

STATE EFFECTIVE DATES

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

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

California November 8, 2012

Hawaii

Illinois

Indiana November 1, 2012

Michigan

New York

Virginia

Washington

In all other states, the effective date of this Franchise Disclosure Document is the issuance date of October 19, 2012

**GENIE AIRE
FRANCHISE DISCLOSURE DOCUMENT
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EXHIBITS

- EXHIBIT A: FRANCHISE AGREEMENT**
- EXHIBIT B: STATE SPECIFIC ADDENDA**
- EXHIBIT C: CONFIDENTIALITY AGREEMENT FOR PROSPECTIVE FRANCHISEES**
- EXHIBIT D: CLOSING QUESTIONNAIRE**
- EXHIBIT E: FINANCIAL STATEMENTS**
- EXHIBIT F: STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**
- EXHIBIT G: RECEIPTS**

requirements and who sign personal guarantees of the Franchise Agreement in our favor (Exhibit D to the Franchise Agreement).

Revolving Line of Credit You must obtain and maintain throughout the term of your Franchise Agreement a \$500,000 revolving line of credit (a "Line of Credit") with Capital Solutions for the Home Product Industry ("Capital Solutions"), an independent lender based in Atlanta, Georgia, or TCF Inventory Finance ("TCF Finance"), an independent lender based in Schaumburg, Illinois, or with another floor plan lender (a "Floor Plan Lender") we approve for "Floor Plan Financing" of your purchases of Authorized Genie Air Equipment and must provide us with written confirmation from your Floor Plan Lender that your Line of Credit has been established when you sign your Franchise Agreement "Floor Plan Financing" is a form of asset-based lending that ensures that you will have a full inventory of Authorized Genie Air Equipment in place when sales opportunities arise, that secures your obligation to pay your Approved Equipment Suppliers for your purchases of Authorized Genie Air Equipment and that allows you to continue to borrow funds from the Line of Credit to finance your ongoing purchases of Authorized Genie Air Equipment The Floor Plan Lender will send advances from your Line of Credit to Approved Equipment Suppliers of Authorized Genie Air Equipment and will hold a purchase money security interest in the Authorized Genie Air Equipment that you purchase until it is sold You repay the advances from the Line of Credit when you sell the Authorized Genie Air Equipment A Floor Plan Lender may also require payments against the Line of Credit before Authorized Genie Air Equipment is sold.

Competition A typical Genie Air Conditioning & Heating business will be located in a Warehouse with office facilities in a commercial or industrial area You will compete with other wholesale and retail businesses that sell HVACR Equipment and related products, supplies and equipment, including well-established national chain outlets and local businesses The market for HVACR Equipment and related products, supplies and equipment is well-developed and your customers will be contractors, distributors, wholesalers, dealers, stores, hotels, motels, apartment owners, management companies, government agencies and similar entities who sell, install and use these products

Special Industry Regulation. Federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Franchised Business which vary by state and municipality, including those that (i) establish general standards, specifications and requirements for the construction, design and maintenance of the Warehouse, (ii) set standards for employee health and safety, (iii) set standards and requirements for fire safety and general emergency preparedness; and (iv) regulate the proper use, storage and disposal of waste, insecticides and other hazardous materials. You should also be aware of federal, state and local labor regulations including minimum-age and minimum wage laws. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you desire to locate your Franchised Business and should consider both their effect and cost of compliance.

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