.4.8 Franchisee shall have remained current in all financial obligations to Company and all of its Affiliates throughout the Term.

3.5 **Notice Required by Law.** If Applicable Law requires that Company give notice to Franchisee prior to the expiration of the Term, this Agreement shall remain in effect on a week to week basis until Company has given the required notice. If Company is not offering new franchises, is in the process of revising, amending or renewing its form of franchise agreement or franchise disclosure document, or is not lawfully able to offer Franchisee its then-current form of franchise agreement, at the time Franchisee delivers its Notice of Election, Company may (i) offer to renew this Agreement upon the same terms set forth herein for a term equal to the Successor Term, or (ii) offer to extend the Term on a week to week basis following the expiration of the Term for as long as it deems necessary or appropriate so that it may lawfully offer its then-current form of franchise agreement.

ARTICLE 4 FRANCHISED BUSINESS

4.1 Office.

4.1.1 The Office for the Licensed Business shall be at the Business Address.

4.1.2 If no Business Address has been inserted in Section 1.1.1 on the Effective Date, Franchisee shall promptly following the execution hereof locate a site within the Trade Area for Franchisee's office at which Franchisee can, at a minimum, accept delivery of supplies and products necessary for Franchisee to operate its Licensed Business (the "**Office**"). The Office may be located at Franchisee's personal residence, a shared office or a warehouse unit, provided the Office must meet the Policies and is subject to Company's prior written approval. Franchisee shall submit to Company such information regarding the proposed site(s) and neighboring areas as Company shall require, in the form(s) prescribed by Company. Company may accept or reject a proposed site in its sole discretion.

4.1.3 Franchisee may not relocate the Office without Company's prior written consent. If Company shall consent to any relocation, Franchisee shall de-identify the former office in the manner described in this Agreement with respect to Franchisee's obligations upon termination and expiration, and shall reimburse and indemnify and hold Company harmless from any direct and indirect losses, costs and expenses, including attorneys' fees, arising out of Franchisee's failure to do so.

4.1.4 If the Office is not within a personal residence and is leased or subleased, (i) the Lease for the Office shall name Franchisee as the sole lessee thereunder and may not be assigned or sublet without Company's prior written consent; (ii) Company shall have the right to review and accept or reject the Lease, a true and correct copy of which shall be delivered to Company prior to its execution; (iii) Franchisee shall neither create nor purport to create any obligations on behalf of Company, nor grant or purport to grant to the lessor thereunder any rights against Company, nor agree to any other term, condition, or covenant which is inconsistent with any provision of this Agreement; (iv) the Lease shall be for a term (including options) which is not less than the Term (plus the Successor Term), unless Company shall approve, in writing, a shorter term of the Lease; and (v) the Lease shall provide that Company or its designee have an option, without cost or expense to Company or such designee, to assume the Lease, or execute a substitute lease on the same terms, in the event of termination or expiration of this Agreement for any reason. Company's review and acceptance of the Lease is solely for Company's benefit and is solely an indication that the Lease meets Company's Policies at the time of acceptance for

the Lease (which may be different than the requirements of this Agreement) such review and acceptance shall not be construed as any express or implied representation or warranty that the Lease complies with Applicable Law or represents a transaction that is fair or in Franchisee's best interest.

4.1.5 If Company or its designee elects to succeed to Franchisee's rights under the Lease, as aforesaid, Franchisee shall assign to Company or such designee all of its right, title and interest in and to the Lease, whereupon the lessor thereunder shall attorn to Company or such designee as the tenant thereunder. Franchisee shall execute and deliver to Company or such designee such assignment and take such further action as Company or such designee, as applicable, in its sole and absolute discretion, may deem necessary or advisable to effect such assignment, within 10 days after written demand by Company or such designee to do so, and upon Franchisee's failure to do so, Company or such designee shall be, and hereby is, appointed Franchisee's attorney in fact to do so. This power of attorney granted by Franchisee to Company and such designee is a special power of attorney coupled with an interest and is irrevocable and shall survive the death or disability of Franchisee. Any sum expended by Company or such designee to cure Franchisee's breach of the Lease shall be deemed additional sums due Company hereunder and Franchisee shall pay such amount to Company upon demand. The covenants of Franchisee contained in this Section 4.1.4 shall survive the termination of this Agreement.

4.2 **Required Equipment; Vehicles.**

4.2.1 Following the Effective Date, Company shall provide Franchisee with copies of the Policies for required equipment (including computer equipment), inventory, supplies, materials, and signs. Franchisee shall at its sole cost and expense promptly obtain such equipment, inventory, supplies, materials, and signs in accordance with the Policies, unless Company shall, in writing, agree to modifications thereof.

4.2.2 Franchisee acknowledges that the franchise and license granted by the Agreement contemplates that a substantial portion of Franchisee's business will be conducted through the utilization of truck, trailer, sport-utility vehicles or other automobiles (each a "**Vehicle**" and more than one "**Vehicles**") that enable Franchisee to deliver products and perform installation services at households within the Trade Area. Franchisee shall at all times own or lease a sufficient number of Vehicles to meet Franchisee's needs and customer demands in accordance with the Policies. Each Vehicle must meet Company's then-current Policies, including, among other things, specifications relating to the required quantity, make, model, year, color, and body wrap. Franchisee shall promptly following the purchase or lease of a Vehicle and prior to the use of any Vehicle in connection with the Licensed Business, make such modifications and additions to the Vehicle as required by Company, including, applying and installing all decals, logos and racks.

4.3 **Maintaining Office and Vehicles.** Franchisee shall maintain the condition and appearance of the Office and all Vehicles used in the Licensed Business in a level of cosmetic appearance that is consistent with the image of Businesses as clean, efficient and well operated. If at any time in Company's reasonable judgment, the state of repair, appearance (including logos, decals and/or signs) or cleanliness of Franchisee's Office or Vehicles, or any part of the foregoing, fail to meet the Policies, Franchisee shall immediately upon receipt of notice from Company specifying the action to be taken by Franchisee (within the time period specified by Company), correct such deficiency, modify, repair and/or refurbish the Office or Vehicles, as applicable, and make such modifications and additions to their appearance as may be required.

4.4 **Reserved.**

4.5 **Commencement of Business and Continuous Operation.** Prior to the day that Franchisee commences operation of the Licensed Business, Franchisee shall provide photographs, video images, and other information requested by Company to confirm that the Office and Vehicle(s) conform to the Policies. Company may, prior to the day that Franchisee commences operation of the Licensed Business, perform an inspection of the Office and Vehicle(s), to ensure that the Office and Vehicle(s)

conform to the Policies. Franchisee may not commence operation of the Licensed Business until Franchisee has received written authorization to do so from Company, which authorization may be conditional and subject to Company's receipt of further information and/or inspection. Franchisee shall commence the operation of the Licensed Business within 90 days following execution of this Agreement (the "**Business Commencement Date**"), and thereafter operate the Licensed Business not less than 6 days and 48 hours per week.

ARTICLE 5 PAYMENTS

5.1 Initial License and Territory Fee.

(a) The initial License Fee for a new franchise is \$10,000 per territory.

(b) The initial Territory Fee for a new franchise is \$5,000 per territory, which applies to the first 5 territories we sell in 2014. The initial Territory Fee increases to \$7,500 per territory for territories 6-10 sold by us in 2014; then increases to \$10,000 per territory for territories 11-15 sold in 2014, then to \$15,000 per territory.

We offer a 10% discount on the initial License and Territory Fees for a Veteran honorably discharged from any branch of the U.S. armed forces within ten (10) years of applying for a franchise with us.

The initial License and Territory fees are due to us in full when you return to us signed copies of your Franchise Agreement, and before you attend initial training.

We will refund 90% of the initial License and Territory fees if you do not pass our initial training in accordance with our current passing standards, if you return to us any materials we distributed to you during initial training. Otherwise, the initial License and Territory fees are fully earned and nonrefundable when both you and we execute the Franchise Agreement between us.

5.2 Continuing Royalty and Royalty Holiday. "Continuing Royalty" means the following applicable amounts:

(a) \$300 per month (for any whole or partial month) for the first six months after the Effective Date of this Agreement*;

(b) \$650 per month (for any whole or partial month) for months 7-12 after the Effective Date of this Agreement*;

(c) \$1,000 per month (for any whole or partial month) for months 13-24 after the Effective Date of this Agreement*;

(d) \$1,500 per month (for any whole or partial month) for months 25 and beyond after the Effective Date of this Agreement*;

*If this Franchise Agreement relates to a renewal or purchase of a territory containing existing or prior Garage Experts operations, then the months stated in Section 5.2(a)-(d) above start to run from the date when operations began, not from the Effective Date of this Agreement.

If Franchisee purchases a second territory from Company, the monthly royalty fees on the second territory are half the numbers stated above if both territories are purchased at the same time or they maintain Platinum Badge status for two consecutive months. Platinum Badge status refers to meeting certain purchase, marketing, and customer service standards.

5.2.1 **Royalty Holiday.** If Franchise does not earn total **Gross Sales** of \$750,000 or more in the first three years of operation following the effective date of this Agreement, then Franchisee shall be entitled to a refund of \$15,000 of initial License and Territory Fee through a Royalty Holiday, meaning that Franchisee will not pay Continuing Royalties of \$1,500/month for ten (10) months

5.3 **Advertising Fees.** Franchisee shall pay to Company, its affiliates, or designees, as applicable, when due the following advertising fees:

5.3.1 **National Advertising Fee.**

U.S. Franchisee Count	First Territory Monthly Advertising Fee	Second Territory Monthly Advertising Fee
1-74	\$300	\$150
75-124	\$500	\$250
125 or more	\$1,000	\$500

We may use the National Advertising Fees on national, regional, or local advertising, marketing, public relations, marketing research, and promotions, including a share of corporate overhead and marketing to sell franchises, not to exceed 15% of the amount of National Advertising Fees received in any given year. Company makes the determination of how to spend the National Advertising Fees. If any National Advertising Fees are not spent in a given year, they will rollover to the next year.

5.3.2 **Pay Per Click Fee.** You must spend a minimum of \$565 per month on Pay Per Click ("PPC") marketing to gain customers. You pay a minimum \$500 to us, we add a 13% mark up for our overhead, and we hire an outside search engine firm to manage the keyword advertising campaigns. The monies you pay in, less our 13% share, are set up as a monthly budget for the outside search engine firm to draw from. You may elect but are not required to spend more. The amount you spend on PPC marketing counts toward your required Local Advertising expenditure described in Section 8.2 below.

5.3.3 **Internet Service Fee.** We may permit you to customize or post certain information to the interior page of our website. If you request us to modify or supplement your interior page, you must pay our costs and expenses to do so, usually in the range of \$100 to \$1,000 for typical changes

5.4 **Other Payments.**

5.4.1 Franchisee shall pay to Company, its Affiliates and designees, as applicable, promptly when due:

(a) all amounts advanced by Company or which Company has paid, or for which Company has become obligated to pay on behalf of Franchisee for any reason whatsoever;

(b) the amount of all sales taxes, use taxes, personal property taxes and similar taxes, which may be imposed upon Franchisee, but required to be collected or paid by Company (i) on account of Franchisee's Gross Sales, or (ii) on account of fees collected by Company from Franchisee (but excluding Company's ordinary income taxes). Company may collect the taxes in the same manner as Continuing Royalties are collected and promptly pay the tax collections to the appropriate Governmental Authorities; provided, however, that unless Company so elects, it shall be Franchisee's responsibility to pay all sales, use or other taxes imposed now or in the future by any Governmental Authorities on fees paid by Franchisee to Company; and

(c) all amounts due for any reason, including on account of purchases of goods, supplies or services relating to the Licensed Business.

5.4.2 Franchisee shall remain current and fully comply and perform each of its obligations to its landlord, vendors and Suppliers.

5.5 **Trade Area Infringement Fine.** If Franchisee breaches this Agreement by failing to operate the Licensed Business solely within the Trade Area, as provided in Section 2.1, and infringes on the designated trade area of another "Garage Experts" franchisee, Franchisee may be required to pay Company a trade area infringement fine (the "**Infringement Fine**") as follows:

(a) For the first violation, the Infringement Fee shall be \$500 plus the invoice amount of the products provided and services performed in another franchisee's trade area;

(b) For the second violation, the Infringement Fee shall be \$1,000 plus the invoice amount of the products provided and services performed in another franchisee's trade area; and

(c) For the third and any subsequent violation, the Infringement Fee shall be \$5,000 plus the invoice amount of the products provided and services performed in another franchisee's trade area. As provided in Section 15.3.3, Company may also terminate this Agreement if Franchisee infringes on the designated trade area of another "Garage Experts" franchisee 3 or more times during the Term.

(d) Franchisee shall pay the Infringement Fine to Company within 5 days of receiving a written demand. For purposes of this Infringement Fine, trade area infringement occurs when Franchisee generates income from a customer by receiving payment for goods or services provided or rendered within the trade area of another "Garage Expert" franchisee, without first obtaining both Company's and that franchisee's express written consent.

5.6 **Timing and Method of Payment.**

5.6.1 **Timing of Payment.** No later than 15th day of each Reporting Period during the Term, Franchisee shall calculate and remit to Company the Continuing Royalty, and all other amounts then owed to Company, except as otherwise provided for product purchases pursuant to ARTICLE 10.

5.6.2 **Method of Payments.** At Company's request, and at Franchisee's sole cost and expense, Franchisee shall make all payments due under this Agreement directly to Company through the use of a credit card issued by a major bank (Visa, Mastercard, American Express or Discover).

5.7 **Application of Funds.** If Franchisee becomes delinquent in the payment of any obligation to Company or its Affiliate under this Agreement or any other agreement, Company shall have the absolute right to apply any payments received from Franchisee to any obligation owed to Company or its Affiliate, notwithstanding any contrary designation by Franchisee.

5.8 **Interest and Charges for Late Payments.** If Franchisee fails to pay to Company all sums owed to Company or its Affiliates promptly when due, Franchisee shall pay interest on the unpaid amounts from the date due, at 10% per annum, or the highest rate allowable under Applicable Law, whichever is less. If any check, draft or electronic transfer is unpaid because of insufficient funds or otherwise, then Franchisee shall pay Company's expenses arising from such non-payment, including bank fees in the amount of at least \$50.00.

ARTICLE 6 TRAINING

6.1 Initial Training Program.

6.1.1 All General Managers and at least one Major Owner shall successfully complete, to Company's satisfaction, within 3 months following the Effective Date, an initial training program in Company's System, methods of operation, Policies, Company's philosophy and culture, marketing, and any other topics as Company may determine necessary or appropriate (but not including instruction regarding matters which would ordinarily be known by a licensed contractor) (the "**Initial Training Program**"). Company may modify the content and manner of conducting the Initial Training Program in its discretion from time to time. At no extra charge, Company shall provide the Initial Training Program at a training facility in California or such other location specified by Company, to up to 2 individuals selected by Franchisee and who shall include the General Manager, and one Major Owner, (each an "**Initial Attendee**" and the "**Initial Attendees**"). The Initial Training Program shall consist of approximately 5 days, in Company's sole discretion, and shall be provided by Company prior to the opening of the Licensed Business. Franchisee must not commence to operate under the Marks or System until each Initial Attendee has completed the Initial Training Program to Company's satisfaction. Franchisee shall pay all Travel Expenses incurred by the Initial Attendees and any other person that attends the Initial Training Program on behalf of the Franchisee in connection with attendance of the Initial Training Program. Franchisee acknowledges that because of Company's superior skill and knowledge with respect to the training and skill required to operate a Business, its judgment as to whether or not a person has satisfactorily completed the Initial Training Program shall be determined by Company.

6.1.2 Franchisee must not commence to operate under the Marks or System until each Initial Attendee has completed the Initial Training Program to Company's satisfaction. Franchisee shall pay all Travel Expenses incurred by the Initial Attendees and any other person that attends the Initial Training Program on behalf of the Franchisee. Company shall pay no compensation for any services performed by trainee(s) in connection with training or other assistance, including providing services for Company, its Affiliate or for another franchisee. Franchisee acknowledges that because of Company's superior skill and knowledge with respect to the training and skill required to operate a Franchise, its judgment as to whether or not a person has satisfactorily completed the Initial Training Program shall be determined by Company.

6.2 Refresher Training.

6.2.1 Upon Franchisee's reasonable request and subject to Company's availability and scheduling requirements, Company shall provide to Franchisee, at no additional charge, additional two (2) day refresher training courses (the "**Refresher Training Program**"). Company may modify the content and manner of conducting the Refresher Training Program in its discretion from time to time. The Refresher Training Program shall be conducted at a training facility in California or such other location specified by Company, to up to 2 Franchisee employees selected by Franchisee. Franchisee shall pay all Travel Expenses incurred by any person that attends the Refresher Training Program. Company shall pay no compensation for any services performed by trainee(s) in connection with training or other assistance, including providing services for Company, its Affiliate or another for another franchisee.

6.3 On-going Advice and Assistance.

6.3.1 Franchisee shall have the right, at no additional charge, to inquire of Company's headquarters staff, field representatives, training staff and other designated representatives with respect to technical and sales support, and general advice and assistance relating to the operation of the Licensed Business by telephone, electronic mail, facsimile or other means of communication as Company deems appropriate, and Company shall use its best efforts to diligently respond to such inquiries in order to assist Franchisee in the operation of the Licensed Business. At no time shall reasonable assistance be interpreted to require Company to pay any money to Franchisee or to defer Franchisee's obligation to pay any sums to Company.

6.3.2 In exchange for the Continuing Royalty as set forth in Section 5.1, and for so long as Franchisee is not in default of any of its obligations under this Agreement, Franchisee shall receive the following on-going advice and assistance from Company or other designated or approved provider:

- (a) A listing on Company's web page;
- (b) Access to Company's customer management and marketing database software to use for managing leads, including its corporate Facebook and equivalent social media sites for postings.
- (c) The right to purchase "Garage Experts" branded marketing literature, signs, shirts, and other designated or approved marketing or promotional items and Garage Experts Brand Products.
- (d) A ten percent (10%) discount on all materials purchased from Company's Affiliate, Versatile Building Products, Inc.
- (e) Access to Company's Operations Manual to offer guidance in the operation of the Licensed Business.

6.3.3 If any advice, consultation or training is provided at Franchisee's request or if Company determines that the Licensed Business is not being operated in accordance with the Policies or this Agreement, Company may require Franchisee to pay such charges as may then be in effect, and to reimburse Company for all Travel Expenses and similar costs incurred by Company and its personnel in connection with such advice, consultation or training.

6.4 **Additional Training.** Company may, from time to time, at its discretion, (i) require Franchisee and its employees, or any of them, to attend additional training courses or programs ("**Additional Training**") during the Term, or (ii) make available to Franchisee or its employees, or any of them, optional Additional Training during the Term. The Additional Training may be held on a national or regional basis at locations selected by Company to instruct Franchisee with regard to new procedures or programs which Company deems, in its reasonable judgment, to be of material importance. The time and place of the Additional Training courses shall be at Company's sole discretion. Company shall not charge a fee for any Additional Training courses which Franchisee is required to attend, provided, however, Company may establish charges for optional Additional Training courses made available to Franchisee. In addition to any charge Company may establish, Franchisee shall pay all Travel Expenses incurred in connection with attending at such Additional Training courses. Company shall pay no compensation for any services performed by trainee(s) in connection with the Additional Training.

6.5 **Annual Convention.** Company may from time to time, schedule an annual convention or other-system wide or regional meeting at a time and location to be chosen by Company. If Company schedules such convention or meeting, Franchisee and such of Franchisee's personnel designated by Company must attend such convention or meeting, unless Company otherwise excuses Franchisee upon a showing of good cause but Company shall not require Franchisee's attendance more than once per calendar year. Franchisee shall pay all Travel Expenses incurred by Franchisee and its personnel in connection with attending such convention or meeting. Franchisee's failure to attend, and/or failure to cause such personnel as designated by Company to attend, such convention or meeting without Company's prior written consent (which consent shall not be unreasonably withheld) shall, without limiting or affecting the materiality of any other default of this Agreement, constitute a material default of this Agreement.

ARTICLE 7 STANDARDS OF OPERATOR QUALITY AND SERVICE

7.1 **Compliance with Applicable Law.** Franchisee represents, warrants and covenants to Company that it has and shall maintain throughout the Term, all bonds, licenses, permits and government

approvals necessary to operate and conduct the Licensed Business. Franchisee shall operate the Licensed Business as a clean, orderly, lawful and respectable place of business in accordance with the Policies, and shall comply with Applicable Law. Franchisee shall not cause or allow the Office, Vehicles or Licensed Business to be used for any immoral or illegal purpose. Franchisee shall in all dealings with its customers, suppliers, and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct and refrain from engaging in any action (or failing to take any action) which will cause Company to be in violation of any Applicable Law. Franchisee shall refrain from engaging in action (or failing to take any action), which in the sole opinion of Company, causes or could cause damage, harm or injury to the Marks, the System and/or the "Garage Experts" brand or reputation.

7.2 **General Manager.** The General Manager shall be principally responsible for communicating and coordinating with Company regarding business, operational and other ongoing matters concerning this Agreement and the Licensed Business. The General Manager shall have the full authority to act on behalf of Franchisee in regard to performing or administering this Agreement. The General Manager shall be vested with the authority and responsibility for the day-to-day operations of the Licensed Business. The General Manager shall: (a) devote full time and best efforts solely to the operation of the Licensed Business and to no other business activities; (b) meet Company's educational, experience, financial and other reasonable criteria for such position, as set forth in the Manuals or otherwise in writing by Company; and (c) be fully trained in accordance with ARTICLE 6. Company's acceptance of the General Manager shall not constitute Company's endorsement of such individual or a guarantee by Company that such individual will perform adequately, nor shall Company be estopped from subsequently disapproving or otherwise challenging such individual's qualifications or performance.

