

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.**

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

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

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

FRANCHISOR IS A DEVELOPMENT STAGE COMPANY. AS OF DECEMBER 31, 2010, THE FRANCHISOR HAD ONLY \$33,368 IN CURRENT ASSETS AND HAD \$23,451 IN CURRENT LIABILITIES. THIS MEANS THAT FOR EVERY DOLLAR OF LIABILITIES DUE WITHIN ONE YEAR, THE FRANCHISOR HAD ONLY \$1.42 IN CURRENT ASSETS. SINCE ITS INCEPTION, THE FRANCHISE HAS LOST \$7,791 CAUSING IT TO HAVE A NET WORTH OF (\$62,023) FRANCHISOR'S WORKING CAPITAL AS OF DECEMBER 31, 2011, IS (\$33,36827,622) WHICH WAS DERIVED FROM THE FINANCIAL STATEMENTS OF THE FRANCHISOR FOUND AT EXHIBIT 6.

THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION, ARBITRATION AND MEDIATION ONLY IN A LOCATION THAT IS WITHIN FIVE (5) MILES OF OUR THEN-CURRENT HEADQUARTERS (CURRENTLY, SANTA BARBARA, CALIFORNIA). OUT-OF-STATE LITIGATION, ARBITRATION, AND MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE, ARBITRATE, AND MEDIATE WITH US IN OUR THEN-CURRENT HEADQUARTERS' STATE THAN IN YOUR OWN STATE.

THE FRANCHISE AGREEMENT STATES THAT THE LAW OF THE STATE IN WHICH THE FRANCHISOR'S CORPORATE HEADQUARTERS IS THEN LOCATED WILL GOVERN THE AGREEMENT (CURRENTLY CALIFORNIA), AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

any reputable dealer. If you have computer and/or tablet that meets our specifications, you will not be required to purchase additional equipment. You will be required to purchase certain “off-the-shelf” software. This may be purchased from any reputable dealer (Item 11).

You will need to purchase and maintain in effect during the term of the Franchise Agreement the type and amount of insurance specified in Article 17 of the Franchise Agreement. Your insurance policies must name us as an additional insured and/or loss payee. We receive no rebates, discounts or other benefits from your purchase of insurance or bonds, but we may derive revenue from future arrangements with suppliers based on franchisee purchases.

The list of approved products and suppliers is published in the Manuals.

We may modify any specification as to any goods, service, supplies, or the like, at any time, on a regional or national basis, by amendment to the Manuals or by written notice to you. Once you are notified, you must make the change that is specified. All such changes will be effective when notice is received by you. We may also add and remove vendors at any time.

Approval of Alternative Suppliers

In some cases, you may wish to purchase a required good or service from a supplier that has not been previously approved by us. We do not maintain written criteria for approving suppliers and thus, these criteria are not available to you or your proposed supplier. To obtain our approval, you must submit such information as we may reasonably require in order to evaluate the prospective supplier. We will charge our then-current fee which now is \$-0- We will evaluate the submitted information and will provide written notice of our decision to you within 30 days. We may grant or deny approval for any reason or for no reason at all. Other than as stated here, we have no other process for approving suppliers.

Approval of alternative suppliers may be revoked by us if we determine in good faith that the goods or services they are supplying no longer meet the quality standards that are in effect at that time or for other reasons that we may determine in our sole discretion.

Revenue from Franchisee Purchases

We do derive revenue as a result of required purchases. For the year ending December 31, 2011, the revenue received from the required purchases was \$765.80 which is 3.1% of our total revenue of \$24,533.

The cost of purchases and leases of goods and equipment obtained in accordance with our specifications will represent about 85% of your total purchases and leases of goods and services in establishing the Business and approximately 85% of your total purchases during operation of the Business.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
j. Assignment of contract by us.	Section 9.1	Freely assignable.
k. "Transfer" by you.	Section 9.2	Sale, assignment, pledge or mortgage.
l. Our approval of transfer by franchisee.	Section 9.3	Transferee has background, financial resources, etc.
m. Conditions for our approval of transfer.	Section 9.3	Must be in compliance; must pay fee; must not be in breach; must be approved by us; must pay Transfer Fee; must sign current franchise agreement.
n. Our right of first refusal to acquire your business.	Sections 9.6	30 days on same terms as bona fide offer; or at time of termination; or at time of assignment.
o. Our option to purchase your business.	Sections 9.6	30 days on same terms as bona fide offer; or at time of termination; or at time of assignment.
p. Your death or disability.	Section 9.5	Heirs can operate if qualified.
q. Non-competition covenants during the term of the franchise.	Section 15.1	No competition during term of franchise within 5 miles of Exclusive Territory, or that of another franchisee. This may not be enforceable in California.
r. Non-competition covenants after the franchise is terminated or expires.	Section 15.2	2 years in similar business located within 5 miles of this or any other Business.
s. Modification of the Agreement.	Section 18.1	Only by both parties' written agreement.
t. Integration/merger clause.	Section 18.1	Covers Agreement and Attachments. We cannot disclaim representations in franchise disclosure document.
u. Dispute resolution by arbitration or mediation.	Article 16	Mandatory mediation before litigation or arbitration. Must arbitrate except for: termination for failure to pay royalties or trademark misuse.
v. Choice of forum.	Section 16.4	The forum of our then-current headquarters (currently Santa Barbara, California ADR or State/Federal Courts).
w. Choice of Law.	Section 16.4	California.

a. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.

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