

FRANCHISE DISCLOSURE DOCUMENT



HomeSmart International, LLC,
an Arizona limited liability company
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HomeSmart International, LLC offers franchises for the operation of a business offering real estate brokerage services to both residential and commercial real property purchasers and sellers.

The total investment necessary to begin operation of a franchise ranges from \$51,000 to \$160,000. This includes an Initial Franchise Fee of \$20,000 that must be paid to the franchisor or affiliate. If you desire to open one or more Branch Offices from which to operate your HomeSmart Real Estate Brokerage Business, you must pay us a Branch Office Fee of \$10,000 for each additional Branch Office you open.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Henry C. Lemire at 3131 E. Camelback Rd., Suite 125, Phoenix, AZ 85016, and (602) 230-7600.

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

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

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

The issuance date: April 25, 2013

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 OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

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

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

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN ARIZONA EXCEPT FOR CERTAIN DISPUTES, WHICH MUST BE LITIGATED IN ARIZONA. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN ARIZONA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT ARIZONA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. YOU MUST MAINTAIN THE MINIMUM ANNUAL AGENT QUOTA OR OPEN THE AGREED NUMBER OF BRANCH OFFICES. IF YOU FAIL TO DO SO, YOU COULD LOSE YOUR TERRITORY OR THE FRANCHISOR COULD TERMINATE YOUR AGREEMENT AND YOU COULD LOSE YOUR INVESTMENT.
4. YOUR SPOUSE MUST ALSO SIGN A GUARANTY MAKING HIM OR HER JOINTLY AND INDEPENDENTLY LIABLE FOR THE FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT, WHICH PLACES THEIR MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.
5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

FRANCHISE DISCLOSURE DOCUMENT EFFECTIVE DATES IN DESIGNATED STATES

The following states require that the 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, exempt from registration, or otherwise effective in the following states with franchise registration and disclosure (or business opportunity*) laws as of the dates listed:

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| California | May 3, 2013 |
| Florida | February 9, 2013 |
| Hawaii | January 2, 2013 |
| Illinois | March 8, 2013 |
| Indiana | April 10, 2012 |
| Kentucky* | June 2, 2009 |
| Maryland | January 22, 2013 |
| Michigan | August 25, 2012 |
| Minnesota | April 3, 2012 as amended April 23, 2012 |
| Nebraska* | May 15, 2009 |
| New York | April 30, 2013 |
| North Dakota | Not registered |
| Rhode Island | May 6, 2013 |
| South Dakota | Not registered |
| Texas* | May 14, 2009 |
| Virginia | December 6, 2012 |
| Utah | August 25, 2012 |
| Washington | April 17, 2012 |
| Wisconsin | April 2, 2012 |

In all other states, the effective date of this Franchise Disclosure Document is **April 25, 2013**.

* Denotes one-time filing

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