7.3 **Product Line and Service.**

7.3.1 Franchisee shall advertise, sell and provide all and only Authorized Products and Services at, from, or in connection with the Licensed Business. Without limiting the foregoing, Franchisee acknowledges that Authorized Products and Services may differ at other Businesses, and may vary depending on the geographic location of the Trade Area or other factors. Franchisee shall not provide, produce, advertise for sale, sell or give away any goods or services unless the same product has been approved in the Manuals as part of the Authorized Products and Services and has not been thereafter disapproved in writing by Company. All Authorized Products and Services shall be provided and sold under the specific name designated by Company. Franchisee shall not cease offering any of the Authorized Products or Services, except as Franchisee may be notified or instructed, from time to time, by Company in writing. Franchisee shall, upon receipt of notice from Company, sell and provide additional Authorized Products and Services according to the instructions and within the time specified in the notice. Franchisee shall cease selling and providing any previously approved or discontinued Authorized Product or Service within 30 days after receipt of notice that the product is no longer approved.

7.3.2 All products, services, and materials sold or provided by Franchisee shall be of the highest quality, and the installation, composition, specifications, construction, and craftsmanship of the Authorized Products and Services shall conform strictly with Applicable Law, the instructions provided by Company or contained in Manuals, and with the further requirements of Company as they are communicated to Franchisee from time to time.

7.3.3 Franchisee agrees to exert its best efforts to aggressively market and sell Authorized Products and Services and to capitalize on the full potential of the Licensed Business throughout the entire Trade Area.

7.4 **Sale at Retail; Containers Fixtures and Other Goods.** Franchisee agrees that, except to the extent that Franchisee provides Authorized Products and Services to National Accounts pursuant to the Policies, the Authorized Products and Services shall be sold and provided at retail, and not for resale. All items bearing the Marks shall bear accurate reproductions of the Marks as required by Company. All containers, packaging and like articles used in connection with the Licensed Business shall conform to the Policies, shall be imprinted (if required by Company) with the Marks and shall be purchased by Franchisee from Company, or a distributor or manufacturer approved in writing by

Company, as provided in ARTICLE 10. No item of merchandise, products, signs, supplies, or equipment may be used in connection with the Licensed Business or the sale or provision of Authorized Products and Services unless the same shall have been approved in writing by Company.

7.5 Computer System.

7.5.1 Franchisee shall purchase, use and maintain a personal computer system as specified in the Manuals or otherwise by Company in writing for use in connection with the Licensed Business (the "**Computer System**"). Company shall designate certain computer software used in the operation of the Licensed Business. Franchisee shall maintain an e-mail account and connect the Computer System to a dedicated telephone line (or other communications medium specified by Company) at all times and be capable of accessing the Internet via a designated third party network. Franchisee shall obtain all software and hardware, including digital still and video cameras, as Company may specify to enable Franchisee to send and receive e-mail and digital photos and streaming video or other multimedia signals and information, and Franchisee shall, from time to time, upon Company's request, transmit digital photos and video and audio signals of completed customer projects in the form and manner prescribed by Company. Franchisee shall purchase any upgrades, enhancements or replacements to the Computer System and/or hardware and software as Company may from time to time require. Upon request, Franchisee shall permit Company and its representatives to access the Computer System and the files stored therein via any means specified, including electronic polling communications. Franchisee shall ensure that only adequately trained employees, in Company's discretion, shall conduct transactions using the Computer System. Franchisee shall purchase any upgrades, enhancements or replacements to Company System and/or hardware and software as Company may from time to time require.

7.5.2 Franchisee shall, at Company's request, license or sublicense from Company or its designee certain computer software designated by Company and used in the operation of the Computer System which is owned or licensed by Company ("**Proprietary 3-d Software**") and Franchisee shall enter into a software (sub)license agreement on Company's or such designee's then-current form. From time to time, Franchisee shall purchase any upgrades, enhancements or replacements to the Proprietary Software. Company or its designee shall provide to Franchisee, for a reasonable fee, presently \$300 per year, such support services relating to the Proprietary Software as Company deems advisable. Franchisee must incorporate any required modifications or additions to the Proprietary Software within 30 days after receiving written notice from Company, unless a longer time period is stated in the notice.

7.6 Manuals. Franchisee shall participate in the System and operate the Licensed Business in strict compliance with its Manuals and the Policies.

7.6.1 Company shall have the right to modify the Manuals at any time and from time to time by the addition, deletion or other modification to the provisions thereof to adjust for competitive, technological, or legal changes, or attempts to improve in the marketplace.

7.6.2 Company has the right to develop, operate and change the System in any manner, and Company shall have the right to modify the Manuals at any time, but no such modifications shall alter Franchisee's fundamental status under this Agreement. Modifications in the Manuals shall become effective upon delivery of written or electronic notice to Franchisee unless a longer period is specified or set forth in this Agreement. Electronic notice may be given through e-mail, postings on the Company's web site, or other electronic means. Franchisee agrees that Company reserves the right and privilege, in its discretion, to vary the Manuals and Policies for any licensee based on the peculiarities of any condition or factors that Company considers important to that Franchisee's successful operation. Franchisee has no right to require Company to grant Franchisee a similar variation or accommodation. The Manuals are an integral part of this Agreement.

7.6.3 Unless Franchisee is already a party to a franchise agreement with Company, Company shall loan Franchisee one copy the Manuals for use by Franchisee during the Term. The

Manuals (and any updates thereto) may be distributed or provided to Franchisee by hard copy or by electronic means in electronic form. The Manuals are highly confidential documents which contain certain trade secrets of Company. Franchisee shall not make, or cause or allow to be made, any copies, reproductions or excerpts of all or any portion of the Manuals without Company's express prior written consent. Following the expiration or termination of this Agreement, Franchisee shall return the Manuals to Company and, if the Manuals, or any part thereof, are in electronic form, permanently delete the same. The Manuals, as modified from time to time as hereinabove provided, shall be an integral part of this Agreement and reference made in this Agreement, or in any amendments, exhibits, appendixes, or schedules hereto, to the Manuals shall be deemed to mean the Manuals kept current by amendments from time to time.

7.7 Notification of Legal Proceedings. Franchisee shall notify Company in writing within 10 days after Franchisee receives actual notice of any incident that may adversely affect the operation or financial condition of Franchisee; any guarantor of Franchisee's obligations hereunder, the Licensed Business, Franchisee or its Affiliates; (b) any legal action (including commencement of a suit or proceeding, or threat thereof), or the reputation of Franchisee, the Licensed Business or other "Garage Experts" Businesses or the goodwill associated with the Marks; (c) the issuance of any order, writ, injunction, award, or other decree of any court, agency, or other Governmental Authority, including any citation, fine or closing order, or (d) any other adverse inquiry, notice, demand or sanction received by Franchisee relating to the Licensed Business; including any alleged violation of any Applicable Law, and Franchisee shall provide Company with copies of all related correspondence and other communications and information relating thereto. Upon the occurrence of a Crisis Management Event, Franchisee shall immediately (in no event more than 24 hours following) inform Company's President (or as otherwise instructed in the Manuals) by telephone. Franchisee shall cooperate fully with Company with respect to Company's response to the Crisis Management Event.

7.8 Signs, Designs and Forms of Publicity. Franchisee shall maintain, as applicable, suitable signs, logos, Vehicle wraps, and/or decals at, on, or near the front of the Office, if it is not in a personal residence or office-warehouse storage unit, identifying the Office as a Business, and on each Vehicle used in connection with the Licensed Business, all of which shall conform in all respects to the Policies and the layout and design plan approved by Company, subject only to restrictions imposed by Applicable Law. Without limiting the foregoing, Franchisee shall identify the Licensed Business as an independently owned and operated licensee of Company, in the form and manner specified by Company, including on all invoices, letterhead, order forms, receipts, checks, business cards, on posted notices located on or at the Office, Vehicles or in other media and advertisements as Company may direct from time to time.

7.9 Uniforms and Employee Appearance. Franchisee shall, and shall cause each of its employees to: (i) wear uniforms of such color, design, and other specifications as Company may designate from time to time at such times as specified by Company in the Manuals, and (ii) present a neat and clean public image and impression and be free from foul odors. In no case shall any employee of Franchisee wear his or her required uniform while working at any other job other than his or her job with Franchisee.

7.10 Co-Branding. Franchisee may not offer, sell or provide Authorized Products and Services in connection with any trademark, service mark, logo type or commercial symbol of any other person or Business Entity, except with Company's prior written consent.

7.11 National Accounts. Company may establish policies and procedures governing the provision of services to National Accounts. Franchisee must comply with these policies and procedures, including any amendments. Franchisee acknowledges that Company makes no representation or warranty that any specified amount of National Account business will be provided within the Trade Area. Company reserves the exclusive right to solicit, enter into and administer national and/or regional contracts with National Accounts, provided Company will offer Franchisee the opportunity to service the office, facility, service or operation of the National Account located in the Trade Area. Franchisee may not solicit offices, facilities, services or operations of National Accounts without Company's written

consent. Franchisee will have no right to negotiate a national or regional agreement with National Accounts having effect outside of the Trade Area unless Company expressly requests Franchisee to do so in writing. If Company enters into a contract with a National Account applicable to the Trade Area, Franchisee may not arrange any different terms or collect any additional fees, if Franchisee has accepted the arrangement Company has negotiated. Franchisee may service an office, facility, service or operation of the National Account located in the Trade Area (and accept assignments to service a National Account outside of the Trade Area) only if Franchisee agrees to participate in the program Company has established with the applicable National Account, including the compensation Company offers to Franchisee and the Policies related to such National Account. If Franchisee does not participate in the program for a National Account, Company may, without compensation to Franchisee, offer the arrangement with the National Account to another franchisee or retain the same for Company's account. Company may provide a centralized billing system and dispatch service for National Accounts. Company may charge Franchisee an administrative fee, which shall not exceed 10% of Gross Sales earned by Franchisee resulting from performance of services to National Accounts. The administrative fee will be in addition to, and will be calculated before deduction of, all other fees payable by Franchisee under this Agreement with respect to National Accounts. Payment for services performed under any contract for a National Account will be contingent on Company receiving payment from the National Account; Company does not guaranty payment by the National Account. Company may deduct from Company's payments due to Franchisee any amounts Franchisee owes to Company.

ARTICLE 8 ADVERTISING

8.1 **General Requirements.** Franchisee shall only use and display advertising materials provided or approved by Company and shall use and display all material in accordance with the Policies. Franchisee must obtain Company's prior written approval to use and/or display advertising including, all print and electronic advertising, newspaper and magazine advertisements, press releases, statements made to the press, direct mailers and mail coupons not provided by Company. The materials shall be deemed disapproved if Company has not approved such materials within 15 days of submission by Franchisee. Any advertising materials or concepts created by Franchisee and approved by Company are the sole and exclusive property of Company. Company may require Franchisee to cease using any advertising materials which it has previously approved and Franchisee shall cease using such materials upon written notice.

8.2 **Local Advertising.** During each calendar quarter, Franchisee shall expend an amount equal to not less than 5% of its Gross Sales for the preceding calendar quarter for permitted local advertising and promotion relating to the Licensed Business. Local advertising does not include the cost of Franchisee listing the Licensed Business in any telephone or internet directories distributed or available in Franchisee's Trade Area.

8.3 **Promotional Campaigns.** From time to time during the Term, Company may establish and conduct promotional campaigns on an international, national or regional basis, which may by way of illustration promote particular products or marketing themes. Franchisee agrees to participate in such promotional campaigns upon such terms and conditions as Company may establish. Franchisee acknowledges and agrees that such participation may require Franchisee to purchase point of sale advertising material, posters, flyers, product displays and other promotional material.

ARTICLE 9 INTERNET AND INTERNET SALES

9.1 Internet.

9.1.1 Franchisee shall not develop, create, generate, own, license, lease, participate in, or use in any manner any computer medium or electronic medium (including any Internet web-page, e-

mail address, website, domain name, bulletin board, metatag, newsgroup or other Internet-related medium or activity) which in any way uses or displays the Marks, or any confusingly similar words, symbols or terms without Company's prior written consent, and then only in such manner and in accordance with the Policies. The term "uses or displays" includes any activity by the medium or any person acting in furtherance of, or on behalf of the medium, pursuant to which existing or prospective customers, Suppliers, licensees or franchisees or others are solicited or directed to the medium through the use of the Marks or by other direct or indirect reference to Company.

9.1.2 Company has established one or more Internet websites. Company shall have discretion over the design, content and functionality of such websites. Company may include one or more interior pages that identifies businesses operated under the Marks, including the Licensed Business, by, among other things, geographic area or region, address, telephone number(s), and services offered. Company may permit Franchisee to customize or post certain information to the interior page, subject to Franchisee's execution of a participation agreement prescribed by Company, as in effect from time to time, and Franchisee's compliance with the Policies. Franchisee may request that Company modify or supplement the Franchisee's interior page and Company may grant such request at its sole discretion. All costs associated with any changes, modifications or updates to the information contained on the interior page shall be paid by Franchisee. Company may disable or terminate such website(s) and interior pages without Company having any liability to Franchisee. Company's website(s) may also include one or more interior pages dedicated to the sale of franchises by Company and/or relations with Company's or its Affiliate's investors.

9.1.3 Franchisee acknowledges and agrees that Company (or its Affiliate) is the owner of, and will retain all right, title and interest in and to: (i) the domain name "garageexperts.com"; (ii) the URL: "www.garageexperts.com"; and all existing and future domain names, URLs, future addresses and subaddresses using the Marks in any manner; (iii) all computer programs and computer code used for or on Company's website(s); (iv) all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data used in connection with, displayed on, or collected from or through Company's website(s); and (v) all intellectual property rights in or to any of the foregoing.

9.2 **Internet Sales.** Franchisee acknowledges that Company has the exclusive and unrestricted right to manufacture, produce, license, distribute and market products (including "Garage Experts" Brand Products and products not bearing the Marks), including, cabinets, floor coatings, floor coverings, racking, modular storage systems and accessories by means of the Internet.

9.3 **Internet Referral Sources.** Franchisee acknowledges that to competitively attract customers, Company may enter into agreements with Internet Referral Sources to refer customers to Company and its franchisees, including Franchisee. Franchisee shall not enter into any arrangement or agreement with an Internet Referral Source without Company's prior written consent.

ARTICLE 10 DISTRIBUTION AND PURCHASE OF EQUIPMENT, SUPPLIES, AND OTHER PRODUCTS

10.1 **Inventory.** At all times throughout the Term, Franchisee shall purchase and maintain in inventory such types and quantities of Designated Products and Ancillary Products as are needed to meet reasonably anticipated consumer demand.

10.2 **Designated Products.** Company may, from time to time throughout the Term in its sole subjective discretion exercised in good faith, require that Franchisee purchase, use, offer, promote and/or maintain in stock products, floor coatings, floor, coverings, racking, cabinets, storage units, closets, tools, accessories, raw materials, fixtures, furnishings, equipment, uniforms, supplies, packaging, forms, computer hardware, software, modems and peripheral equipment and other items, which are produced or manufactured in accordance with Company's proprietary specifications and/or formulas, and which Company selects as designated products, and specified "Garage Experts" Brand Products ("**Designated Products**"). Franchisee shall purchase Designated Products and "Garage Experts" Brand Products only

from Company, Company's Affiliates or Company's designees. Company shall not be obligated to reveal Trade Secrets, specifications, designs and/or formulas of Designated Products to Franchisee, non-designated suppliers, or any other third parties.

10.3 **Ancillary Products.** Company may designate certain products, tools, accessories, raw materials, fixtures, furnishings, equipment, uniforms, supplies, packaging, forms, computer hardware, software, modems and peripheral equipment and other products, supplies and equipment other than Designated Products which Franchisee may or must use and/or offer and sell from the Licensed Business ("**Ancillary Products**"). Franchisee may, but shall not be obligated to, purchase such Ancillary Products from Company or its Affiliates, if Company or such Affiliates supply same. Franchisee may use, offer or sell only such Ancillary Products that Company has expressly authorized.

10.3.1 Franchisee may purchase authorized Ancillary Products from (i) Company or its Affiliates, (ii) suppliers designated by Company, or (iii) suppliers selected by Franchisee and with Company's prior written consent (each a "**Supplier**" and collectively, the "**Suppliers**"). Each such Supplier seeking to be approved or designated by Company must comply with Company's usual and customary requirements, including those related to insurance, indemnification, and non-disclosure, and shall demonstrate to the reasonable satisfaction of Company: (a) its ability to supply an Ancillary Product meeting the Policies, which may include, specifications as to brand name and model, contents, quality, and compliance with Applicable Law; (b) its reliability with respect to delivery and the consistent quality of its products or services; and (c) its ability meet such other requirements as determined by Company to be in the best interest of the brand.

10.3.2 For Suppliers of Designated Products selected by Franchisee, Franchisee shall first deliver written notice seeking approval, which notice shall (i) identify the name and address of the Supplier, (ii) contain such information as may be requested by Company or required to be provided in the Manuals (which may include financial, operational and economic information regarding its business and product(s)), and (iii) identify the authorized Ancillary Products desired to be purchased through the Supplier. Upon request, Company will furnish to Franchisee the general, but not manufacturing specifications for such Ancillary Products if specifications are not contained in the Manuals. Company may request that the proposed Supplier furnish Company, at no cost to Company, product samples, specifications and such other information as Company may require. Company or its representatives shall also be permitted to inspect the facilities of the proposed Supplier and establish economic terms, delivery, service and other requirements consistent with other distribution relationships for other Businesses. As a further condition of its approval, Company may require a Supplier to agree in writing: (i) to faithfully comply with Company's specifications for applicable Ancillary Products sold by it, (ii) to sell any Ancillary Product bearing the Marks only to franchisees of Company and only pursuant to a trademark license agreement in form prescribed by Company, (iii) to provide to Company duplicate purchase invoices for Company's records and inspection purposes and (iv) to otherwise comply with Company's reasonable requests.

10.3.3 Company will use its good faith efforts to notify Franchisee of its decision within 60 days after Company's receipt of Franchisee's request for approval and other requested information. Should Company not deliver a written approval of the Supplier within such 60 day period, the Supplier shall be deemed disapproved. Nothing in this Article shall require Company to approve any Supplier and Franchisee acknowledges that it is generally disadvantageous to the brand from a cost and service basis to have more than one Supplier in any given market area and that, among the other factors, Company may consider distribution costs and the quality and uniformity of products offered regionally or system-wide. Without limiting the foregoing, Company may disapprove a proposed Supplier, if in Company's opinion the approval of the proposed Supplier would disrupt or adversely impact Company's international, national or regional distribution arrangements. Company may also determine that certain Ancillary Products shall be limited to a designated brand or brands set by Company. Company may revoke its approval upon the Supplier's failure to continue to meet any of Company's criteria. Franchisee agrees that at such times that Company establishes a regional purchasing program which may benefit Franchisee by reduced prices, lower labor costs, production of improved products, reliability in supply, improved distribution or

raw material cost control, Franchisee will participate in such purchasing program in accordance with its terms.

10.3.4 Franchisee or the proposed Supplier shall reimburse Company for all of Company's reasonable costs in reviewing the Supplier's application and reasonable costs and expenses, including Travel Expenses, related to inspecting, re-inspecting and auditing the Suppliers' facilities, equipment, and food products, and all product testing costs paid by Company to third parties.

10.4 **Purchases from Company or its Affiliates.**

10.4.1 All goods, services, products, and supplies ("**Goods and Services**") purchased from Company or its Affiliates shall be purchased in accordance with the purchase order format and policies of Company or its Affiliate, the current form of which may be set forth in the Manuals. Purchases shall be on Company's or its Affiliate's then-current price, delivery and other terms and conditions which Company or its Affiliate may change on at least 15 days prior written notice, provided, that prices shall be the same as those charged to similarly situated franchisees (excluding shipping, transportation, warehousing, insurance and related costs and expenses). Franchisee further acknowledges that prices Company or its Affiliate charges to Franchisee may include a profit to Company or its Affiliate. Company or its Affiliate may discontinue the sale of any Goods and Services at any time if in Company's or its Affiliate's judgment its continued sale becomes unfeasible, unprofitable, or otherwise undesirable. If any goods or products sold by Company or its Affiliate are not in sufficient supply to fulfill all orders, Company or its Affiliate may allocate the available supply among itself, its Affiliates and others, including Franchisee and other franchisees, in any way Company or its Affiliate deems appropriate, which may result in Franchisee not receiving any allocation of certain goods or products as a result of a shortage. All product orders by Franchisee shall be subject to acceptance by Company or its Affiliate at Company's or its Affiliate designated offices, and Company or its Affiliate reserves the right to accept or reject, in whole or in part, any order placed by Franchisee. Franchisee shall submit to Company or its Affiliate, upon written request, financial statements which contain sufficient information to enable Company to determine the credit limits, if any, to be extended to Franchisee. Company or its Affiliate may establish the credit terms, if any, upon which it will accept Franchisee's orders, and may require Franchisee to pay for orders on a cash-in-advance or cash-on-delivery basis.

10.4.2 Company (and its Affiliates) reserve the right to establish, amend, modify and terminate in the sole and absolute discretion of Company or its Affiliate, as applicable, the terms and conditions of product and service warranties to be provided to customers, concerning the products purchased from Company or its Affiliates and the installation and related services to be provided by Franchisee, including warranty duration and other warranty terms and conditions, including the circumstances under which Franchisee or Company or its Affiliates must offer customers replacement, repair or purchase price refund with respect to such products and services. Franchisee shall perform promptly all of the terms and conditions of all such warranties. Franchisee shall have sole responsibility for all such warranties (even though the terms and conditions have been established by Company) and for performance of any other warranties provided by Franchisee. Franchisee shall comply with all policies and procedures on warranty programs established by Company and keeping records with respect to Franchisee reimbursement claims. Franchisee acknowledges and agrees that all warranty and other services hereunder are performed by Franchisee as an independent contractor and not as an agent of Company. Franchisee has no authority to make and shall not make any warranty or representation to others on behalf of Company.

10.4.3 No purchase order submitted by Franchisee shall contain any terms except as approved in writing by Company (or its Affiliate), nor be deemed complete unless all of the information required by the prescribed purchase order form is provided by Franchisee. No new or additional term or condition contained in any order placed by Franchisee shall be deemed valid, effective or accepted by Company unless such term or condition is expressly accepted by Company or its Affiliate in writing.

10.4.4 Company or its Affiliate shall not be liable to Franchisee on account of any delay or failure in the manufacture, delivery or shipment of goods or products caused by Force Majeure or other events or circumstances beyond Company's or its Affiliate's reasonable control including such events as labor or material shortages, products shortages, conditions of supply and demand, import/export restrictions, or disruptions in supply sources.

10.4.5 Company may collect and retain and use for its own purposes, rebates, allowances and credits in the form of cash or services or otherwise from Suppliers based on purchases or sales by Franchisee, notwithstanding any designation by the Supplier or otherwise.

10.4.6 Company or its Affiliate may act as a Supplier of goods, services, products, and/or supplies purchased by Franchisee, and Company or its Affiliates may be designated as the sole Supplier of any such Goods or Services. On the expiration or termination of this Agreement, or in the event of any default by Franchisee of this Agreement, Company or its Affiliates shall not be obliged to fill or ship any orders then pending or, in the case of termination or non-renewal, made any time thereafter by Franchisee. Company may notify Suppliers of any impending termination or expiration of this Agreement and may, among other things, instruct such Suppliers to deliver only such quantity of Designated Products and Ancillary Products as is reasonably necessary to supply Franchisee's needs prior to expiration or termination of this Agreement.

10.4.7 From time to time upon Company's or its Affiliate's request, Franchisee shall promptly estimate the level of purchases that Franchisee expects to make over the two weeks following the date of the request.

10.5 **Customer Reporting; Comment Cards.** At Company's request, Franchisee shall use reasonable efforts to secure the names, addresses and other information reasonably required by Company, of Franchisee's customers and shall allow such information to be used by Company. Franchisee may not divulge such customer names, addresses or other information, with or without remuneration, to any third party. Franchisee shall respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer's satisfaction. Franchisee shall use customer comment cards in the manner specified in the Manuals.

ARTICLE 11 REPORTS, BOOKS AND RECORDS, INSPECTIONS

11.1 **General Reporting.** Franchisee shall, in the form and manner specified by Company, submit to Company such monthly, quarterly and/or annual financial, operational and statistical reports and information as Company may require from time to time.

11.2 **Employment Practices.** Franchisee acknowledges and agrees that it is solely responsible for the operation of the Licensed Business, including keeping of Franchisee's accounting system; for any and all labor relations, including wage and hour regulation compliance, hiring, firing, supervising and disciplining Franchisee's employees; for setting work schedules; for compensation of such employees and the correct processing thereof; and for obtaining all necessary business licenses and employment insurance.

11.3 **Books and Records.** Franchisee shall maintain an accounting and record keeping system, in accordance with U.S. generally accepted accounting principles and sound business practices (or, at Company's request international financial reporting standards), which shall provide for basic accounting information necessary to prepare financial statements, a general ledger, and reports required by this Agreement and the Manuals. Franchisee shall keep and maintain adequate accurate and verifiable books and supporting documentation relating to such accounting information not less than 7 years following the end of each of its fiscal years, or such longer period required under Applicable Law.

11.4 **Inspections.**

11.4.1 Company's authorized representatives ("**Inspectors**") shall have the right, from time to time, to enter the Office and any Vehicles (and to require Vehicles to be made available for inspection at a single location) during business hours, with or without notice, without unreasonably disrupting Franchisee's business operations, for the purposes of examining same, performing evaluations, conferring with Franchisee's employees, inspecting and checking supplies, fixtures, and equipment, and determining whether the Licensed Business is being conducted in accordance with this Agreement, the System and the Manuals. If any such inspection discloses any material failure by Franchisee to comply with the Policies, Franchisee shall promptly reimburse Company for all of its costs and expenses (including, without limitation, Travel Expenses) incurred in connection with all such inspections (and any re-inspections) of the Licensed Business. Franchisee acknowledges that inspections are not limited as to frequency and may occur quarterly or more frequently as deemed appropriate by Company in its sole discretion, and in the case of "secret-shoppers" may include numerous visits over several weeks or other period of time determined by Company.

11.4.2 Franchisee shall from time to time upon request of Company and in accordance with Company's instructions, promptly provide Company with digital photos and/or video of all aspects of the goods and services provided by Franchisee to a customer, including, preparation, construction, installation and completion.

11.4.3 If any such inspection indicates any deficiency or unsatisfactory condition caused by Franchisee with respect to any matter required under this Agreement, the Manuals, or the System and Company notifies Franchisee in writing of such deficiency or unsatisfactory condition, Franchisee shall have 72 hours after receipt of such notice, or such other greater time period as Company in its sole discretion may provide, to correct or repair such deficiency or unsatisfactory condition, if it can be corrected or repaired within such period of time. If the nature of such deficiency or unsatisfactory condition is such that it cannot be corrected within a 72 hour period, Company shall provide Franchisee with such additional time as Company deems necessary, provided that Franchisee immediately commences to cure the same and thereafter diligently pursues it to completion. Notwithstanding the foregoing, if, in Company's sole discretion, the nature of such deficiency or unsatisfactory condition is such that it poses an imminent danger to public health or safety, Franchisee shall correct or repair such deficiency or unsatisfactory condition within 24 hours.

ARTICLE 12 MARKS

12.1 **Use of Marks.** Subject to Section 12.6, the Licensed Business shall be operated under the Business Name. Franchisee shall use and display Company's trade dress, Marks and such signs, advertising and slogans only as Company may prescribe or approve. Franchisee will: (i) maintain the highest standard of quality in the provision, operation, promotion, marketing and advertising of all Approved Products and Services; (ii) provide high quality services to the public similar, and at least equal to, the type, quality, and distinguishing characteristics of the services being offered by Company and its Affiliates and licensees; and (iii) display the Marks in accordance with Company's Policies. Upon expiration or sooner termination of this Agreement, Company may execute in Franchisee's name and on Franchisee's behalf, any and all documents necessary or appropriate to end and cause the discontinuance of Franchisee's use of the trade dress, Marks and Company is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact to do so. Franchisee shall not imprint or authorize any person to imprint any of the Marks on any product without the prior written approval of Company. Franchisee shall not use the Marks in connection with any assignment or offering of securities or any request for credit without the prior written approval of Company. Company may withhold or condition any approval related to the Marks.

12.2 **Non-Use of Trade Name.** If Franchisee is a Business Entity, it shall not use the Marks, or Company's trade name, or any words or symbols which are confusingly similar, phonetically or visually, to the Marks, as all or part of Franchisee's name.

12.3 **Non-ownership of Marks.** Nothing in this Agreement shall give Franchisee, and Franchisee shall not assert, any right, title or interest in Company's trade-dress, or to any of the Marks or the goodwill attributable to the Marks. All goodwill accrued by, and due to, Franchisee's use of the Marks anywhere shall be the sole and exclusive property of Company.

12.4 **Existing Uses and Defense of Marks.**

12.4.1 Franchisee acknowledges that one or more companies or persons may exist that are presently using the name "Garage Experts," or another name confusingly similar to the Marks, in connection with business(es) which are the same as or similar to the business contemplated to be operated by Franchisee pursuant to this Agreement and that those companies or persons may have the legal right to continue to use such name in the geographical area in which they have used it. Franchisee further acknowledges that the methods and mechanisms for determining whether a particular trade name or trademark is being used by another person or party (i) vary substantially from locale to locale and that Company cannot assure Franchisee that the name "Garage Experts" or the Marks are not currently being used in the Trade Area (ii) may require a search of local trademark registration records, fictitious business name filings, or both, or some other records maintained by city, county, or state agencies or entities and (iii) may be imperfect and fail to reveal some protected uses. Franchisee understands and acknowledges that prior to signing this Agreement and accepting the Trade Area, Franchisee has obtained advice from local counsel regarding the appropriate search and protection methods and mechanisms and has conducted an appropriate search and investigation in the Trade Area to determine whether there is any prior user of the name "Garage Experts" or a name confusingly similar to any of the Marks.

12.4.2 If Franchisee receives notice, or is otherwise informed, of any claim, suit or demand against Franchisee of any alleged infringement, unfair competition, or similar matter on account of its use of the Marks in accordance with the terms of this Agreement, Franchisee shall promptly notify Company of any such claim, suit or demand. Thereupon, Company shall take such action as it may deem necessary and appropriate to protect and defend Franchisee against any such claim by any third party, but Company shall not be obligated to take any such action, however. Franchisee shall not settle or compromise any such claim by a third party without the prior written consent of Company. Company and its Affiliates have the sole right to defend, compromise or settle any such claim, in its discretion, and at their cost and expense, using attorneys of their own choosing, and Franchisee shall cooperate fully with Company and its Affiliates in connection with the defense of any such claim. Franchisee may participate at its own expense in such defense or settlement, but Company's decisions with regard to defense and settlement shall be final.

12.4.3 In the event that Franchisee is required to cease using the Marks (or any of them) by court order, or as a result of any settlement of any claim by a pre-existing user or other third party, or if Company shall deem it necessary or appropriate to change the Marks in order to mitigate any potential exposure or damages arising under any claim by a pre-existing user or other third party, then (i) Company shall provide Franchisee prompt written notice of such decision and Franchisee shall have 30 days after the date of such notice to (or such shorter time as any court order or settlement agreement may require) within which Franchisee may terminate this Agreement; (ii) if Franchisee shall not so terminate this Agreement, Franchisee shall promptly change the Business Name to an alternative name established by Company or its Affiliate. Company may consult with Franchisee prior to establishing the alternative name, but the decision of Company with regard thereto shall be final and binding. In such event, Company shall reimburse Franchisee for the actual, reasonable out of pocket costs of changing Franchisee's signs and other advertising materials to incorporate such new name and Mark, in an amount not to exceed \$5,000. Company shall not otherwise be liable for any losses or any consequential damages, including lost future profits, resulting from or arising out of any claims by a third party relating to Franchisee's use of the Marks.

12.5 **Prosecution of Infringers.** If Franchisee receives notice or learns that any unauthorized third party is using Company's trade dress or Marks, or something similar, Franchisee shall promptly

notify Company. Company shall then determine whether or not it wishes to take any action against such third person. Franchisee shall have no right to make any demand against any such alleged infringer or to prosecute any claim of any kind or nature whatsoever against any alleged infringer for or on account of such infringement.

12.6 **Modification of Marks.** From time to time, Company may add to, delete or modify any or all of the Marks and trade dress. Franchisee shall use, or cease using the Marks and/or trade dress at its expense, including any modified or additional trade names, trademarks, service marks, logotypes, commercial symbols and trade dress, in accordance with the Manuals and Policies. Except as Company may otherwise direct, Franchisee shall implement any change within 60 days after notice by Company.

12.7 **Acts in Derogation of the Marks.** Franchisee agrees that Company's trade dress and the Marks are the exclusive property of Company and/or its Affiliates and Franchisee now, and will hereafter, assert no claim to any goodwill, reputation or ownership by virtue of Franchisee's licensed use, or otherwise. Franchisee is familiar with the standards and high quality of the use of the trade dress and Marks in the operation of Businesses, and Franchisee agrees that it will maintain this standard in its use of the Marks and trade dress at all times. All use of the Marks and trade dress by Franchisee inures to the benefit of Company. Franchisee shall not contest or assist anyone in contesting at any time, in any manner, the validity of any Mark or its registration, and shall maintain the integrity of the Marks and prevent their dilution. Franchisee shall not do or permit any act or thing to be done in derogation of any of the rights of Company or its Affiliates in connection with the same, either during the Term or thereafter, and that it will use the Marks and Company's trade dress only for the uses and in the manner permitted in this Agreement. Without limiting the foregoing, Franchisee shall not (i) interfere in any manner with, or attempt to prohibit, the use of Company's trade dress and/or the Marks by any other licensee or franchisee of Company; or (ii) divert or attempt to divert any business or any customers of the Licensed Business to any other person or Business Entity, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks.

12.8 **Assumed Name Registration.** If Franchisee is required to do so by Applicable Law, Franchisee shall promptly upon execution of this Agreement file with applicable Governmental Authority, a notice of its intent to conduct its business under the name authorized by Company under this Agreement. Promptly upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall execute and file such documents as may be necessary to revoke or terminate such assumed name registration, or any other registrations or filings, and if Franchisee fails to promptly execute and file such documents, Franchisee hereby irrevocably appoints Company as its attorney-in-fact to do so for and on behalf of Franchisee.

At present, you shall use "Garage Experts of _____" as your fictitious, assumed, trading as, or doing business as name. The blank shall be filled in with a geographic designation selected by Franchisee and approved by Company. Company reserves the right to change the approved fictitious name.

ARTICLE 13 COVENANTS REGARDING OTHER BUSINESS INTERESTS

13.1 **Non-Competition.** Franchisee acknowledges that the System is distinctive and has been developed by Company and/or its Affiliates at great effort, time, and expense, and that Franchisee has regular and continuing access to valuable and confidential information, training, and Trade Secrets regarding the System. Franchisee recognizes its obligations to keep confidential such information as set forth in this Agreement. Franchisee therefore agrees as follows:

13.1.1 During the Term, no Restricted Person shall, directly or indirectly, engage in floor coating and storage solutions, concrete floor coatings for exterior surfaces, industrial floor coatings for

retail stores and commercial buildings, or a home closets solutions service (“Competitive Activities”) at any location, in the United States.

13.1.2 To the extent permitted by Applicable Law, upon (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment, or (iii) the cession of any Restricted Person’s relationship with Franchisee, each person who is a Restricted Person before such event shall not for a period of 2 years thereafter:

(a) either directly or indirectly, engage in any Competitive Activities at any location within: (i) the Trade Area; or (ii) within 25 miles of the boundaries of the Trade Area; or

(b) solicit business for the purpose of offering Competitive Activities from an individual or Business Entity that was a customer of Franchisee during the 12 month period immediately preceding such event.

13.2 **Trade Secrets.**

13.2.1 Restricted Persons may have access to proprietary and confidential information, including the Trade Secrets, Policies, specifications, procedures, concepts and methods and techniques of developing and operating a Business and producing and providing Authorized Products and Services. Company may disclose certain of its Trade Secrets to Restricted Persons in the Manuals, bulletins, supplements, confidential correspondence, or other communications, and through Company’s training program and other guidance and management assistance. “Trade Secrets” shall not include information which: (a) has entered the public domain or was known to Franchisee prior to Company’s disclosure of such information to Franchisee, other than by the breach of an obligation of confidentiality owed (by anyone) to Company or its Affiliates; (b) becomes known to the Restricted Persons from a source other than Company or its Affiliates and other than by the breach of an obligation of confidentiality owed (by anyone) to Company or its Affiliates; or (c) was independently developed by Franchisee without the use or benefit of any of Company’s Trade Secrets. The burden of proving the applicability of the foregoing will reside with Franchisee.

13.2.2 No Restricted Person shall acquire any interest in the Trade Secrets other than the right to use them in developing and operating the Licensed Business during the Term. A Restricted Person’s duplication or use of the Trade Secrets in any other endeavor or business shall constitute an unfair method of competition. Each Restricted Person shall: (i) not use the Trade Secrets in any business or other endeavor other than in connection with the Licensed Business; (ii) maintain absolute confidentiality of the Trade Secrets during and after the Term; and (iii) make no unauthorized copy of any portion of the Trade Secrets, including the Manuals, bulletins, supplements, confidential correspondence, or other confidential communications, whether written or oral. Franchisee shall operate the Licensed Business and implement all reasonable procedures prescribed by Company to prevent unauthorized use and disclosure of the Trade Secrets. If Franchisee has any reason to believe that any employee has violated the provisions of any confidentiality and noncompetition agreement, Franchisee shall promptly notify Company and shall cooperate with Company to protect Company against infringement or other unlawful use, including, the prosecution of any lawsuits if, in the judgment of Company, such action is necessary or advisable.

13.2.3 In view of the importance of the Marks and the Trade Secrets and the incalculable and irreparable harm that would result to the parties in the event of a default of the covenants and agreements set forth in this Agreement, the parties agree that each party shall have the right to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction to enforce the covenants and agreements in this Agreement, in addition to any other relief to which such party may be entitled at law or in equity. Each party submits to the exclusive venue and jurisdiction of the state and federal courts sitting in Orange County, California for these purposes. Franchisee agrees that Company may have temporary or preliminary injunctive relief without bond, but upon due notice, and Franchisee’s sole remedy in the event of the entry of such

injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any the injunction being expressly waived).

13.2.4 Franchisee must promptly disclose to Company, all ideas, techniques, methods and processes relating to a Business which Franchisee (or the Restricted Persons or Franchisee's employees) conceive or develop. Company will have the perpetual right to use, and to authorize others to use, such ideas, techniques, methods and processes without payment or compensation to anyone.

13.2.5 Franchisee shall obtain covenants similar to those in Sections 13.1 and 13.2 from Restricted Persons and such other personnel as Company may specify. Company may regulate the form of agreements Franchisee uses and may require that Company be an express third party beneficiary with the right to enforce such agreements. Promptly upon Company's request, Franchisee shall deliver executed copies of such agreements to Company.

13.3 **Effect of Applicable Law.** In the event any portion of the covenants in this Article violates laws affecting Franchisee, or is held invalid or unenforceable in a final judgment to which Company and Franchisee are parties, then the maximum legally allowable restriction permitted by law shall control and bind Franchisee. Company may at any time unilaterally reduce the scope of any part of the above covenants, and Franchisee shall comply with any such reduced covenant upon receipt of written notice. The provisions of this Article shall be in addition to and not in lieu of any other confidentiality obligation of Franchisee, or any other person, whether pursuant to another agreement or pursuant to Applicable Law.

13.4 **Business Practices.** Franchisee represents, warrants and covenants to Company that:

13.4.1 As of the Effective Date, Franchisee and each of its Owners (if Franchisee is an Business Entity) shall be and shall remain in full compliance with all Applicable Laws in each jurisdiction in which Franchisee or any of its Owners, conducts business that prohibits unfair, fraudulent or corrupt business practices in the performance of its obligations under this Agreement and related activities, including the following prohibitions:

(a) No government official, official of an international organization, political party or official, or candidate is an owner or has any investment interest in the revenues or profit of Franchisee;

(b) None of the property or interests of Franchisee or any of its Owners is subject to being "blocked" under any Anti-Terrorism Laws. Neither Franchisee, nor any of its respective funding sources (including any legal or beneficial owner of any equity in Franchisee) or any of its Affiliates is or has ever been a terrorist or suspected terrorist within the meaning of the Anti-Terrorism Laws or identified by name or address on any Terrorist List. Each of Franchisee and its Owners are in compliance with Applicable Law, including all such Anti-Terrorism Laws;

(c) Neither Franchisee nor any of its Owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the International Money Laundering Abatement and Anti-Terrorist Financing Act, as amended.

(d) Franchisee is neither directly nor indirectly owned or controlled by the government of any country that is subject to a United States embargo. Nor does Franchisee or its Owners act directly or indirectly on behalf of the government of any country that is subject to a United States embargo.

13.4.2 Franchisee has taken all necessary and proper action required by Applicable Law and has the right to execute this Agreement and perform under all of its terms. Franchisee shall implement and comply with anti-money laundering policies and procedures that incorporate "know-your-customer" verification programs and such other provisions as may be required by Applicable Law.

13.4.3 Franchisee shall implement procedures to confirm, and shall confirm, that (a) none of Franchisee, its Affiliates, its Owners, any person or Business Entity that is at any time a legal or beneficial Owner of any interest in Franchisee or that provides funding to Franchisee is identified by name or address on any Terrorist List or is an Affiliate of any person so identified; and (b) none of the property or interests of Franchisee is subject to being “blocked” under any Anti-Terrorism Laws.

13.4.4 Franchisee shall promptly notify Company upon becoming aware of any violation of this Section or of information to the effect that any person or Business Entity whose status is subject to confirmation is identified on any Terrorist List, any list maintained by OFAC or to being “blocked” under any Anti-Terrorism Laws, in which event Franchisee shall cooperate with Company in an appropriate resolution of such matter.

13.4.5 In accordance with Applicable Law, none of Franchisee nor any of its Affiliates, principals, partners, officers, directors, managers, employees, agents or any other persons working on their behalf, shall offer, pay, give, promise to pay or give, or authorize the payment or gift of money or anything of value to any officer or employee of, or any person or Business Entity acting in an official capacity on behalf of, the Governmental Authority, or any political party or party official or while knowing that any portion of that money or thing of value will be offered, given or promised, directly or indirectly, to any official to (a) influence any action or decision of the official in any official capacity; (b) induce the official to do or omit to do any act in violation of any lawful duty; or (c) induce the official to influence any act or decision of such Governmental Authority in order to obtain certain business for or with, or direct business to, any person or Business Entity.

13.5 **Survival.** The provisions of this ARTICLE 13 shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Company for any infringement of, violation of, or interference with, this Agreement, or the Marks, System, Trade Secrets, Company’s trade dress, or any other proprietary aspects of Company’s business.

ARTICLE 14 ASSIGNMENT

14.1 **Assignment by Company.** This Agreement is fully transferable by Company without the consent of Franchisee, and shall inure to the benefit of any transferee or their legal successor to Company’s interests in this Agreement; provided, however, that upon assignment, the assignee shall expressly agree to assume Company’s obligations under this Agreement. Company may (i) assign or delegate any or all of its rights and obligations under this Agreement; (ii) sell its assets, its marks, or its System outright to a third party; (iii) engage in a public offering of its securities; (iv) engage in a private placement of some or all of its securities; (v) merge, acquire other Business Entities, or be acquired by other persons or Business Entities; or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. Company shall be permitted to perform such actions without liability or obligation to Franchisee who expressly and specifically waives any claims, demands or damages arising from or related to any or all of the above or similar actions. Company shall have no liability for the performance of any obligations contained in this Agreement after the effective date of a transfer or assignment.

14.2 Assignment by Franchisee.

14.2.1 The rights and duties created by this Agreement are personal to Franchisee. This Agreement has been entered into by Company in reliance upon and in consideration of the singular individual or collective character, reputation, skill attitude, business ability, and financial capacity of Franchisee, or if applicable, its Owners who will actively and substantially participate in the development ownership and operation of the Licensed Business. Neither Franchisee nor any Owner (other than Company, if applicable) shall, without Company’s prior written consent, cause or permit any Assignment.

If Company grants its consent, Company may impose any condition upon its consent, including some or all of the following (any of which may be waived by Company):

(a) that Franchisee provide a detailed description of the price and all material terms and conditions of the proposed Assignment and the identity of the proposed assignee and such other information as Company may reasonably request. Company shall have the right, without limitation, to consider whether the price and terms of payment are so burdensome as to adversely affect the Licensed Business;

(b) that, in the event the Office is not in a personal residence and is leased by Franchisee, Franchisee's rights and obligations under such lease shall have been assigned to, and assumed by, the transferee, and that the consent to such transfer has been obtained from the lessor, and all pertinent documentation been delivered to Company for Company's review and acceptance. In the event the Office (which is not in a personal residence) is owned by Franchisee, that Franchisee has transferred fee simple interest in the Premises to the transferee, or alternatively, has entered into a lease which shall permit the transferee to perform its obligations under this Agreement, which lease shall be subject to Company's review and approval;

(c) that Franchisee's right to receive payments in connection with the Assignment shall be subordinated to Company's rights to receive any outstanding monetary obligations or other outstanding obligations due from Franchisee or transferee under any agreement with Company or any Affiliate, whether arising before or after the Assignment;

(d) that Franchisee provides Company an estoppel listing any and all causes of action, if any, that Franchisee may have against Company or if none exist, so stating, and a list of all Owners having an interest in this Agreement or in Franchisee, the percentage interest of Owner, and a list of all officers and directors, in such form as Company may require;

(e) that Franchisee shall have complied with Section 14.3 and Company shall not have exercised the ROFR;

(f) that Franchisee shall not be in default under the terms of this Agreement (or any other related agreement), all agreements with Company's Affiliates, the Manuals or any other obligations owed Company;

(g) that all obligations to third parties in connection with the Licensed Business shall have been satisfied or assumed by the transferee;

(h) that Franchisee, and its Owners, if Franchisee is an Business Entity, shall execute a general release, in a form prescribed by Company, of any and all known and unknown claims against Company and its Affiliates and their Owners, officers, directors, agents, and employees;

(i) that the transferee/assignee shall have demonstrated to Company's satisfaction that it meets all of Company's then-current Policies for new Business operators or for holders of an interest in a franchise or license, including possession of good moral character and reputation, satisfactory credit ratings, acceptable business qualifications, the ability to obtain or acquire the license(s) and permit(s) necessary for the operation of the Business, and the ability to fully comply with the terms of this Agreement;

(j) that the transferee/assignee shall have agreed, under a written assumption agreement approved by Company, that at closing, the transferee/assignee shall, at Company's option, either (a) assume this Agreement; provided however, that such assumption shall not relieve Franchisee (as transferor/assignor) of any continuing obligations; or (b) execute a replacement franchise or license agreement on the then-current standard form of franchise or license agreement used by Company in the State in which the Licensed Business is being operated, provided, however, that the term of the replacement franchise or license agreement shall be, at Company's option, the remaining

term of this Agreement, unless Company otherwise agrees; and, at Company's request, the transferor/assignor shall have executed a continuing guaranty in favor of Company of the performance and payment by the transferee/assignee of all obligations and debts to Company and its Affiliates under the replacement franchise or license agreement;

(k) that the transferee/assignee agrees to refurbish the Office (if it is not in a personal residence) as needed (in Company's discretion) to match Company's then-current building design, trade dress, color scheme and Policies;

(l) that there shall not be any suit, action, or proceeding pending, or to the knowledge of Franchisee any suit, action, or proceeding threatened, against Franchisee with respect to the Licensed Business;

(m) that upon submission of Franchisee's request for Company's consent to any proposed Assignment, Franchisee shall pay to Company a non-refundable administrative/transfer fee of \$5,000.

(n) that Franchisee shall pay Company's then-current training fees and reimbursement of its employee's Travel Expenses if Company determines that the transferee/assignee must successfully complete the Initial Training Program;

(o) that Franchisee and its Owners agree with the assignee/transferee not to compete after the Assignment in accordance with restrictions acceptable to Company and substantially similar to those provided in this Agreement to the maximum extent permitted by Applicable Law, and Company will be named as a third party beneficiary of such agreement; and

(p) that the transferee/assignee, or its anticipated General Manager and Major Owner shall have satisfactorily completed the Initial Training Program.

14.2.2 Any purported Assignment occurring by operation of law or otherwise without Company's prior written consent shall constitute a material default of this Agreement by Franchisee, and shall be null and void. Except in the instance of Franchisee advertising to sell the Licensed Business and assign this Agreement in accordance with the terms of this Agreement, Franchisee shall not, without Company's prior written consent, offer for sale or transfer at public or private auction or advertise publicly for sale or transfer, the supplies, fixtures, equipment, Franchisee's Lease or the real or personal property used in connection with the Licensed Business. Franchisee may not make any Assignment to a public Business Entity, or to any Business Entity whose direct or indirect parent's securities are publicly traded and no shares of Franchisee or any Owner of Franchisee may be offered for sale through the public offering of securities. To the extent that any prohibition on the pledge, hypothecation, encumbrance or granting of a security interest in this Agreement or the assets of Franchisee used in the Licensed Business may be ineffective under Applicable Law, Franchisee shall provide not less than 10 days prior written notice containing the name and address of the secured party and the terms of such pledge, hypothecation, encumbrance or security interest in this Agreement or the Assets.

14.2.3 If Franchisee is a Business Entity, Franchisee shall promptly provide Company with written notice of each and every issuance of Equity by Franchisee and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Franchisee, notwithstanding that the same may not constitute an "Assignment".

14.2.4 Company's consent to an Assignment shall not (a) constitute a waiver of any claims it may have against the transferring party arising out of this Agreement or otherwise, including (i) any payment or other duty owed by Franchisee to Company under this Agreement before such Assignment; or (ii) Franchisee's duty of indemnification and defense, whether before or after such Assignment, or (iii) the obligation to obtain Company's consent to any subsequent transfer; or (b) be an indication as to the likelihood of success or economic viability of the assignee/transferee.

14.3 **Right of First Refusal.** If Franchisee or any Owner (other than Company, if applicable) desire to cause or permit any Assignment, then Franchisee and/or such Owner shall notify Company in writing, provide such information and documentation describing or relating to the proposed Assignment as Company may require, and grant Company a right of first refusal (the “**ROFR**”) for 60 days following Company’s receipt of Franchisee’s written notice of the proposed Assignment and copies of all required documentation (the “**ROFR Period**”) to purchase the interest which Franchisee or such Owner proposes to transfer, on the same terms and conditions offered by the third party; provided that Company may substitute cash for any non-cash consideration in an amount determined by Company, reasonably and in good faith, as the approximate equivalent value of the non-cash consideration. Notwithstanding the terms and conditions offered by the third party, Franchisee shall make representations and warranties to Company that are customary for transactions of the type proposed, including (1) its power, authority and legal capacity to sell, transfer and assign the property or interests, (2) valid right, title and interest in the property or interests, (3) the absence of all liens, encumbrances and liabilities on the property or interests, and (4) the absence of any violation, in any material respect, or default under, or acceleration of any material agreement or instrument pursuant to which the property or interests to be transferred are encumbered or bound as the result of the sale. If Company elects to exercise the ROFR, Company or its nominee shall notify Franchisee in writing, and the closing of the transaction shall occur within 60 days after delivery of Company’s notice, subject to the satisfaction of all conditions to closing. If Company does not exercise the ROFR, any material change in the terms of an offer prior to closing, or the failure to close the transaction within 60 days following the ROFR Period, shall cause it to be deemed a new offer, subject to the same ROFR as in the case of the initial offer. Company’s failure to exercise the ROFR shall not constitute consent to the transfer or a waiver of any other provision of this Agreement.

14.4 **Business Entity Franchisee.** If a Franchisee is a Business Entity, the following provisions will apply:

14.4.1 Franchisee represents, warrants and covenants that: (a) Franchisee has the authority to execute, deliver and perform its obligations under this Agreement and all related agreements and is duly organized or formed and validly existing in good standing under the laws of the state of its incorporation or formation; and (b) the information set forth in Exhibit “B”, is accurate and complete in all material respects. Franchisee shall notify Company in writing within 10 days of any change in the information set forth in Exhibit “B”, and shall submit to Company a revised Exhibit “B”, certified by an officer of Franchisee as true, correct and complete. Franchisee promptly shall provide such additional information as Company may request concerning all persons who may have any direct or indirect financial interest in Franchisee. Franchisee shall pay a \$2,500 fee to Company to review any revised or supplemental Exhibit “B”.

14.4.2 All of Franchisee’s organizational documents (including articles of partnership, partnership agreements, articles of incorporation, articles of organization, bylaws, shareholders agreements, trust instruments, or their equivalent) will provide that the issuance and transfer of any interest in Franchisee is restricted by the terms of this Agreement, and that sole purpose for which Franchisee is formed (and the sole activity in which Franchisee is or will be engaged) is the development and operation of Businesses. Upon Company’s request, Franchisee shall submit a resolution of Franchisee (or its governing body) confirming that Franchisee is in compliance with this provision. All certificates and other documents representing Equity in Franchisee must bear a legend in a form prescribed by Company referring to this Agreement’s restrictions.

14.4.3 All present and future Owners of a 10% or more (directly or indirectly), in the aggregate, of the Equity or voting rights in Franchisee, will execute a written guaranty in a form prescribed by Company, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of Franchisee’s obligations to Company and to Company’s Affiliates. For purposes of determining whether said 10% threshold is satisfied, holdings of spouses (and family members who live in the same household) and Affiliates shall be aggregated. Upon each transfer or assignment of an interest in Franchisee, or other change in ownership interests in Franchisee, and at any other time upon Company’s request, said holders shall re-execute a written guaranty in a form prescribed by Company.

ARTICLE 15 DEFAULT AND TERMINATION

15.1 **General.** Company shall have the right to terminate this Agreement only for “cause”. “Cause” is hereby defined as a default of this Agreement. Company shall exercise its right to terminate this Agreement upon notice to Franchisee upon the following circumstances and manners.

15.2 **Automatic Termination Without Notice.** Subject to Applicable Laws of the jurisdiction in which the Office is located to the contrary, Franchisee shall be deemed to be in material breach under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee if: (i) Franchisee shall be adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws), shall admit to its inability to meet its financial obligations as they become due, or shall make a disposition for the benefit of its creditors; (ii) Franchisee shall allow a judgment against him in the amount of more than \$5,000 to remain unsatisfied for a period of more than 30 days (unless a supersedeas or other appeal bond has been filed); (iii) the Licensed Business or the Franchisee’s assets are seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor or lienholder, provided that a final judgment against the Franchisee remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); (iv) a levy of execution of attachment has been made upon the license granted by this Agreement or upon any property used in connection with the Licensed Business, and it is not discharged within 5 days of such levy or attachment; (v) Franchisee allows or permits any judgment to be entered against Company or its Affiliates, arising out of or relating to the operation of the Licensed Business; or (vi) Franchisee is convicted of any felony, or any criminal misconduct relevant to the operation of the Licensed Business.

15.3 **Option to Terminate Without Notice.** Franchisee shall be deemed to be default under this Agreement and Company may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Company upon the occurrence of any of the following events:

15.3.1 **Abandonment.** If Franchisee abandons the Licensed Business. For purposes of this Agreement, “abandon” shall mean (i) Franchisee’s failure, at any time during the Term, to operate the Licensed Business for a period of 5 consecutive days, except as provided in the Manuals, (ii) Franchisee’s failure to keep the Licensed Business operating for any period after which it is not unreasonable under the facts and circumstances for Company to conclude that Franchisee does not intend to continue to operate the franchise, and (iii) failure to actively and continuously maintain and answer Franchisee’s telephone;

15.3.2 **Assignment, Death or Incapacity.** If Franchisee shall purport to make any Assignment without the prior written consent of Company; provided, however, on condition that the Licensed Business continues to be operated in conformity with this Agreement (i) upon prompt written request and upon the death or legal incapacity of a Franchisee who is an individual, Company shall allow up to 6 months after such death or legal incapacity for the heirs, personal representatives, or conservators (the “Heirs”) of Franchisee either: (i) to assume this Agreement or, at Company’s discretion, execute Company’s then current form of franchise agreement (except that no initial fee or transfer fee shall be charged), if Company is subjectively satisfied that the Heirs meet Company’s Policies and qualifications, or (ii) if not so satisfied, to allow the Heirs to sell the Licensed Business to a person approved by Company, or (ii) upon prompt written request and upon the death or legal incapacity of an Owner owning 25% or more of the Equity or voting power of a corporate or limited liability company Franchisee, or a general or limited partner owning 25% or more of any of the Partnership Rights of a Franchisee which is a Partnership, Company shall allow a period of up to 6 months after such death or legal incapacity for the Heirs to seek and obtain Company’s consent to the transfer or Assignment of such stock, membership interests or Partnership Rights to the Heirs or to another person acceptable by Company. Company shall have the right, but not the obligation, during said 6 month period, to assume management of the Licensed Business or to appoint a third party to assume its management. If Company, or a third party, assumes management of the Licensed Business, Franchisee must pay all of

Company's costs and expenses incurred during this time plus a management fee equal to 5% of Gross Sales during this time. If Company assumes management of the Licensed Business, Franchisee acknowledges that Company (or the third party) will have a duty to utilize only reasonable efforts and will not be liable to Franchisee or its owners for any losses or costs, including consequential damages or lost profits, occasioned thereby. If, within said 6 month period, the Heirs fail either to enter into a new franchise agreement or to sell the Licensed Business to a person approved by Company pursuant to this Agreement, or fail either to receive Company's consent to the Assignment of such stock, membership interest or Partnership Rights to the Heirs or to another person acceptable by Company, as provided in this Agreement, this Agreement shall thereupon automatically terminate;

15.3.3 Repeated Defaults. If Franchisee shall default in any material obligation as to which Franchisee has previously received 3 or more written notices of default from Company setting forth the material breach complained of within the preceding 12 months, or if Franchisee infringes on the trade area of another "Garage Experts" franchisee, as described in Section 5.5, 3 or more times during the Term of this Agreement;

15.3.4 Misrepresentation. If Franchisee makes any material misrepresentations relating to the acquisition of the Licensed Business;

15.3.5 Violation of Law. If Franchisee fails, for a period of 10 days after having received notification of noncompliance from Company or any Governmental Authority, to comply with any Applicable Law;

15.3.6 Health or Safety Violations. Franchisee's conduct of the Licensed Business is so contrary to this Agreement, the System and the Manuals as to constitute an imminent danger to the health, safety or welfare, or selling recalled or other unauthorized products after notice of default and continuing to sell such products whether or not Franchisee has cured the default after one or more notices;

15.3.7 Unfair Competition. Any violation by Franchisee of Section 13.1; Franchisee's intentional disclosure or use in violation of this Agreement of the contents of the Manual, Trade Secrets or confidential or proprietary information provided to Franchisee by Company, excluding independent acts of employees or others if Franchisee has exercised its best efforts to prevent such disclosures or use;

15.3.8 Under Reporting. If an audit or investigation conducted by Company hereof discloses that Franchisee has knowingly maintained false books or records, or submitted false reports to Company, or knowingly understated its Gross Sales or withheld the reporting of same as herein provided;

15.3.9 Criminal Offenses. If Franchisee or any of its Owners, officers, directors, General Manger, Sales Manager or Operations Manager is convicted of or pleads guilty or *nolo contendere* to a felony or any other crime or offense that is reasonably likely, in the sole opinion of Company, to adversely affect Company's reputation, the System, the Marks, the goodwill associated therewith, or Company's interest therein; provided, however that if the crime or offense is committed by an Owner other than the General Manager, then Company may only terminate on account thereof if such Owner fails within 30 days after the conviction or guilty plea, whichever occurs first, to sell its interest in Franchisee to Franchisee's other owners;

15.3.10 Intellectual Property Misuse. If Franchisee materially misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Company's rights therein, or takes any action which reflects materially and unfavorably upon the operation and reputation of the Licensed Business, or the "Garage Experts" franchise generally. Franchisee's unauthorized use, disclosure, or duplication of the Trade Secrets, excluding independent acts of employees or other if Franchisee shall have exercised its best effort to prevent such disclosures or use; which reflects materially and unfavorably upon the operation and reputation of Company or the System.

15.4 **Termination With Notice and Opportunity To Cure.** Except for any breach or default by Franchisee under Sections 15.2 or 15.3, or as otherwise expressly provided in this Agreement, following written notice from Company, Franchisee shall have 10 days (5 days in the case of any default in the timely payment of sums due to Company or its Affiliates, including payment for products, tools or supplies in satisfaction of Franchisee's Minimum Purchase Requirements), within which to completely remedy any default and provide evidence of such remedy to Company. If any such default is not cured within that time period, or such longer time period as Applicable Law may require or as Company may specify in the notice of default, than at Company's option, this Agreement and all rights granted by it shall thereupon terminate without further notice or opportunity to cure. Franchisee shall be in default under this Article for any failure to comply with any of the requirements imposed by this Agreement. Such defaults shall include the occurrence of any one or more of the following events:

15.4.1 Franchisee's failure, refusal, or neglect to promptly pay any monies owed to Company, its subsidiaries or Affiliates, when due, or to submit the financial or other information required by Company under this Agreement;

15.4.2 Franchisee's failure to maintain the Policies specified by Company in the Manual or otherwise;

15.4.3 Franchisee's failure, refusal or neglect to obtain Company's prior written approval or consent as required by this Agreement;

15.4.4 Franchisee's misuse or unauthorized use of Company's Marks or other material impairment of the goodwill associated therewith or Company's rights therein;

15.4.5 Franchisee's commencement of or conducting any business operation, or marketing of any product, under a name or mark which, in Company's reasonable opinion, is confusingly similar to Company's Marks;

15.4.6 Franchisee's failure to cooperate with Company's Inspectors or fails to cooperate with Company in connection with corporate inspections of the Licensed Business or its operations;

15.4.7 Franchisee's failure to procure or maintain the insurance required by this Agreement or in the Manuals.

15.4.8 Franchisee's failure to satisfy its Minimum Purchase Requirements, unless it cures such default within 10 days of Company's notice of such default, by purchasing (cash in advance) an amount of products, tools and/or supplies equal to the difference between \$78,000 and Franchisee's total paid purchases of products, tools and supplies from Company or its Affiliates during the then-most recently ended Agreement Year.

15.5 **Reimbursement of Company Costs.** In the event of default by Franchisee, all of Company's costs and expenses arising from such default, including reasonable legal fees and reasonable hourly charges of Company's administrative employees shall be paid to Company by Franchisee within 5 days after cure.

15.6 **Cross-Default.** Any default by Franchisee under the terms and conditions of this Agreement or any other agreement between Company, or its Affiliate, and Franchisee (or any Affiliate of Franchisee), shall be deemed to be a default of each and every said agreement. Furthermore, in the event of termination, for any cause, of this Agreement or any other agreement between the parties, Company may, at its option, terminate any or all said agreements.

15.7 **Notice Required By Law.** Notwithstanding anything to the contrary contained in this Article, in the event Applicable Law limits Company's rights of termination or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum

notice periods or restrictions upon termination required by such Applicable Law. Company shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or dispute relating to this Agreement or its termination.

15.8 **Termination By Franchisee.**

15.8.1 Franchisee may terminate this Agreement, upon written notice given to Company within 30 days following the second anniversary of the Effective Date, with or without cause.

15.8.2 Franchisee acknowledges and agrees that any termination pursuant to Section 15.8.1 shall not: (i) limit or excuse the obligations of Franchisee which survive the termination or expiration of this Agreement, including, without limitation, Franchisee's obligation to pay any amounts then due and owing to Company or its Affiliates; or (ii) limit the remedies available to Company at law or in equity on account of any breach by Franchisee of this Agreement. Franchisee hereby acknowledges and agrees that Section 15.8.1 solely grants Franchisee a voluntary right to terminate this Agreement pursuant to the terms and conditions stated herein and that the amounts then due and owing to Company or its Affiliates and required to be paid by Franchisee to Company and its Affiliates pursuant thereto are in no way intended to be liquidated damages.

ARTICLE 16 RIGHTS AND OBLIGATIONS UPON TERMINATION

16.1 **General.** Upon the expiration or termination of Franchisee's rights granted under this Agreement:

16.1.1 Franchisee shall immediately cease to use all Trade Secrets, the Marks, and any confusingly similar trademark, service mark, trade name, logotype or other commercial symbol or insignia, and cease using all photographs, images, videos and other depictions of any and all projects and installations done for customers of Franchisee. Franchisee shall immediately return the Manuals, the 3-d cabinet design software key, all training materials, CD ROMs, DVDs, records, customer lists, files, advertising and promotional materials, and all other written materials incorporating or containing Trade Secrets. Franchisee shall at its own cost, make cosmetic changes to the Office, and any part thereof, and the Vehicles operated in connection with the Licensed Business so that they no longer contain or resemble Company's proprietary designs, including: Franchisee shall remove all identifying materials and distinctive cosmetic features and finishes, exterior finishes and colors, signage, logos and decals from the Office and such Vehicles.

16.1.2 If Company so elects, at its sole option, upon any termination or expiration of this Agreement, Franchisee will sell to Company such equipment and furnishings as Company may designate that are associated with the Licensed Business at its net book value, using a 5-year straight line amortization period. Company shall have no other payment obligations to Franchisee, and Franchisee specifically waives any and all claims to be paid for other equipment, furnishings, fixtures, products, supplies or the goodwill associated with the terminated Licensed Business (which goodwill Franchisee acknowledges is owned exclusively by Company). Company may offset against any obligations it may have pursuant to this Section any amounts owed by Franchisee to Company.

16.1.3 Company may retain all fees paid pursuant to this Agreement and Franchisee shall immediately pay any and all amounts owing to Company and its Affiliates.

16.1.4 Any and all obligations of Company to Franchisee under this Agreement shall immediately cease and terminate.

16.1.5 Any and all rights of Franchisee under this Agreement shall immediately cease and terminate, and Franchisee shall immediately cease and thereafter refrain from representing itself as then or formerly a franchisee or other affiliate of Company.

16.1.6 Company shall have the option, exercisable by written notice within 30 days after the termination of this Agreement, to take an assignment of all telephone numbers (and associated listings) for the Licensed Business, and Franchisee shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number and any classified or other telephone directory listings associated with the Licensed Business, and authorized and instruct their transfer to Company.

16.1.7 Franchisee shall deliver all goods and materials containing the Marks to Company and Company shall have the sole and exclusive use of any items containing the Marks. Franchisee is not entitled to any compensation from Company if Company exercises this option.

16.1.8 If Company shall have authorized Franchisee to use the Marks, or any of them in connection with the Internet, any website, or e-mail address, Franchisee shall, at Company's option, cancel or assign to Company or its designate all of Franchisee's right, title and interest in any Internet websites or web pages, e-mail addresses, domain name listings and registrations which contain the Marks, or any of them, in whole or in part, and Franchisee shall notify Verisign (Network Solutions), register.com, or other applicable domain name registrar and all listing agencies, upon the termination or expiration hereof, of the termination of Franchisee's right to use any domain name, web page and other Internet device associated with Company or the Licensed Business, and authorize and instruct their cancellation or transfer to Company, as directed by Company. Franchisee is not entitled to any compensation from Company if Company exercises its said rights or options. For the avoidance of doubt, nothing in this Section shall be deemed to permit Franchisee to use the Marks, or any of them in connection with the Internet, except with the prior consent of Company as provided in this Agreement. Franchisee shall not use any images or photographs on any web site or in any other advertising or promotional materials of installations or other work done for customers during the Term, or which contain, depict or display any Authorized Product or Service.

16.1.9 Franchisee agrees that Franchisee shall remain responsible for any and all warranty work to its customers related to Authorized Products and Services after the termination or expiration of this Agreement. If Franchisee fails to perform such warranty work within 30 days of notice of the need to perform such warranty work for any of Franchisee's customers (to protect Company's name and reputation) following the termination of this Agreement, Franchisee shall immediately reimburse Company for any and all costs and expenses related to such warranty work.

ARTICLE 17 INSURANCE

17.1 **Insurance.** Franchisee shall obtain and maintain insurance which designates Company and its designated Affiliates as additional named insureds, with an insurance company approved by Company (not to be unreasonably withheld), in the minimum coverage types and levels, deductible maximums, and policy limits as may reasonably be specified by Company from time to time in the Manuals, and which may include workers' compensation insurance as required by Applicable Law, errors and omissions, automobile, and comprehensive general liability insurance. Franchisee shall, prior to opening the Licensed Business, file with Company, certificates of such insurance and shall promptly pay all premiums on the policies as they become due. In addition, the policies shall contain a provision requiring 30 days prior written notice to Company of any proposed cancellation, modification, or termination of insurance as well as a provision that the insurer shall notify the Company in the event of late payment of any premium in respect thereof by the Franchisee.

17.2 **Use of Proceeds.** In the event of damage to the Licensed Business, or any part thereof, covered by insurance, the proceeds of any such insurance shall be used to restore the Licensed Business to its original condition as soon as possible, unless restoration is prohibited or Company has otherwise consented in writing. Upon the obtaining of such insurance, Franchisee shall promptly provide proof of such insurance coverage and/or at such other times upon the request of Company.

**ARTICLE 18
RELATIONSHIP OF PARTIES**

18.1 **Relationship of Franchisee to Company.** It is expressly agreed that the parties intend by this Agreement to establish between Company and Franchisee the relationship of franchisor-franchisee. Franchisee has no authority to create or assume in Company's name or on behalf of Company, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Company for any purpose whatsoever. Neither Company nor Franchisee is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Franchisee will not hold himself out as the agent, employee, partner or co-venturer of Company. All employees hired by or working for Franchisee shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Company or subject to Company control. Each of the parties shall file its own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation payments, with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof. Neither shall have the power to bind or obligate the other except specifically as set forth in this Agreement. Company and Franchisee agree that the relationship created by this Agreement is one of an independent contractor and not a fiduciary relationship.

18.2 **Indemnity by Franchisee.** Franchisee shall protect, defend and indemnify Company, and all of its past, present and future Owners, Affiliates, officers, directors, employees, attorneys and designees, and each of them, and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person or Business Entity or to any property arising out of or in connection with (i) any breach of this Agreement by Franchisee or any Restricted Person; (ii) Franchisee's operation of the Licensed Business; (iii) Franchisee's operation, marketing, advertising, promotion, offer for sale, sale or provision of any goods or services, including Authorized Products and Services; (iv) any and all alleged torts, negligent acts, breach of contract, fraud or omissions of Franchisee or its agents, representatives, or employees; and (v) the alleged failure of Franchisee to comply with Applicable Law.

**ARTICLE 19
NOTICES**

19.1 **General.** Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand or delivered by reputable overnight courier; one business day after confirmed transmission by facsimile, telegraph or other electronic system (with confirmation copy sent by regular U.S. mail); or 3 business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid, addressed to:

If to Company: Garage Experts International LLC
 245 Carl Karcher Way
 Anaheim, California 92801
 Fax: _____

If to Franchisee: As set forth in Section 1.1.2

Any party may change his or its address by giving 10 days prior written notice of such change to all other parties.

ARTICLE 20 DISPUTE RESOLUTION

20.1 **Mediation.** Except to the extent precluded by Applicable Law, the parties hereby agree that prior to initiating any arbitration proceeding as described below (other than suits described in Section 20.2.2), they shall first attempt to resolve any dispute pursuant to mediation conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association, unless the parties agree in writing on alternative rules and a mediator within 15 days after either party first gives notice of mediation. The mediation shall last for at least one full day and each party shall have present a representative with authority to make settlement decisions on its behalf. The mediation shall be conducted in Orange County, California, unless Company is later headquartered in another city or county, in which event the mediation shall be conducted in such other city or county, and shall be conducted and completed within 45 days following the date either party first gives notice of mediation. If the parties fail to complete the mediation within the 45 day period, either party may initiate any arbitration proceeding in accordance with Section 20.2. The fees and expenses of the mediator shall be shared equally by the parties. The mediator shall be disqualified as a witness, expert or counsel for any party with respect to any suit and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under California and other Applicable Laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties shall not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation.

20.2 Arbitration.

20.2.1 Except as provided in Sections 20.1 and 20.2.2 and except as precluded by Applicable Law, any dispute, controversy or claim between Company and Franchisee arising out of or relating to this Agreement or any of the dealings of the parties, including any issues pertaining to the arbitrability of such dispute, controversy or claim and any claim that this Agreement or any part of this Agreement is invalid, illegal, or otherwise voidable or void, shall be submitted to binding arbitration conducted before and in accordance with the then-current international arbitration rules of the American Arbitration Association ("AAA"), by one arbitrator selected in accordance with the applicable rules. Judgment upon any award rendered may be entered in any court having jurisdiction. Except to the extent prohibited by Applicable Law, the proceedings shall be held in Orange County, California. In no event may the material provisions of this Agreement, or any ancillary agreement executed in connection with this Agreement, including, the method of operation, authorized product line sold or monetary obligations specified in this Agreement, amendments to this Agreement or the Manuals be waived, modified or changed by the arbitrator at any arbitration hearing. The substantive law applied in such arbitration shall be as provided in Section 21.6. The arbitration and the parties' agreement to arbitrate shall be deemed to be self-executing, and if either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. Failure by either party to pay the fees (or provide a required deposit) of the arbitrator and/or the arbitration administrator in accordance with the rules and policies of the applicable entity shall result in a forfeiture by the non-paying party of the right to prosecute or defend the claim which is the subject of the arbitration, but shall not otherwise serve to abate, stay or suspend the arbitration proceedings. The arbitral decision shall be binding and conclusive on the parties. A judgment confirming the award may be given by any court having jurisdiction, or that court may vacate, modify, or correct the award in accordance with the prevailing provisions of Applicable Law. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. § 1 et seq.), notwithstanding any provision of this Agreement specifying the state law under which this Agreement shall be governed and construed.

20.2.2 Nothing in Section 20.2 shall prejudice the right of any party to obtain provisional relief or other equitable remedies from a court of competent jurisdiction as shall otherwise be available under the Applicable Law.

20.3 **Waiver of Jury Trial; Venue.** TO THE EXTENT PERMITTED BY APPLICABLE LAW THE PARTIES: (1) HEREBY WAIVE THEIR RIGHT TO JURY TRIAL WITH RESPECT TO ALL CLAIMS AND ISSUES ARISING UNDER, IN CONNECTION WITH, TOUCHING UPON OR RELATING TO THIS AGREEMENT, OR ANY OF THE DEALINGS OF THE PARTIES, AND/OR THE SCOPE OF THE PROVISIONS OF THIS ARTICLE 20, WHETHER SOUNDING IN CONTRACT OR TORT, AND INCLUDING ANY CLAIM FOR FRAUDULENT INDUCEMENT, AND (2) AGREE THAT ORANGE COUNTY, CALIFORNIA SHALL BE THE SOLE VENUE FOR ANY LITIGATION ARISING UNDER THIS AGREEMENT. THE PARTIES ACKNOWLEDGE THAT THEY HAVE REVIEWED THIS SECTION AND HAVE HAD THE OPPORTUNITY TO SEEK INDEPENDENT LEGAL ADVICE AS TO ITS MEANING AND EFFECT.

**FRANCHISEE
INITIALS**

**COMPANY
INITIALS**

**ARTICLE 21
MISCELLANEOUS PROVISIONS**

21.1 **Company's Right To Cure Defaults.** In addition to all other remedies herein granted, if Franchisee shall default in the performance of any of its obligations or breach any term or condition of this Agreement or any related agreement, Company may, at its election, immediately or at any time thereafter, without waiving any claim for breach hereunder and without notice to Franchisee, cure such default for the account and on behalf of Franchisee, and the cost to Company thereof shall be due and payable on demand and shall be deemed to be additional compensation due to Company hereunder and shall be added to the amount of compensation next accruing hereunder, at the election of Company.

21.2 **Waiver and Delay.** No waiver by Company of any default or series of defaults in performance by Franchisee, and no failure, refusal or neglect of Company to exercise any right, power or option given to it under this or any other agreement between Company and Franchisee, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to the Licensed Business) or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement, any other franchise or license agreement between Company and Franchisee, whether entered into before, after or contemporaneously with the Effective Date (and whether or not related to the Licensed Business), shall constitute a waiver of the provisions of this Agreement or the Policies with respect to any subsequent default, or a waiver by Company of its right at any time thereafter to require exact and strict compliance. Company will consider written requests by Franchisee for Company's consent to a waiver of any obligation imposed by this Agreement. Franchisee agrees, however, that Company is not required to act uniformly with respect to waivers, requests and consents as each request will be considered on a case-by-case basis, and nothing shall be construed to require Company to grant any such request. Any waiver granted by Company shall be without prejudice to any other rights Company may have, will be subject to continuing review by Company, and may be revoked, in Company's discretion, at any time and for any reason, effective upon 10 days prior written notice to Franchisee. Company makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee by providing any waiver, approval, acceptance, consent, assistance, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request.

21.3 **Survival of Obligations.** Termination or expiration shall be without prejudice to any other rights or remedies that Company or Franchisee, shall have in law or in equity, including the right to recover benefit of the bargain damages. In no event shall a termination or expiration of this Agreement affect Franchisee's obligations to take or abstain from taking any action in accordance with this Agreement. The provisions of this Agreement which by their nature or expressly constitute post-termination (or post-expiration) covenants and agreements shall survive the termination or expiration of this Agreement.

21.4 **Successors and Assigns; Benefit.** This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Company and Franchisee and its or their respective heirs, executors, administrators, successors and assigns, subject to the restrictions on Assignment contained in this Agreement. This Agreement is for the benefit of the parties only, and, except as expressly provided in this Agreement, is not intended to and shall not confer any rights or benefits upon any person who is not a party to this Agreement.

21.5 **Joint and Several Liability.** If the named Franchisee includes more than one person and/or Business Entity, such person(s) and/or Business Entities shall be deemed to be a general partnership and each shall be jointly and severally liable for all obligations and liabilities of the "Franchisee".

21.6 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to any conflict of laws principles, except that (a) the provisions in Section 13.1 and to the extent applicable, Section 13.5, which shall be governed by the laws of the state in which the Licensed Business is located, and (b) and state law relating to (1) the offer and sale of franchises (2) franchise relationships, or (3) business opportunities, will not apply unless the applicable jurisdictional requirements are met independently without reference to this paragraph.

21.7 **Entire Agreement.** This Agreement and the Manuals contain all of the terms and conditions agreed upon by the parties with reference to the subject matter of this Agreement. No other agreements concerning the subject matter of this Agreement, oral or otherwise, shall be deemed to exist or to bind any of the parties. All prior or contemporaneous agreements, understandings and representations relating to the subject matter of this Agreement, are merged and are expressly and superseded by this Agreement, except such representations as are made in the franchise disclosure document delivered to Franchisee and any representations made by Franchisee in acquisition of this Agreement. No officer or employee or agent of Company has any authority to make any representation or promise not contained in this Agreement or in the franchise disclosure document delivered to Franchisee, and Franchisee agrees that it has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be amended, modified or changed except by written instrument signed by all of the parties. Nothing in this Agreement or any related agreement is intended to disclaim the representations made by Company in the franchise disclosure document delivered to Franchisee.

21.8 **Titles For Convenience.** Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

21.9 **Gender and Construction.** The terms of the Recitals, Appendixes and all Exhibits to this Agreement are incorporated into and made a part of this Agreement as if set forth in full. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Article or Section may require. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. When a reference is made in this Agreement to an Article, a Section or Exhibit, such reference shall be to an Article or a Section of, or an Exhibit to, this Agreement unless otherwise indicated. Unless otherwise expressly provided in this Agreement to the contrary, any consent, acceptance, approval or authorization of Company which Franchisee may be required to obtain may be given or withheld by Company in its sole discretion, and on any occasion where Company is required or permitted to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets the Policies, standards or satisfaction, Company may do so in its sole subjective judgment and discretion. No provision in this Agreement expressly identifying any particular breach of this Agreement as material shall be construed to imply that any other breach which is not so identified is not material. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties.

Company and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

21.10 **Severability.** Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Agreement or the Manuals and any Applicable Law contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement or the Manuals thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of Applicable Law. If any part, article, section, sentence or clause of this Agreement or the Manuals shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement or the Manuals shall continue in full force and effect.

21.11 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

21.12 **Fees and Expenses.** If any party to this Agreement shall bring any action or proceeding for any relief against the other arising out of this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorney fees and costs incurred in bringing or defending such action or proceeding and/or enforcing any judgment, all of which shall be deemed to have accrued upon the commencement of such action or proceeding and shall be paid whether or not such action or proceeding is prosecuted to final judgment. Any judgment or order entered in such action or proceeding shall contain a specific provision providing for the recovery of attorney fees and costs, separate from the judgment, incurred in enforcing such judgment. The prevailing party shall be determined by the arbitrator court based upon an assessment of which party's major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues. This Section is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

ARTICLE 22 ACKNOWLEDGMENT

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

22.2 **Due Execution.** The submission of this Agreement to Franchisee does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Company and Franchisee. THIS AGREEMENT SHALL NOT BE BINDING ON COMPANY UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF COMPANY.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereof have executed this Agreement as of the date of execution by Company.

“Company”

Garage Experts International LLC,
a California limited liability company

By: _____
Name: _____
Its: _____
Date of signing: _____

“Franchisee”

- _____,
- an individual
 - a _____ general partnership;
 - a _____ limited partnership;
 - a _____ limited liability company;
 - a _____ corporation;

By: _____
Name: _____
Its: _____
Date of signing: _____

APPENDIX 1 DEFINITIONS

“Additional Training” shall have the meaning set forth in Section 6.4.

“Affiliate” when used in connection with Company or Franchisee, includes each person or Business Entity which directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Company or Franchisee, as applicable. Without limiting the foregoing, the term **“Affiliate”** when used herein in connection with Franchisee includes any Business Entity 5% or more of whose Equity or voting control, is held by person(s) or Business Entities who, jointly or severally, hold 5% or more of the Equity or voting control of Franchisee. For purposes of this definition, control of a person or Business Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Business Entity whether by contract or otherwise. Notwithstanding the above definition, if Company or its Affiliate has any ownership interest in Franchisee, the term **“Affiliate”** shall not include or refer to Company or that Affiliate (the **“Company Affiliate”**), and no obligation or restriction upon an **“Affiliate”** of Franchisee, shall bind Company, or Company’s Affiliate or their respective parents or subsidiaries, officers, directors, or managers.

“Agreement” means this Franchise Agreement, together with all exhibits and addenda to this Franchise Agreement.

“Agreement Year” Each twelve (12) month period starting on the Business Commencement Date or any anniversary of such date.

“Ancillary Products” shall have the meaning set forth in Section 10.3.

“Anti-Terrorism Laws” means Executive Order 13224 issued by the President of the United States of America (or any successor Order), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) of 2001 (or any successor legislation) and all other present and future national, provincial, federal, state and local laws, ordinances, regulations, policies, lists, Orders and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war.

“Applicable Law” means and includes applicable common law and all applicable statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority, including all contractors licensing laws, building codes, immigration and labor laws, as in effect on the Effective Date hereof, and as may be amended, supplemented or enacted from time to time.

“Assignment” shall mean any sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance (“transfer”), voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, of any direct or indirect interest in this Agreement or in the Equity or voting rights of Franchisee if a Business Entity, and the withdrawal, death or legal incapacity of any Owner of Franchisee; the admission of any additional general partner or the transfer by any Owner general partner of any of its Partnership Rights in the Partnership; and any merger, stock redemption, consolidation, reorganization, recapitalization involving Franchisee, however effected.

“Authorized Products and Services” means design, sale and installation of customized residential garage storage systems, decorative concrete coatings and garage floor coatings, including all products and services produced, organized or distributed, which are now or hereafter approved or designated by Company. When used separately, **“Products”** means the products and **“Services”** means the services that, in each case, are included within the definition of Authorized Products and Services.

“Business” means a business, under the Marks and in accordance with the System and specializing in the sale of Authorized Products and Services.

“Business Commencement Date” shall have the meaning set forth in Section 4.5.

“Business Entity” means a Partnership, limited liability company, and any association, corporation or other entity which is not an individual.

“Company” shall have the meaning provided in the introductory paragraph of this Agreement.

“Competitive Activities” means to, own, operate, lend to, advise, be employed by, or have any financial interest in any business that engages in the offer, sale or provision of residential, commercial and/or retail (i) storage design and/or installation; or (ii) floor or storage coatings.

“Computer System” shall have the meaning set forth in Section 7.5.

“Continuing Royalty” shall have the meaning set forth in Section 5.1.

“Crisis Management Event” means any event that occurs at or about the Office or in connection with the operation of the Licensed Business that has caused or may cause harm or injury (physical or otherwise) to customers or employees, such as construction accidents, contagious diseases, criminal acts, natural disasters, terrorist acts, shootings, or any other circumstance which may damage the System, Marks, or reputation of Businesses of Company or its Affiliates.

“Designated Products” shall have the meaning set forth in Section 10.2.

“Effective Date” shall have the meaning provided in the introductory paragraph of this Agreement.

“Equity” means capital stock, membership interests, Partnership Rights, or other equity ownership interests of a Business Entity.

“Force Majeure” means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; epidemics; or other similar forces which Franchisee could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, landlord, contractor, or other person shall be an event of Force Majeure hereunder, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. For the avoidance of doubt, Franchisee’s financial inability to perform or Franchisee’s insolvency shall not be an event of Force Majeure hereunder.

“Franchisee” shall have the meaning provided in the introductory paragraph of this Agreement.

“Garage Experts’ Brand Products” means any product now existing or developed in the future that bears, or is sold or packaged under any of the Marks.

“Governmental Authority” means and includes all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

“Gross Sales” means the total of all revenues received or receivable by Franchisee as payment, whether in cash, by debit card or for credit or barter or other means of exchange (and, if for credit or barter, whether or not payment is received therefor), on account of any and all goods, merchandise, services, and supplies sold by the Licensed Business, or which are promoted or sold by Franchisee under any of the Marks, whether or not Company offers such services or products in its other locations, including; (a) revenues from sales of any nature or kind whatsoever, derived by Franchisee or by any other person or Business Entity (including Franchisee’s Affiliate(s)) from the Licensed Business; (b) sales of Authorized Products and Services in contravention of this Agreement from businesses other than the Licensed Business; (c) the proceeds of any business interruption insurance, after the satisfaction of any

applicable deductible; (d) mail or telephone orders received or filled in or from the Licensed Business; and (e) orders taken in or from the Licensed Business although filled or performed elsewhere.

Notwithstanding the foregoing, "Gross Sales" shall exclude the following: (i) Sums representing sales taxes collected directly from customers by Franchisee in the operation of the Licensed Business, and any sales, value added or other tax, excise or duty charged to customers which is levied or assessed against Franchisee by any Federal, state, municipal or local authority, based on sales of specific goods, merchandise, services, and supplies sold at, from, or in connection with the Licensed Business, provided that such taxes are actually transmitted to the appropriate Governmental Authority; and (ii) Sums representing tips, gratuities or service charges paid directly by customers to employees of Franchisee or paid to Franchisee and promptly and to the extent turned over to such employees by Franchisee in lieu of direct tips or gratuities; and (iii) Proceeds from isolated sales of equipment and trade fixtures not constituting any part of Franchisee's products and services offered in connection with the Licensed Business nor having any material effect upon the ongoing operation of the Licensed Business required under this Agreement.

"Heirs" shall have the meaning set forth in Section 15.3.2.

"Infringement Fine" shall have the meaning set forth in Section 5.5.

"Initial Attendees" shall have the meaning set forth in Section 6.1.

"Initial Training Program" shall have the meaning set forth in Section 6.1.

"Inspectors" shall have the meaning set forth in Section 11.4.

"Internet" means collectively the myriad of computer and telecommunications facilities, including equipment and software, which comprise the interconnected worldwide network of networks that employ the TCP/IP [Transmission Control Protocol/Internet Protocol], or any predecessor or successor protocols to such protocol, to communicate information of all kinds by fiber optics, wire, radio, or other methods of transmission.

"Internet Referral Sources" means operators of Internet websites (or similar referral sources) that offer to refer customers to Company and its franchisee for a fee.

"Lease" shall mean any agreement, however denominated, that allows Franchisee to occupy the Office if owned by a third party, including any lease, sublease, concession agreement, license, and similar arrangement between Franchisee and a third party.

"Licensed Business" means the business operated pursuant to this Agreement, from the Office and through the use of Vehicles, under the Marks and in accordance with the System and specializing in the sale and provision of Authorized Products and Services within the Trade Area.

"Major Owner" means an Owner that owns and controls more than 25% of the Equity and voting rights of Franchisee.

"Manuals" means Company's operations manual(s), and all related manual(s) now or hereafter created by Company for use in the operation of the Licensed Business, as the same may be amended and revised from time to time (except that such amendments will not alter Franchisee's fundamental status and rights under this Agreement), including all bulletins, supplements and ancillary manuals, and reference made to the Manuals in this Agreement, or in any amendments, exhibits, appendixes or schedules hereto, shall be deemed to mean the Manuals kept current by amendments from time to time.

"Marks" shall have the meaning set forth in Recital A.

“National Accounts” means any (i) potential or existing commercial customer that has multiple sites, offices, or retail premises located within and outside of the Trade Area, (ii) any home improvement retail or wholesale outlet, regional home improvement or hardware store, design center, department store, or “membership based retailer”, such as Costco or Sam’s Club; (iii) construction company, contractor, homebuilder; and/or (iv) related business whose clientele include potential customers for Authorized Products and Services.

“Notice of Election” shall have the meaning set forth in Section 3.3.1.

“Office” shall have the meaning set forth in Section 4.1.2.

“Owner” means (i) any direct or indirect shareholder, member, general or limited partner, trustee, or other equity owner of a Business Entity; and (ii) any person that controls more than 5% of the voting rights of a Business Entity; except that if Company has any ownership or voting interest in Franchisee, the term **“Owner”** shall not include or refer to Company or its Affiliates, and no obligation or restriction upon “Franchisee”, or its Owners, directors or officers shall bind Company or its Affiliates, or their respective Owners, directors or officers.

“Partner” means any partner of a Partnership.

“Partnership” means any general partnership, limited partnership or limited liability partnership.

“Partnership Rights” means voting power, property, profits or losses, or partnership interests of a Partner.

“Policies” means the standards, specifications, policies, rules, regulations, procedures, protocols, restrictions, recommendations and guidelines as Company may establish and revise from time to time, whether contained in the Manuals or as Company may otherwise direct in writing.

“Proprietary Software” shall have the meaning set forth in Section 7.5.2.

“Qualified Household” means an “Owner Occupied Unit” determined by data issued by the United States Census Bureau, or such other reliable source determined appropriate by Company.

“Reporting Period” means a calendar month, or such other time period as Company may designate from time to time in writing.

“Restricted Person” means Franchisee, and each of its Owners and Affiliates, and the respective officers, directors, managers, and Affiliates of each of them, the General Manager, and the spouse and family members who live in the same household of each of the foregoing who are individuals.

“ROFR” shall have the meaning set forth in Section 14.3.

“ROFR Period” shall have the meaning set forth in Section 14.3.

“Successor Agreement Right” shall have the meaning set forth in Section 3.2.

“Successor Franchise Agreement” shall have the meaning set forth in Section 3.2.

“Successor Term” shall have the meaning set forth in Section 3.2.

“Suppliers” shall have the meaning set forth in Section 10.3.

“System” shall have the meaning set forth in Recital B.

“Term” shall have the meaning set forth in Section 3.1.

“Terrorist Lists” means all lists of known or suspected terrorists or terrorist organizations published by any U.S. Government Authority, including U.S. Treasury Department’s Office of Foreign Asset Control (“OFAC”), that administers and enforces economic and trade sanctions, including against targeted non-U.S. countries, terrorism sponsoring organizations and international narcotics traffickers.

“Trade Area” means the geographic area set forth in Exhibit “A”.

“Trade Secrets” means proprietary and confidential information, including: Policies, the Manuals, specifications; suppliers; customer lists, names, addresses and other customer information; procedures; concepts; systems; know-how; plans; strategies; methods and techniques of operating a Business.

“Travel Expenses” means costs and expenses incurred by or assessed in connection with travel, including airfare, hotel/lodging, local transportation, meals, and, with regard to Company’s employees’, salespersons’, agents’ and/or representatives’ expenses, a per diem charge determined by Company in advance, with respect to other incidental expenses incurred, including laundry and/or telephone expenses.

“Unassigned Area” shall have the meaning set forth in Section 2.4.1.

“URL” means uniform resource locator.

“Vehicle” or **“Vehicles”** shall have the meaning set forth in Section 4.2.2.

“Wages” means all salaries and hourly wages, and all related direct and indirect payroll expenses of employees, including employment-related taxes, overtime compensation, vacation benefits, pension and profit sharing plan contributions, medical insurance premiums, medical benefits, and the like, and all direct and indirect fees, costs and expenses payable to independent contractors, agents, representatives and outside consultants.

EXHIBIT "A"

TRADE AREA

Check Applicable Box:

The area outlined on the attached map and described as follows:

The area described as follows:

* If the Trade Area is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Trade Area shall extend to the center line of each such street, highway, freeway or other roadway, or river, stream, or tributary.

EXHIBIT "B" FRANCHISEE

INFORMATION

Franchisee is a (check as applicable): sole proprietor
 corporation limited partnership
 limited liability company general partnership
 Other (specify): _____

The name and address of each Owner of Franchisee is:

NUMBER OF SHARES OR PERCENTAGE

<u>NAME</u>	<u>ADDRESS</u>	<u>INTEREST</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

There is set forth below the name and address of each director, member, or general partner, as applicable, of Franchisee:

<u>NAME</u>	<u>ADDRESS</u>
_____	_____
_____	_____
_____	_____

There is set forth below the names, and addresses and titles of Franchisee's principal officers or partners who will be devoting their full time to the Business:

<u>NAME</u>	<u>ADDRESS</u>
_____	_____
_____	_____
_____	_____

The address where Franchisee's financial records, and Business Entity records (e.g. Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is:

Exhibit B

General Release

GENERAL RELEASE

THIS GENERAL RELEASE ("**Release Agreement**") is effective as of the _____ day of _____, 20____ (**Effective Date**) by and among Garage Experts International LLC, a California limited liability company ("**Company**"), _____ ("**Franchisee**"), _____ ("**Affiliate[s]**") and _____ ("**Owner**" and together with Franchisee and Affiliate[s], jointly and severally, "**Releasor**").

RECITALS

A. Company and Franchisee are parties to **[that][those]** certain Franchise Agreement[s], dated _____ (the "**Transaction Document[s]**");

B. Franchisee desires to **[assign the Transaction Document[s]] [enter into a Franchise agreement with Company]**; and

C. This Release Agreement has been requested at a juncture in the relationship of the parties where Company is considering either a change or an expansion of the relationship between the parties and/or their affiliates. Company is unwilling to make the anticipated change or expansion in the relationship of the parties unless it is certain that it is proceeding with a "clean slate" and that there are no outstanding grievances or Claims against it. Releasor, therefore, gives this Release Agreement as consideration for receiving the agreement of Company to an anticipated change or expansion of the relationship between the parties. Releasor acknowledges that this Release Agreement is intended to wipe the slate clean.

AGREEMENT

NOW, THEREFORE, in consideration of the premises set forth above, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, Releasor and Company hereby agree as follows:

1. **Definitions.** As used in this Release Agreement, the following capitalized terms have the meanings ascribed to them.

1.1 "**Claims**" means all actual and alleged claims, demands, Losses, charges, covenants, responsibilities, warranties, obligations, oral and written agreements, debts, violations, suits, counterclaims, cross claims, third party claims, accounts, liabilities, costs, expenses (including attorneys' fees and court costs), rights to terminate and rescind, rights of action and causes of action of any kind or nature, which in any way relate to or arise from or in connection with the Transaction Documents.

1.2 "**Company Released Parties**" means Company and each of its Constituents.

1.3 "**Constituents**" means past, present and future affiliates, parents, subsidiaries, divisions, partners, owners, shareholders, members, trustees, receivers, executors, representatives, administrators, and the respective officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of them.

1.4 "**Excluded Matters**" means **[(i)]** Company's continuing contractual obligations which arise or continue under and pursuant to the Transaction Document[s] on and after the date of this Release Agreement **;** and **(ii) if this Release Agreement is entered into in connection with the grant of a franchise or license, this Release Agreement is not intended to release or waive the**

provisions of any applicable franchise registration or disclosure law in connection with the grant of that franchise or license.]

1.5 “**Losses**” means all damages, liabilities, accounts, suits, awards, judgments, payments, diminutions in value and other losses, costs and expenses, however suffered or characterized, including interest, costs and expenses of investigating and prosecuting any Claim, reference proceeding, lawsuit, arbitration or any appeal; all associated actual attorneys’ fees, whether or not the Claim, reference proceeding, lawsuit or arbitration is ultimately defeated and, all amounts paid to compromise or settle of any Claim, reference proceeding, lawsuit or arbitration.

2. General Release. Releasor for itself and its Constituents, hereby releases and forever discharges the Company Released Parties from any and all Claims, whether known or unknown, based upon anything that has occurred or existed, or failed to occur or exist, from the beginning of time to the Effective Date, except for the Excluded Matters and the obligations under this Release Agreement.

3. Waiver of California Civil Code Section 1542.

3.1 Releasor, for itself and its Constituents, acknowledges that it is familiar with Section 1542 of the California Civil Code, which reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

3.2 With respect to those Claims being released pursuant to Section 2, Releasor, for itself and its Constituents, acknowledges that it is releasing unknown claims and waives all rights it has or may have under California Civil Code Section 1542 or any other statute or common law principle of similar effect. For purposes of this Section 3, Releasor shall be considered to be a creditor of the Company Released Parties, and each of them.

3.3 Releasor acknowledges that this general release extends to claims which Releasor does not know or suspect to exist in favor of Releasor at the time of executing this Release Agreement, which if known by Releasor may have materially affected its decision to enter into this Release Agreement. It is understood by Releasor that the facts in respect of which this Release Agreement is given may hereafter turn out to be other than or different from the facts in that connection known or believed to be true. Releasor therefore, expressly assumes the risk of the facts turning out to be so different and agrees that this Release Agreement shall be in all respects effective and not subject to termination or rescission by any such difference in facts.

4. Representations and Warranties. Releasor represents and warrants to Company that, in entering into this Release Agreement, it (i) is doing so freely and voluntarily upon the advice of counsel and business advisor of its own choosing (or declined to do so, free from coercion, duress or fraud); (ii) has read and fully understands the terms and scope of this Release Agreement; (iii) realizes that it is final and conclusive, and intends to be final and conclusive, as to the matters set forth in this Release Agreement; and (iv) has not assigned, transferred, or conveyed to any third party all or any part of or partial or contingent interest in any of the Claims which are called for to be released by this Release Agreement, that it is aware of no third party who contends or claims otherwise, and that it shall not purport to assign, transfer, or convey any such claim in the future.

5. Covenants Not to Sue. Releasor irrevocably covenants to refrain and cause each of its Constituents to refrain from asserting any Claim, or commencing, initiating or causing to be commenced, any proceeding of any kind against any Company Released Party, based upon any matter purported to be released pursuant to this Release Agreement.

6. Indemnity. Without in any way limiting any of the rights and remedies otherwise available to any Company Released Party, Releasor shall defend, indemnify and hold harmless each Company Released Party from and against all Claims whether or not involving third party Claims, arising directly or indirectly from or in connection with (i) the assertion by or on behalf of Releasor or its Constituents of any Claim or other matter purported to be released pursuant to this Release Agreement, (ii) the assertion by any third party of any Claim against any Company Released Party which Claim arises from, or in connection with, any Claim or other matter purported to be released pursuant to this Release Agreement; and (iii) any breach of representations, warranties or covenants by Releasor.

7. Miscellaneous.

7.1 This Release Agreement cannot be modified, altered or otherwise amended except by an agreement in writing signed by all of the parties hereto.

7.2 This Release Agreement, together with the agreements referenced in this Release Agreement, constitute the entire understanding between and among the parties with respect to the subject matter of this Release Agreement. This Release Agreement supersedes any prior negotiations and agreements, oral or written, with respect to its subject matter. No representations, warranties, agreements or covenants have been made with respect to this Release Agreement, and in executing this Release Agreement, none of the parties is relying upon any representation, warranty, agreement or covenant not set forth in this Release Agreement.

7.3 This Release Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

7.4 This Release Agreement shall be binding upon and inure to the benefit of the parties to this Release Agreement and their respective successors and permitted assigns.

7.5 All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Release Agreement may require. Neither this Release Agreement nor any uncertainty or ambiguity in this Release Agreement shall be construed or resolved against the drafter, whether under any rule of construction or otherwise. On the contrary, this Release Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties. If any provision of this Release Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

7.6 Any provision of this Release Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

7.7 Each of the parties acknowledges that it had the right and opportunity to seek independent legal counsel of its own choosing in connection with the execution of this Release Agreement, and each of the parties represents that it has either done so or that it has voluntarily declined to do so, free from coercion, duress or fraud.

7.8 This Release Agreement shall be governed by and construed in accordance with the internal laws of the State of California, without reference to conflict of law principles.

8. Dispute Resolution. Each controversy, dispute or claim between the parties arising out of or relating to this Release Agreement or the breach, termination, enforcement, interpretation or validity of this Release Agreement, will be resolved by arbitration in accordance with Article 20 of the Franchise Agreement.

RELEASOR
INITIALS

COMPANY
INITIALS

[SIGNATURE PAGE FOLLOWS]

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

“Company”:

Garage Experts International LLC

By: _____
Name: _____
Title: _____

“Releasor”:

“Franchisee”

By: _____
Name: _____
Title: _____

“Affiliate”

By: _____
Name: _____
Title: _____

“Owner”:

_____, an individual

[Others:]

_____, an individual

Exhibit C

Guaranty

CONTINUING GUARANTY

FOR VALUE RECEIVED, and in consideration of Garage Experts International LLC, a California limited liability company ("**Company**"), granting a franchise to _____, a(n) _____ ("**Franchisee**"), the undersigned, _____ and _____ ("**jointly and severally,** **Guarantor**"), agree as follows:

1. Guaranty of Obligations.

1.1 Guarantor unconditionally, absolutely and irrevocably guarantees the full and prompt payment and performance when due, of all obligations of Franchisee to Company and its affiliates, however created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or in the future existing or due or to become due, including, without limitation, under or in connection with that certain Franchise Agreement dated _____, 20__ (the "**FA**") and each of the documents, instruments and agreements executed and delivered in connection with the FA or this continuing guaranty, as each may be modified, amended, supplemented or replaced from time to time (all such obligations are referred to collectively as the "**Obligations**"), and all documents evidencing or securing any of the Obligations. This continuing guaranty (this "**Continuing Guaranty**") is a guaranty of payment and performance when due and not of collection.

1.2 In the event of any default by Franchisee in making payment of, or default by Franchisee in performance of, any of the Obligations, Guarantor agrees on demand by Company to pay and perform all of the Obligations as are then or thereafter become due and owing or are to be performed under the terms of the Obligations. Guarantor further agrees to pay all expenses (including reasonable attorneys' fees and expenses) paid or incurred by Company in endeavoring to collect the Obligations, or any part thereof, and in enforcing this Continuing Guaranty.

2. Continuing Nature Of Guaranty And Obligations. This Continuing Guaranty shall be continuing and shall not be discharged, impaired or affected by: (1) the insolvency of Franchisee or the payment in full of all of the Obligations at any time or from time to time; (2) the power or authority or lack thereof of Franchisee to incur the Obligations; (3) the validity or invalidity of any of the Obligations; (4) the existence or non-existence of Franchisee as a legal entity; (5) any statute of limitations affecting the liability of Guarantor or the ability of Company to enforce this Continuing Guaranty, the Obligations or any provision of the Obligations; or (6) any right of offset, counterclaim or defense of Guarantor, including, without limitation, those which have been waived by Guarantor pursuant to Paragraph 4 of this Continuing Guaranty.

3. Permitted Actions Of Company. Company may from time to time, in its sole discretion and without notice to Guarantor, take any or all of the following actions: (1) retain or obtain the primary or secondary obligation of any obligor or obligors, in addition to Guarantor, with respect to any of the Obligations; (2) extend or renew for one or more periods (whether or not longer than the original period), alter, amend or exchange any of the Obligations; (3) waive, ignore or forbear from taking action or otherwise exercising any of its default rights or remedies with respect to any default by Franchisee under the Obligations; (4) release, waive or compromise any obligation of Guarantor under this Continuing Guaranty or any obligation of any nature of any other obligor primarily or secondarily obligated with respect to any of the Obligations; (5) demand payment or performance of any of the Obligations from Guarantor at any time or from time to time, whether or not Company shall have exercised any of its rights or remedies with respect to any property securing any of the Obligations or any obligation under this Continuing Guaranty; or (6) proceed against any other obligor primarily or secondarily liable for payment or performance of any of the Obligations.

4. Specific Waivers.

4.1 Without limiting the generality of any other provision of this Continuing Guaranty, Guarantor expressly waives: (i) notice of the acceptance by Company of this Continuing Guaranty; (ii)

notice of the existence, creation, payment, nonpayment, performance or nonperformance of all or any of the Obligations; (iii) presentment, demand, notice of dishonor, protest, notice of protest and all other notices whatsoever with respect to the payment or performance of the Obligations or the amount thereof or any payment or performance by Guarantor under this Agreement; (iv) all diligence in collection or protection of or realization upon the Obligations or any thereof, any obligation under this Agreement or any security for or guaranty of any of the foregoing; (v) any right to direct or affect the manner or timing of Company's enforcement of its rights or remedies; (vi) any and all defenses which would otherwise arise upon the occurrence of any event or contingency described in Paragraph 1 hereof or upon the taking of any action by Company permitted under this Agreement; (vii) any defense, right of set-off, claim or counterclaim whatsoever and any and all other rights, benefits, protections and other defenses available to Guarantor now or at any time hereafter, including, without limitation, under California Civil Code Sections 2787 to 2855, inclusive, and Section 2899 and 3433, and all successor sections; and (viii) all other principles or provisions of law, if any, that conflict with the terms of this Continuing Guaranty, including, without limitation, the effect of any circumstances that may or might constitute a legal or equitable discharge of a guarantor or surety.

4.2 Guarantor waives all rights and defenses arising out of an election of remedies by Company. Without limiting the generality of the foregoing, Guarantor acknowledges that it has been made aware of the provisions of California Civil Code Section 2856, has read and understands the provisions of that statute, has been advised by its counsel as to the scope (or has had an opportunity to consult with counsel and has not availed itself of such opportunity), purpose and effect of that statute, and based thereon, and without limiting the foregoing waivers, Guarantor agrees to waive all suretyship rights and defenses available to Guarantor that are described in California Civil Code Section 2856(a).

4.3 Guarantor further waives all rights to revoke this Continuing Guaranty at any time, and all rights to revoke any agreement executed by Guarantor at any time to secure the payment and performance of Guarantor's obligations under this Continuing Guaranty.

5. Subordination; Subrogation. Guarantor subordinates any and all indebtedness of Franchisee to Guarantor to the full and prompt payment and performance of all of the Obligations. Company shall be entitled to receive payment of all Obligations prior to Guarantor's receipt of payment of any amount of any indebtedness of Franchisee to Guarantor. Guarantor will not exercise any rights which it may acquire by way of subrogation under this Continuing Guaranty, by any payment hereunder or otherwise, until all of the Obligations have been paid in full, in cash, and Company shall have no further obligations to Franchisee under the Obligations or otherwise.

6. Non-Competition, Trade Secrets, Effect of Applicable Law. Sections 13.1 (Non-Competition), 13.2 (Trade Secrets), and 13.3 (Effect of Applicable Law) of the FA, are incorporated into this Continuing Guaranty by reference, and Guarantor agrees to comply with and perform each of such covenants as though fully set forth in this Continuing Guaranty as a direct and primary obligation of Guarantor.

7. Assignment Of Company's Rights. Company may, from time to time, without notice to Guarantor, assign or transfer any or all of the Obligations or any interest therein and, notwithstanding any assignment(s) or transfer(s), the Obligations shall be and remain Obligations for the purpose of this Continuing Guaranty. Each and every immediate and successive assignee or transferee of any of the Obligations or of any interest therein shall, to the extent of such party's interest in the Obligations, be entitled to the benefits of this Continuing Guaranty to the same extent as if such assignee or transferee were Company.

8. Indulgences Not Waivers. No delay in the exercise of any right or remedy shall operate as a waiver of the such right or remedy, and no single or partial exercise by Company of any right or remedy shall preclude other or further exercise of such right or remedy or the exercise of any other right or remedy; nor shall any modification or waiver of any of the provisions of this Continuing Guaranty be binding upon Company, except as expressly set forth in a writing signed by Company. No action of Company permitted under this Continuing Guaranty shall in any way affect or impair the rights of Company or the obligations of Guarantor under this Continuing Guaranty.

9. Financial Condition Of Franchisee. Guarantor represents and warrants that it is fully aware of the financial condition of Franchisee, and Guarantor delivers this Continuing Guaranty based solely upon its own independent investigation of Franchisee's financial condition. Guarantor waives any duty on the part of Company to disclose to Guarantor any facts it may now or hereafter know about Franchisee, regardless of whether Company has reason to believe that any such facts materially increase the risk beyond that which Guarantor intends to assume or has reason to believe that such facts are unknown to Guarantor. Guarantor knowingly accepts the full range of risk encompassed within a contract of "Continuing Guaranty" which includes, without limitation, the possibility that Franchisee will contract for additional obligations and indebtedness for which Guarantor may be liable hereunder.

10. Representation and Warranty. Guarantor represents and warrants to Company that this Continuing Guaranty has been duly executed and delivered by Guarantor and constitutes a legal, valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms.

11. Binding Upon Successors; Death Of Guarantor; Joint And Several.

11.1 This Continuing Guaranty shall inure to the benefit of Company and its successors and assigns.

11.2 All references herein to Franchisee shall be deemed to include its successors and permitted assigns, and all references herein to Guarantor shall be deemed to include Guarantor and Guarantor's successors and permitted assigns and, upon the death of a Guarantor, the duly appointed ~~representative, executor or administrator~~ of the Guarantor's estate. This Continuing Guaranty shall not terminate or be revoked upon the death of a Guarantor, notwithstanding any knowledge by Company of a Guarantor's death.

11.3 If there shall be more than one Guarantor (or more than one person or entity comprises Guarantor) under this Agreement, all of the Guarantor's obligations and the other obligations, representations, warranties, covenants and other agreements of any Guarantor under this Agreement shall be joint and several obligations and liabilities of each Guarantor.

11.4 In addition and notwithstanding anything to the contrary contained in this Continuing Guaranty or in any other document, instrument or agreement between or among any of Company, Franchisee, Guarantor or any third party, the obligations of Guarantor with respect to the Obligations shall be joint and several with each and every other person or entity that now or hereafter executes a guaranty of any of the Obligations separate from this Continuing Guaranty.

12. Governing Law. This Continuing Guaranty has been delivered and shall be governed by and construed in accordance with the internal laws (as opposed to the conflicts of law provisions) of the State of California. Wherever possible each provision of this Continuing Guaranty shall be interpreted as to be effective and valid under applicable law, but if any provision of this Continuing Guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Continuing Guaranty.

13. ADVICE OF COUNSEL. GUARANTOR ACKNOWLEDGES THAT GUARANTOR HAS EITHER OBTAINED THE ADVICE OF COUNSEL OR HAS HAD THE OPPORTUNITY TO OBTAIN SUCH ADVICE IN CONNECTION WITH THE TERMS AND PROVISIONS OF THIS CONTINUING GUARANTY.

14. Entire Agreement. This Continuing Guaranty contains the complete understanding of the parties hereto with respect to the subject matter herein. Guarantor acknowledges that Guarantor is not relying upon any statements or representations of Company not contained in this Continuing Guaranty and that such statements or representations, if any, are of no force or effect and are fully superseded by this Continuing Guaranty. This Continuing Guaranty may only be modified by a writing executed by Guarantor and Company.

IN WITNESS WHEREOF, Guarantor has executed this Continuing Guaranty this ____ day of _____, 20__.

“Guarantor”

Exhibit D

**State Franchise
Agreement Addenda**

**ILLINOIS ADDENDUM
TO THE FRANCHISE AGREEMENT**

This Addendum forms a part of the Franchise Agreement dated _____, between Garage Experts International, LLC (“we”, “us”, or “our”) and _____, the franchisee (“you” or “your”). To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or Exhibits thereto, the terms of this Addendum shall govern.

1. Section 5.1 of the Franchise Agreement is amended to also provide that you will pay us the initial License Fee and Territory Fee after we complete all initial obligations owed to you under the Franchise Agreement and you have commenced doing business pursuant to the Franchise Agreement.

2. The following shall be deemed added to Section 20.3:

Illinois law, as amended, shall apply to any franchise offered or sold in Illinois, notwithstanding anything to the contrary contained in this Agreement.”

3. Notwithstanding anything to the contrary set forth in the Franchise Agreement, and particular Article 20 thereof, issues that are not subject to judicial reference are to be litigated at a mutually agreeable location in Illinois.

4. The following shall be deemed added to Section 20.3:

“With respect to franchises governed by Illinois law, Company will comply with Section 41 of the Illinois Franchise Disclosure Act, which provides that:

‘Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.’”

Except as set forth herein, the Franchise Agreement shall be valid and enforceable between the parties in accordance with its terms.

FRANCHISEE:

Garage Experts International LLC

By: _____

By: _____
Mike Meursing, President

By: _____

Effective Date: _____

**MARYLAND ADDENDUM
TO THE FRANCHISE AGREEMENT**

This Addendum forms a part of the Franchise Agreement dated _____, between Garage Experts International, LLC (“we”, “us”, or “our”) and _____, the franchisee (“you” or “your”). To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or Exhibits thereto, the terms of this Addendum shall govern.

1. Fees. All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the franchise agreement.

2. Release. Sections 3.43 and 14.2.1 of the Franchise Agreement are amended to provide that any release required as a condition of assignment or renewal will not apply to liability under the Maryland Franchise Registration and Disclosure Law (the “Maryland Franchise Law”).

3. Consent to Jurisdiction. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law, except as to claims subject to arbitration.

4. Statute of Limitations. Any limitation on the period of the time mediation and/or litigation claims must be brought shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing claims arising under the Maryland Franchise Law.

5. Acknowledgments. Article 22 of the Franchise Agreement is amended by the addition of the following at the end of such Section: “The representations made herein are not intended to and will not act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

Except as set forth herein, the Franchise Agreement shall be valid and enforceable between the parties in accordance with its terms.

FRANCHISEE:

Garage Experts International LLC

By: _____

By: _____
Mike Meursing, President

By: _____

Effective Date _____

MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT

This Addendum forms a part of the Franchise Agreement dated _____, between Garage Experts International, LLC (“we”, “us”, or “our”) and _____, the franchisee (“you” or “your”). To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or Exhibits thereto, the terms of this Addendum shall govern.

1. Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

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

3. Notwithstanding anything to the contrary set forth in the Franchise Agreement, and in particular Sections 3.4.3 and 14.2.1(h) thereof, any general release the Franchisee is required to assent to shall not apply to any liability Company may have under the Minnesota Franchise Act.

4. Minnesota Rule 2860.4400J prohibits us from requiring you to waive your rights to a jury trial. The provision in Section 20.2 of the Franchise Agreement waiving your rights to a jury trial is hereby deleted and shall have no force or effect.

5. Notwithstanding anything to the contrary set forth in the Franchise Agreement, and in particularly Section 12.4 thereof, Company will indemnify Franchisee for all costs and expenses it incurs in any action or proceeding brought against Franchisee by any third party as a result of Franchisee’s authorized use of Company’s trademarks.

6. Section 13.2.3 of the Franchise Agreement is deleted in its entirety and replaced with the following:

“13.2.3 In view of the importance of the Marks and the Trade Secrets and the incalculable and irreparable harm that would result to the parties in the event of a default of the covenants and agreements set forth herein in connection with these matters, the parties agree that each party shall have the right in a proper case to seek specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction to enforce the covenants and agreements in this Agreement, in addition to any other relief to which such party may

be entitled at law or in equity. Each party submits to the jurisdiction of the courts of the city and state in which Company maintains its principal business address from time to time (Orange County, California as of the Effective Date but subject to change), and the U.S. federal courts sitting therein for purposes thereof. The parties agree that venue for any such proceeding shall be the state and federal courts located in the city and state in which Company maintains its principal business address from time to time (Orange County, California as of the Effective Date but subject to change).

7. Notwithstanding anything to the contrary in Section 5 of the Franchise Agreement, the Initial License and Territory Fee and other initial payments shall be paid by Franchisee to Company when Company has fulfilled its pre-opening obligations to Franchisee and Franchisee's Garage Experts business opens to the public.

Except as set forth herein, the Franchise Agreement shall be valid and enforceable between the parties in accordance with its terms.

FRANCHISEE:

Garage Experts International LLC

By: _____

By: _____
Mike Meursing, President

By: _____

Effective Date _____

**NORTH DAKOTA ADDENDUM
TO THE FRANCHISE AGREEMENT**

This Addendum forms a part of the Franchise Agreement dated _____, between Garage Experts International, LLC (“we”, “us”, or “our”) and _____, the franchisee (“you” or “your”). To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or Exhibits thereto, the terms of this Addendum shall govern.

1. Notwithstanding anything to the contrary set forth in the Franchise Agreement, and in particular Sections 3.4 and 14.2 thereof, any general release the Franchisee is required to assent to shall not apply to any liability Company may have under the North Dakota Franchise Investment Law.

2. The following caveat is added to Section 13.1.2:

“Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.”

3. Section 16.1.3 of the Franchise Agreement is hereby deleted in its entirety by this reference.

4. Notwithstanding anything to the contrary set forth in the Franchise Agreement, and in particular Section 21.6 thereof, the Franchise Agreement and the legal relations among the parties to the Franchise Agreement shall be governed by and construed in accordance with the laws of the State of North Dakota.

5. Section 20.3 of the Franchise Agreement is amended by the addition of the following language to the original language that appears therein:

This section shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the North Dakota Franchise Investment Law, including the right to a trial by jury and the right to submit matters to the jurisdiction of the Courts of North Dakota.”

Except as set forth herein, the Franchise Agreement shall be valid and enforceable between the parties in accordance with its terms.

FRANCHISEE:

Garage Experts International LLC

By: _____

By: _____
Mike Meursing, President

By: _____

Effective Date _____

**SOUTH DAKOTA ADDENDUM
TO THE FRANCHISE AGREEMENT**

This Addendum forms a part of the Franchise Agreement dated _____, between Garage Experts International, LLC (“we”, “us”, or “our”) and _____, the franchisee (“you” or “your”). To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or Exhibits thereto, the terms of this Addendum shall govern.

1. Section 5 of the franchise agreement is clarified to also indicate that 50% of the initial franchisee fee and royalties are deemed paid for the use of our Marks and 50% are deemed paid for our training, support, and franchise system.

Except as set forth herein, the Franchise Agreement shall be valid and enforceable between the parties in accordance with its terms.

FRANCHISEE:

Garage Experts International LLC

By: _____

By: _____
Mike Meursing, President

By: _____

Effective Date _____

**WASHINGTON ADDENDUM
TO THE FRANCHISE AGREEMENT**

This Addendum forms a part of the Franchise Agreement dated _____, between Garage Experts International, LLC (“we”, “us”, or “our”) and _____, the franchisee (“you” or “your”). To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or Exhibits thereto, the terms of this Addendum shall govern.

The state of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISEE:

Garage Experts International LLC

By: _____

By: _____
Mike Meursing, President

By: _____

Effective Date _____

**WISCONSIN ADDENDUM
TO THE FRANCHISE AGREEMENT**

This Addendum forms a part of the Franchise Agreement dated _____, between Garage Experts International, LLC (“we”, “us”, or “our”) and _____, the franchisee (“you” or “your”). To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or Exhibits thereto, the terms of this Addendum shall govern.

1. If the franchise agreement contains any provisions that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

2. The franchise agreement is amended to include the following language:

With respect to franchises governed by Wisconsin law, the franchisor will comply with Wisconsin Statutes, Chapter 135, Section 135.04 which requires, except in certain circumstances, that a franchisee be given 90 days notice of termination, cancellation, nonrenewal or substantial change in competitive circumstance of the franchise agreement with 60 days to cure.

FRANCHISEE:

Garage Experts International LLC

By: _____

By: _____
Mike Meursing, President

By: _____

Effective Date _____

Exhibit E

Franchisee Information

Current Franchisees

The following is a list of the names of all current franchisees and the address and telephone number of each of their outlets.

Franchise Owner(s)	Phone #	Address	State
Asa Chandler	888-340-4014	PO Box 670141, Chugiak, AK 99567	AK
Jacob Dubin	334-424-1553	3427 Lansdowne Drive, Montgomery, AL 36111	AL
Vernon Starling	205-999-1337	2336 Bellvue Court, Hoover, AL 35226	AL
Michael Larson/Randy Williams	850-470-9779	331 W. Government Street, Pensacola, FL 32502	AL
Phil & Chris Garrison	928-766-5652	4159 East Huntington, Flagstaff, AZ 86004	AZ
Jeffrey Gannon	402-730-6954	2225 W Fyre Rd. #1044 Chandler, AZ 85224	AZ
Alex Moody	949-793-9311	18032 C Lemon Dr. Yorba Linda, CA 92886	CA
Jim Marshall	951-229-0751	35670 Abelia Street, Murrieta, CA 92562	CA
Don Couchman	510-771-8988	7708 Eureka Ave. El Cerrito, CA 94530	CA
Stanton Ireland	707-820-4481	523 Smoketree St. Windsor, CA 95492	CA
John Sheets/Chris Riccitelli/Matt Pilkington	214-997-6871	2500 BlueJay Ct., Mckinny, TX 75070	CA
Peter Barkann	530-725-5295	1324 Pine Valley Road, South Lake Tahoe, CA 96150	CA
Jimmy Tubbs	805-797-	5435 Beckford St. Ventura, CA	CA

	0032	93003	
Tyler Dufenhorst	407-901-2040	11446 Jasper Kay Terr Unit 1019, Windermere, FL 34786	FL
Bill Pollock	941-757-8301	2800 Geneva Road Venice, FL 34293	FL
Adam Foust/Steve White	678-929-6264	3113 Old Snapping Shoals, McDonough, GA 30252	GA
Tom Conger	208-668-0123	4230 N Ballantyne Ln. Eagle, ID 83616	ID
Paul Butcher	606-369-4527	PO Box 586, West Van Lear, KY 41268	KY
Ken Zuromski/Joseph C Gutberlett	410-688-7605	736 Winterfield Court, Bel Air, MD 21015	MD
Rob Heald	816-839-9377	1224 NW Phelps Dr., Graini Valley, MO 64029	MO
Travis Webb	314-720-8804	5770 Highway Y, Hollsboro, MO 63050	MO
Thomas Merritt/Jonathan Williams	910-377-0112	115 Candlewood Dr. Hampstead, NC 28443	NC
Mark Buchanan	704-900-9109	130 Glen Allan Rd. Mooresville, NC 28115	NC
Jeffrey Gannon	402-730-6954	2110 SW 9th #123, Lincoln NE 68522	NE
Stephen George	978-767-4919	Business: P.O. Box 482 Salem, NH 03079	NH
Kevin Attar	603-234-3364	Shipping: 14 Sylvester Land Hampstead, NH 03841	NH
Robert Grimes	505-431-4871	6276 Nueva Expana Rd, Albuquerque, NM 87114	NM
Kirt Kosmicki	702-885-5478	10659 Solar Hawk Ave. Las Vegas, NV 89129	NV
Tim Roberts	405-455-	605 SW 23rd St. El Reno, OK	OK

	8109	73036	
Sean Howell	570-431-6659	2440 Lycoming Creek Road Williamsport, PA 17701	PA
Paul Butcher/Terry Meenach	606-220-0020	301 Central Ave. #325, Hilton Head, SC 29926	SC
Jon Whittaker	210-807-8288	3719 Sunset Heights, San Antonio, TX 78261	TX
Steve Chase	940-227-4419	4641 New Hope Rd, Aubrey, TX 76227	TX
Jared & Mary Morris	325-642-2950	24219 Café Hill, San Antonio, TX 78260	TX
Don Couchman	510-771-8988	7708 Eureka Ave. El Cerrito, CA 94530	WI

Franchisees Who Had an Outlet Terminated, Cancelled, Not Renewed, Etc.

The following is a list of the names, city and state, and 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 have 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.

Alabama

Michael Brahler
58 Sought Section St.
Fairhope, AL 35632
217-836-6907

California

Jamie McGuire
1902 Wright Place, Suite 200
Carlsbad, CA 92008
(760) 990-7660

Florida

Dane Bilardo
326 NE 30th St.
Cape Coroyal, FL 33908
(239) 449-0880

Ardy Ermani
4220 Sandhurst Drive
Orlando, FL 32817
(407) 255- 2373

Stanley Pearson
3115 NW 135th St.
Opa Locka, FL 33054
(786) 528-6696

Illinois

Michael Brahler
3419 Chatham Rd.
Springfield, IL 62704
(217) 919-9970

Minnesota

Andrew Haefemeyer
6354 Cannon Lake Trail
Faribault, MN 55021
(507) 319-9800

Lloyd Harr
7206 Forestview Lane, Suite 206
Maples Grove, MN 55369
(763) 280-7723

Exhibit F

Financial Statements

Garage Experts International, LLC Report and Financial Statements

Years Ended December 31, 2013, 2012 and 2011

Garage Experts International, LLC
Report and Financial Statements
Years Ended December 31, 2013 and 2012



LESLEY, THOMAS, SCHWARZ & POSTMA, INC.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accountancy Corporation

Principals
George M. Lesley
John Postma II
Thomas R. Madigan
Mark D. Murphy
Doris D. Farinacci
Mark A. Simurda
Cyndi M. LeBerthon

Independent Auditor's Report

To the Member of
Garage Experts International, LLC

Report on the Financial Statements

We have audited the accompanying financial statements of Garage Experts International, LLC, which comprise of the balance sheets as of December 31, 2013 and 2012, and the related statements of income and member's equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

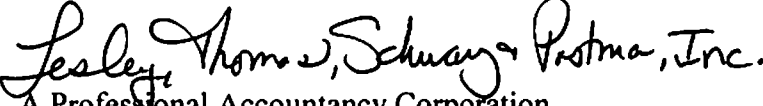
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Garage Experts International, LLC as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


A Professional Accountancy Corporation
Newport Beach, California
January 6, 2014

Garage Experts International, LLC
Balance Sheets

	December 31,	
	2013	2012
Assets		
Current assets		
Cash	\$ 22,523	\$ 18,805
Prepaid expenses	1,894	-
Accounts receivable	1,737	9,500
Total current assets	26,154	28,305
Other assets		
Trademark, net (Note 3)	22,500	23,000
Total assets	\$ 48,654	\$ 51,305
Liabilities and Member's Equity		
Current liabilities		
Accounts payable	\$ 13,393	\$ 18,314
Accrued expenses	16,278	-
Due to affiliate (Note 5)	3,964	26,935
Total current liabilities	33,635	45,249
Comittments and contingencies (Notes 5 and 6)		
Member's equity	15,019	6,056
Total liabilities and member's equity	\$ 48,654	\$ 51,305

See the accompanying notes to these financial statements

Garage Experts International, LLC
Statement of Income and Member's Equity

	For the Years Ended December 31,	
	2013	2012
Revenue		
Franchise fees	\$ 174,019	\$ 121,322
Marketing income	109,481	57,034
Other fees	15,609	5,278
Total revenue	299,109	183,634
Expenses		
Advertising	147,102	111,239
Wages	11,900	-
Payroll tax expense	1,386	-
Amortization	500	500
Finance charges	5,292	2,525
Legal & professional fees	69,931	26,877
Licenses & fees	2,820	4,050
Outside services	16,967	10,680
Bad debt	8,585	3,150
Commissions	18,321	10,072
Software	2,918	1,995
Office supplies	358	8,327
Meals and entertainment	-	240
Telephone	3,982	316
Employee meetings	84	140
Auto expense	-	75
Total operating expenses	290,146	180,186
Net income	8,963	3,448
Member's equity, beginning of year	6,056	2,608
Member's equity, end of year	\$ 15,019	\$ 6,056

See the accompanying notes to these financial statements

Garage Experts International, LLC
Statements of Cash Flows

	For the Years Ended December 31,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 8,963	\$ 3,448
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	500	500
Changes in operating assets and liabilities		
Prepaid expenses	(1,894)	-
Accounts receivable	7,763	(3,650)
Accounts payable	(4,921)	(10,909)
Accrued expenses	16,278	-
Due to affiliate	(22,971)	26,931
Deferred revenue	-	(3,785)
	3,718	12,535
Net cash provided by operating activities		
	3,718	12,535
Net increase in cash and cash equivalents		
	3,718	12,535
Cash and cash equivalents, beginning of year	18,805	6,270
Cash and cash equivalents, end of year	\$ 22,523	\$ 18,805
Supplemental disclosures of cash flow information:		
Cash paid during the year:		
Interest	\$ -	\$ -
Income taxes	\$ 800	\$ 800

See the accompanying notes to these financial statements

Garage Experts International, LLC
Notes to Financial Statements
December 31, 2013 and 2012

Note 1. Nature of Operations

Garage Experts International, LLC (the "Company") was organized on September 23, 2008 in the state of California as a Limited Liability Company. The Company sells franchises for the garage improvement industry, and provides materials needed to start up a new business installing floor coatings, accessories, and cabinets into garage areas.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the balance sheets and statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Revenue Recognition

Revenues include franchise fees charged on a monthly basis. The Company enters into franchise agreements committing to providing franchisees with various services and limited rights to utilize the Company's registered trademarks. These agreements typically have initial terms of five years. Franchise fee revenues are recognized upon commencement of operations by the franchisee at which point substantial performance of initial services has occurred. As of December 31, 2013, there were thirty four franchises in operation. The Company also receives marketing fee income which includes reimbursement for marketing costs plus a percentage markup.

Note 2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

The Company monitors all receivables, especially those balances over 60 days past due. Balances are written off only when all reasonable collection efforts have been exhausted. Management must approve all write-offs of customer balances. The Company has not provided for an allowance for doubtful accounts as of December 31, 2013 and 2012 because it anticipates all of its accounts receivables will be collected. The Company performs ongoing credit evaluations of its customers and generally does not require collateral.

Intangible Asset

The intangible asset consists of a trademark license agreement. The intangible asset is considered to have a finite useful life and is amortized on a straight-line basis over its estimated useful life of fifty years.

Advertising

Advertising costs are charged to operations when incurred. For the years ended December 31, 2013 and 2012, the Company incurred \$147,102 and \$111,239, respectively, of advertising costs.

Income Taxes

The income of the Company is allocated to the sole member and is combined with other income and expenses of the member and included on their respective federal and state income tax returns. The Company is not a tax paying entity; thus no federal income taxes have been provided in the accompanying financial statements. The Company, however, is subject to a California franchise tax. The Company's policy is to recognize interest and penalties related to income tax issues as components of operation expenses. The Company did not recognize or incur any interest or penalties relating to income taxes for the years ended December 31, 2013 and 2012. The Company files income tax returns in the U.S. Federal jurisdiction and California. The Company is no longer subject to examinations by tax authorities related to Federal tax returns before 2010 and California tax returns before 2009.

Subsequent Events

Management has evaluated subsequent events through January 6, 2014, the date the financial statements were available to be issued.

Note 3. Intangible Asset

Intangible asset consists of the following:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Trademark license agreement	\$ 25,000	\$ 25,000
Less: accumulated amortization	<u>(2,500)</u>	<u>(2,000)</u>
	<u>\$ 22,500</u>	<u>\$ 23,000</u>

Estimated amortization expense for the next five fiscal years is \$500 per year.

Note 4. Commitments and Contingencies

The Company entered into an agreement in December 2012 to lease a vehicle to be used in the Company's promotional activity. The total lease payments were approximately \$28,500 for the year ended December 31, 2013. Future annual lease commitments under the operating lease are as follows:

2014	\$ 24,287
2015	24,287
2016	24,287
2017	<u>22,263</u>
	<u>\$ 95,124</u>

Note 5. Due to Affiliate

During the years ended December 31, 2013 and 2012, the Company incurred expenses of \$34,200 and \$90,700, respectively, to an affiliate for reimbursement of advertising costs and general and administrative expenses.

Note 6. Line of Credit

On December 12, 2013, the Company obtained a revolving line of credit which provides borrowings up to a maximum of \$1,000,000 from Versatile Building Products, an affiliate. The line of credit expires on December 31, 2014. All sums advanced from the line of credit shall bear interest of 7% per annum from the date each advance is made until paid in full. As of December 31, 2013, the Company has not utilized the line of credit.

Garage Experts International, LLC

Report and Financial Statements

Year Ended December 31, 2011



LESLEY, THOMAS, SCHWARZ & POSTMA, INC.
CERTIFIED PUBLIC ACCOUNTANTS
a Professional Accountancy Corporation

Principals
George M. Lesley
John Postma II
Thomas R. Mahigan
Cory G. Youngberg
Mark D. Murphy
Doris D. Faruqi
Mark A. Sarrada
Cynthi M. LeBarthier

Independent Auditors' Report

To the Member of
Garage Experts International, LLC

We have audited the accompanying balance sheet of Garage Experts International, LLC as of December 31, 2011, and the related statements of operations and member's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Garage Experts International, LLC as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A Professional Accountancy Corporation
Newport Beach, California
March 19, 2012

Garage Experts International, LLC
Balance Sheet
December 31, 2011

Assets

Current assets		
Cash	\$	6,270
Accounts receivable		<u>5,850</u>
Total current assets		<u>12,120</u>
Other assets		
Trademark, net		<u>23,500</u>
Total assets	\$	<u><u>35,620</u></u>

Liabilities and member's equity

Current liabilities		
Accounts payable	\$	29,227
Deferred revenue		<u>3,785</u>
Total current liabilities		<u>33,012</u>
Member's equity		<u>2,608</u>
Total liabilities and member's equity	\$	<u><u>35,620</u></u>

See the accompanying notes to these financial statements

Garage Experts International, LLC
Statement of Operations and Member's Equity
For the Year Ended December 31, 2011

Revenues	\$ <u>38,155</u>
Expenses	
Advertising	40,913
Amortization	1,500
Bank service charges	48
Legal & professional fees	36,062
Licenses & fees	1,375
Office expense	178
Outside services	800
Software	2,330
Telephone	1,655
Miscellaneous expense	<u>397</u>
Total operating expenses	<u>85,258</u>
Loss before provision for income taxes	(47,103)
Provision for income taxes	<u>800</u>
Net loss	(47,903)
Member's equity, beginning of year	<u>50,511</u>
Member's equity, end of year	<u>\$ 2,608</u>

See the accompanying notes to these financial statements

Garage Experts International, LLC
Statement of Cash Flows
Year Ended December 31, 2011

Cash flows from operating activities	
Net loss	\$ (47,903)
Adjustments to reconcile net loss to net cash used in operating activities	
Amortization	1,500
Changes in operating assets and liabilities	
Accounts receivable	(4,800)
Accounts payable	28,427
Deferred revenue	<u>3,785</u>
Net cash used in operating activities	<u>(18,991)</u>
Cash flows from investing activities	
	<u>-</u>
Cash flows from financing activities	
	<u>-</u>
Net decrease in cash and cash equivalents	(18,991)
Cash and cash equivalents, beginning of year	<u>25,261</u>
Cash and cash equivalents, end of year	<u>\$ 6,270</u>
Supplemental disclosures of cash flow information	
Cash paid during the year for:	
Interest	<u>\$ -</u>
Income taxes	<u>\$ 800</u>

See the accompanying notes to these combined financial statements

Garage Experts International, LLC
Notes to Financial Statements
December 31, 2011

Note 1. Nature of Operations

Garage Experts, Internation, LLC (the "Company") was organized on September 23, 2008 in the state of California as a Limited Liability Company. The Company sells franchises for the garage improvement industry, and provides materials needed to start up a new business installing floor coatings, accessories, and cabinets into garage areas

Note 2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the balance sheet and statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents

Accounts Receivable

The Company monitors all receivables, especially those balances over 60 days past due. Balances are written off only when all reasonable collection efforts have been exhausted. Management must approve all write-offs of customer balances. The Company has not provided for an allowance for doubtful accounts because it anticipates all of its accounts receivables will be collected. The Company performs ongoing credit evaluations of its customers and generally does not require collateral.

Intangible Asset

The intangible asset consists of a trademark license agreement. The intangible asset is considered to have a finite useful life and is amortized over its estimated remaining useful life. The amortizable intangible asset is amortized on a straight-line basis over fifty years.

Note 2. Summary of Significant Accounting Policies (continued)

Advertising

Advertising costs are charged to operations when incurred. For the year ended December 31, 2011, the Company incurred approximately \$41,000 of advertising costs.

Income Taxes

The income of the Company is allocated to the member and is combined with other income and expenses of the member and included on their respective federal and state income tax returns. The Company is not a tax paying entity, thus no federal income taxes have been provided in the accompanying financial statements. The Company, however, is subject to the state of California minimum franchise tax. The Company's policy is to recognize interest and penalties related to income tax issues as components of operation expenses. The Company did not recognize or incur any interest or penalties relating to income taxes for the years ended December 31, 2011 and 2010. The Company files income tax returns in the US Federal jurisdiction and California. The Company is no longer subject to U.S. federal tax examinations for years before 2008 and state examinations for years before 2008.

Subsequent Events

Management has evaluated subsequent events through March 19, 2012, the date the financial statements were available to be issued.

Note 3. Intangible Asset

Intangible asset consists of the following:

Trademark license agreement	\$ 25,000
Less: accumulated amortization	<u>(1,500)</u>
	<u>\$ 23,500</u>

Amortization expense for the year ended December 31, 2011 was \$1,500. Estimated aggregate amortization expense for the next five fiscal years is \$500 per year.

Note 4. Related Party Transactions

During 2011, the Company incurred expenses of \$38,325 to a related entity for reimbursement of advertising costs and general and administrative expenses. At December 31, 2011, amounts due to this related party of \$10,325 are included in accounts payable.

Exhibit G

**State Administrators
And
Agents for Service of Process**

State	State Administrator	Agent for Service of Process
CALIFORNIA	Department of Business Oversight Division of Corporations 1515 K Street, Suite 200 Sacramento, CA 95814 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of Business Oversight Department of Business Oversight Division of Corporations 1515 K Street, Suite 200 Sacramento, CA 95814
HAWAII	Department of Commerce and Consumer Affairs Business & Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Hawaii Commissioner of Securities Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General Franchise Division 500 South Second Street Springfield, Illinois 62706
INDIANA	Indiana Secretary of State Indiana Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State Indiana Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 Saint Paul Place Baltimore, Maryland 21202-2020
MICHIGAN	Department of Attorney General Consumer Protection Division Franchise Unit 525 W. Ottawa Street G. Mennen Bldg. Lansing, MI 48913 (517) 373-7117	Department of Attorney General Consumer Protection Division Franchise Unit 525 W. Ottawa Street G. Mennen Bldg. Lansing, MI 48913
MINNESOTA	Minnesota Department of Commerce Registration Division 85 7 th Place East, Suite 500 St. Paul, MN 55101-2198 (651) 296-4026	Commissioner of Commerce Minnesota Department of Commerce Registration Division 85 7 th Place East, Suite 500 St. Paul, Minnesota 55101

State	State Administrator	Agent for Service of Process
NEW YORK	Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23 rd Floor New York, NY 10271 (212) 416-8211	Secretary of State State of New York 41 State Street Albany, NY 11231
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capital, 5 th Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
RHODE ISLAND	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Director, Department of Business Regulation John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920
SOUTH DAKOTA	South Dakota Department of Labor and Regulation Division of Securities 445 E. Capitol Avenue Pierre SD 57501	Director, South Dakota Department of Labor and Regulation Division of Securities 445 E. Capitol Avenue Pierre, South Dakota 57501-3185
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street P.O. Box 1197 Richmond, Virginia 23219
WASHINGTON	Securities Administrator Washington State Department of Financial Institutions 150 Israel Rd., SW Tumwater, WA 98501	Securities Administrator Washington State Department of Financial Institutions 150 Israel Rd. SW Tumwater, WA 98501 98504
WISCONSIN	Wisconsin Department of Financial Institutions 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities Wisconsin Department of Financial Institutions 345 W. Washington Ave. Madison, Wisconsin 53703

Exhibit H

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Exhibit I

**State Addenda to the
Disclosure Document**

**ADDENDUM TO GARAGE EXPERTS INTERNATIONAL LLC DISCLOSURE
DOCUMENT FOR THE STATE OF CALIFORNIA**

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

The State Cover Page is amended by the addition of the following RISK FACTORS:

ALTHOUGH YOUR ROYALTIES BEGIN TO ACCRUE WHEN YOU SIGN YOUR FRANCHISE AGREEMENT, WE WILL DEFER COLLECTION OF YOUR ROYALTIES UNTIL AFTER YOU RECEIVE TRAINING AND ARE READY TO OPEN FOR BUSINESS. ONCE YOU ARE READY TO OPEN FOR BUSINESS YOU WILL PAY THE AMOUNT OF THE ACCRUED ROYALTIES THAT WE DEFERRED.

YOU DO NOT NEED TO BUY ANY PRODUCTS FROM US UNTIL YOU BEGIN BUSINESS AND MAKE YOUR FIRST SALE.

THE TERRITORY IS NOT EXCLUSIVE AND YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES AND THE FRANCHISOR.

THE FRANCHISOR'S REVENUES FOR 2013 ACCORDING TO THE AUDITED FINANCIAL STATEMENTS DATED DECEMBER 31, 2013 WERE \$299,109.

Item 5, "Initial Fees," shall be amended by addition of the following:

We defer your initial License Fee, Territory Fee, and royalties and product purchases until after you receive training and are ready to open for business.

Item 6, "Other Fees," shall be amended by addition of the following:

We will defer your Continuing Royalty payments, and you will not purchase tools, products or supplies from VBP or us, until we have completed all of our pre-opening obligations to you, including providing our Initial Training Program, and until we have authorized you to open for business. Your accrued Continuing Royalties and product purchases will then be due.

Item 7, "Estimated Initial Investment," shall be amended by addition of the following:

You do not need to make any purchases before opening for business, except for professional fees to review your Franchise Agreement before signing, and living and travel expenses to attend our training program in Anaheim, California.

Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

The franchise agreement requires mediation. The mediation will occur in Los Angeles, California and the fees and expenses of the mediator shall be shared equally by the parties.

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

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE SECTION 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTIONS 31000 THROUGH 31505). BUSINESS AND PROFESSIONS CODE SECTION 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043).

Neither GEI, nor any person in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF CORPORATIONS BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR LICENSE AGREEMENT.

Our website is located at www.garageexperts.com

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

**ADDENDUM TO GARAGE EXPERTS INTERNATIONAL LLC DISCLOSURE
DOCUMENT FOR THE STATE OF HAWAII**

1. The following paragraphs shall be added to the state cover page:

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

The name and address of the Franchisor's agent in this state authorized to receive service of process is the Hawaii Commissioner of Securities, 335 Merchant Street, Honolulu, Hawaii 96813.

2. Each provision of this Addendum to the Disclosure document is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E-1, et seq., are met independently without reference to this Addendum to the Disclosure document, and only to the extent such provision is a then valid requirement of the statute.

**ADDENDUM TO GARAGE EXPERTS INTERNATIONAL LLC
DISCLOSURE DOCUMENT FOR THE STATE OF ILLINOIS**

1. Items 5 and 7 of the disclosure document are amended by addition of the following language:

As a result of our financial condition, the Illinois Attorney General's Office requires that you will pay us the initial License Fee and Territory Fee after we complete all initial obligations owed to you under the Franchise Agreement and you have commenced doing business pursuant to the Franchise Agreement.

2. Item 17(w) in the table is modified by adding the following words to the summary description opposite the subsection entitled "Choice of Law":

"...and except as superseded by Illinois law."

**ADDENDUM TO GARAGE EXPERTS INTERNATIONAL LLC DISCLOSURE
DOCUMENT FOR THE STATE OF MARYLAND**

Item 5, "Initial Fees," shall be amended by addition of the following:

All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the franchise agreement.

Item 17, "Renewal, Terminations, Transfer, and Dispute Resolution" shall be amended by addition of the following:

The Franchise Agreement provides for termination if you are insolvent under any applicable state or federal law. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law, except as to claims subject to arbitration.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

**ADDENDUM TO GARAGE EXPERTS INTERNATIONAL LLC DISCLOSURE
DOCUMENT FOR THE STATE OF MINNESOTA**

The State Cover Page is amended by addition of the following Risk Factors:

ALTHOUGH YOUR ROYALTIES BEGIN TO ACCRUE WHEN YOU SIGN YOUR FRANCHISE AGREEMENT, WE WILL DEFER COLLECTION OF YOUR ROYALTIES UNTIL AFTER YOU RECEIVE TRAINING AND ARE READY TO OPEN FOR BUSINESS. ONCE YOU ARE READY TO OPEN FOR BUSINESS YOU WILL PAY THE AMOUNT OF THE ACCRUED ROYALTIES THAT WE DEFERRED.

YOU DO NOT NEED TO BUY ANY PRODUCTS FROM US UNTIL YOU BEGIN BUSINESS AND MAKE YOUR FIRST SALE.

1. Item 5, "Initial Fees," shall be amended by addition of the following:

We defer your initial License Fee, Territory Fee, and royalties and product purchases until after you receive training and open for business.

2. Item 6, "Other Fees," shall be amended by addition of the following:

We will defer your Continuing Royalty payments, and you will not purchase tools, products or supplies from VBP or us, until we have completed all of our pre-opening obligations to you, including providing our Initial Training Program, and until we have authorized you to open for business. Your accrued Continuing Royalties and product purchases will then be due.

3. Item 7, "Initial Investment," shall be amended by addition of the following:

We defer your initial License Fee, Territory Fee, and royalties and product purchases until after you receive training and are ready to open for business. You do not need to make any purchases before opening for business, except for professional fees to review your Franchise Agreement before signing, and living and travel expenses to attend our training program in Anaheim, California.

4. Item 13, "Trademarks," shall be amended by addition of the following:

We will indemnify you for all costs and expenses you incur in any action or proceeding brought against you by any third party as a result of your authorized use of our trademarks.

5. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C,

or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

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

**ADDENDUM TO GARAGE EXPERTS INTERNATIONAL LLC DISCLOSURE
DOCUMENT FOR THE STATE OF NORTH DAKOTA**

1. Item 5, “Initial Fees,” shall be amended by addition of the following:

We defer your initial License Fee, Territory Fee, and royalties and product purchases until after you receive training and are ready to open for business.

2. Item 6, “Other Fees,” shall be amended by addition of the following:

We will defer your Continuing Royalty payments, and you will not purchase tools, products or supplies from VBP or us, until we have completed all of our pre-opening obligations to you, including providing our Initial Training Program, and until we have authorized you to open for business. Your accrued Continuing Royalties and product purchases will then be due.

3. Item 17(r) in the table is modified by adding the following to the summary description opposite the subsection entitled “Non-competition covenants after the franchise is terminated or expires”:

“Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.”

The Securities Commissioner has held the following to be unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

a. Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

b. Situs of Arbitration Proceedings: Franchise Agreements providing that the parties must agree to the arbitration of the disputes at a location that is remote from the site of the franchisee’s business.

c. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

d. Liquidated Damages and Termination Penalties: Requiring North Dakota Franchisees to consent to liquidated damages or termination penalties.

e. Applicable Laws: Franchise Agreements which specify that they are to be governed by the laws of a state other than North Dakota.

f. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

g. Waiver of Exemplary & Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

h. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the Franchise Agreement.

i. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

**ADDENDUM TO GARAGE EXPERTS INTERNATIONAL LLC DISCLOSURE
DOCUMENT FOR THE STATE OF WASHINGTON**

The State Cover Page is amended by addition of the following Risk Factors:

1. THE FRANCHISOR IS A DEVELOPMENT STAGE COMPANY WITH LIMITED FRANCHISE OPERATING HISTORY.

2. THE FRANCHISOR HAS LIMITED FINANCIAL RESOURCES WHICH MIGHT NOT BE ADEQUATE TO FUND THE FRANCHISOR'S PRE-OPENING OBLIGATIONS TO EACH FRANCHISEE AND PAY OPERATING EXPENSES.

Exhibit J – Receipt

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant.

New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit H

The following is the name, principal business address and telephone number of each franchise seller offering this franchise:

____ Mike Meursing 245 Carl Karcher Way, Anaheim, California 92801; Phone # (714) 829-2570
____ Matthew Newman 245 Carl Karcher Way, Anaheim, California 92801; Phone # (714) 829-2570
____ Dana Stuart 245 Carl Karcher Way, Anaheim, California 92801; Phone # (714) 829-2570

Date of Issuance: January 10, 2014

See Exhibit G for our registered agent authorized to receive service of process.

I have received a disclosure document dated January 10, 2014 that included the following Exhibits:

- A. Franchise Agreement
- B. General Release
- C. Guaranty
- D. State Addenda to the Franchise Agreement
- E. Franchisee Information
- F. Financial Statements
- G. State Administrators & Agents for Service of Process
- H. Manual Table of Contents
- I. State Addenda to the Disclosure Document
- J. Receipt

Date: _____

Prospective Franchisee:

By: _____

Name: _____

Individually and on behalf of the following entity:

Company Name: _____

Title: _____

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- H. Manual Table of Contents
- I. State Addenda to the Disclosure Document
- J. Receipt

Date: _____

Prospective Franchisee:

By: _____

Name: _____

Individually and on behalf of the following entity:

Company Name: _____

Title: _____