

## FRANCHISE DISCLOSURE DOCUMENT



### SHELFGENIE SPV LLC

a Delaware limited liability company  
1010 North University Parks Drive,  
Waco, Texas 76707 (205) 623-4398  
[franchise@shelfgenie.com](mailto:franchise@shelfgenie.com) (email)  
[www.shelfgenie.com](http://www.shelfgenie.com) (website)

As a franchisee, you will operate a business that designs and installs customized solutions for new and existing cabinets, pantries, closets, garages and other structures identified by the trade name and service mark "SHELFGENIE".

The total investment necessary to begin operation of an Executive Franchise ShelfGenie® franchise (with standard two territories of 125,000 households each, under two franchise agreements) ranges from \$95,300 to \$148,350. This includes \$71,150 to \$71,450 that must be paid to the franchisor and our affiliates. The total investment necessary to begin operation of an Owner/Operator Franchise ShelfGenie® franchise ranges from \$55,550 to \$100,550. This includes \$36,650 to \$36,950 that must be paid to the franchisor and our affiliates.

The total investment necessary to begin operation of an area development ShelfGenie® Business is ~~\$161,100~~ \$171,100 (which includes the development fee plus the minimum cost of opening two Executive Franchise businesses) to ~~\$357,200~~ \$278,350 (which includes the development fee for 7 Executive Franchise businesses plus the cost of opening the first two Executive Franchise businesses). This includes \$121,150 to \$201,450 that must be paid to the franchisor or affiliate. The minimum number of franchised businesses required to be opened under a development agreement is two.

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 to you. To discuss the availability of disclosures in different formats, contact Bradley Stevenson, 1010 North University Parks Drive, Waco, Texas 76707, (254) 745-2400.

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](http://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.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
		begin operating your Business, or the month when the first software solution is set up.	You will pay the license fees for the use of the Business Management Software directly to us but we pass this fee onto the third-party vendor. This fee may increase in the future <del>to reflect any</del> , <u>but as of the date of this Disclosure Document, we don't anticipate this fee to increase by more than 30% annually, in addition to increases due to additional or different software being added to the Business Management Software and</u> direct price increases from <del>the</del> third-party vendors.
Software System Technology Package <sup>1, 5</sup>	<p>Online Presence and Customer Experience Management Platform: \$125 per month per Business; plus</p> <p>\$20 per month for the Neighborly Franchise Portal; plus</p> <p>\$11 per month for 2 Exchange email addresses per each Business.</p> <p>Additional Microsoft Office365 Exchange, E1 and E3 email accounts are available at \$5.50 - \$30/month depending on the type of account.</p> <p>If you obtain QuickBooks Online through ZorWare, you will pay an additional fee of \$30-\$220 per month depending on the license tier that you select.</p>	Paid monthly (currently on the 15 <sup>th</sup> of each month) via ACH, starting the earlier of the month you begin operating your Business, or the month when the first software solution is set up.	<p>You must use the software we from time to time specify (currently, an Online Presence and Customer Experience Management Platform and two Microsoft Office365 Exchange email accounts (collectively the "Software System Technology Package")).</p> <p>These fees are paid to our affiliate ZorWare. These fees may increase in the future, but as of the date of this Disclosure Document, we don't anticipate this fee to increase by more than 30% annually, in addition to increases due to additional or different software being added to the Software System Technology Package and direct price increases from third-party vendors. See also Item 11.</p> <p>If you obtain QuickBooks Online through ZorWare, QuickBooks Online will also be included in the Software System. Other QuickBooks add-ons may be available (that are not required,</p>

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
		draft	<p>We may charge you \$2,000 if you fail to attend or participate in any Reunion on a pro-rata basis based on number of days you miss at said convention.</p> <p>We may increase <del>thesethese</del> fees but <del>as of the date of this Disclosure Document we don't anticipate these fees to increase</del> <u>not</u> by more than 30% annually.</p>
Transfer Fee <sup>1</sup>	<p>The greater of (i) \$7,500 or (ii) 5% of the sales price, per Business (i.e., per each two or more Territory Business for Executive franchise; or per Owner/Operator franchise).</p> <p>Development Agreement: \$20,000</p>	Before transfer	<p>You must pay us this fee on the total gross sales price of the Business including all assets of the Business when you sell your Business, but we may discount or waive the transfer fee if the transfer is to a legal entity you control or to a member of your immediate family (See Section 10.C. of the Franchise Agreement).</p> <p>If we approve a transfer of a Development Agreement, you must pay this fee for the transfer of the Development Agreement and a separate transfer fee under each Franchise Agreement transferred at the same time.</p>
Late Fees <sup>1</sup> (Franchise Agreement)	\$10 per day	On demand	Applies to overdue fees from the due date until all sums are paid.
Dishonored Check or ACH Draft <sup>1</sup>	\$50	On demand	You must pay us for each check returned or ACH draft refused by your financial institution for insufficient funds in your account.
Interest <sup>1</sup>	12% on unpaid balances	On demand	Payable on all overdue amounts. The twelve percent (12%) charge is calculated as a per annum rate but may be collected on demand, including weekly or monthly through automatic bank draft.
Audit <sup>1</sup>	Cost of audit plus expenses, plus any amount owed as shown by the audit, plus	When you are billed	Payable only if we find an understatement of Gross Sales of 2% or more or if you fail to provide requested information

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
			amount equal to any sales tax, use tax, gross receipts tax, documentary stamp tax or similar tax (other than income tax), fees or charges imposed on us due to any required payments you make to us. You must pay us such additional amounts as necessary so that we receive all payments from you in full as if no such tax applied.
Specialized Training <sup>1</sup>	Out-of-pocket expenses, plus the then-current fees for the specialized training: currently: Installer Training (2- day training)- \$650 per installer Certified Designer Program (2.5 day training) - \$350 per designer	Payable within 10 days of receipt of invoice, but before attending training.	See Item 11 for more information regarding the training.  We may increase <del>these fees in the future</del> <u>fee</u> but <del>as of the date of this Disclosure Document we don't anticipate any increase to</del> <u>be not by</u> more than 30% annually.
Additional Training Fee <sup>1</sup>	The then-current fee, currently up to \$5,000.	When you are billed	If you request training in addition to the initial training program (see Item 11), we reserve the right to charge you a training fee, plus you must pay your costs and expenses in connection with such training. As of the date of this Disclosure Document, we may conduct our training programs remotely/virtually. Therefore, you may not incur travel expenses if your training is done remotely/virtually.  We may increase the fee <del>in the future</del> but <del>as of the date of this Disclosure Document we don't anticipate any increase to</del> <u>be not by</u> more than 30% annually.
Key Accounts/ Management Fee <sup>4</sup>	Up to 5% of total Gross Sales related to Key Account work, including Gross Sales that relate to Key Accounts; Gross Sales that are the result of any lead or any agreement developed by our Business Development Department or any similar group that is part	When you are billed or when the fee is deducted from your payment(s) for work performed or added to the invoice	If you participate in our Key Accounts program <sup>4</sup> , we reserve the right to require you to pay a Key Accounts / Management Fee to us or our designee. We may also sometimes refer to this fee as a “Key Accounts Management fee” or “Management fee.”

market; competition; the rate of growth of your franchise, whether you extend credit terms to customers and the time of year you start your business. We recommend that you obtain independent estimates from 3<sup>rd</sup> party suppliers of the costs which would apply to your establishment and operation of a franchise or discuss the economic experience of opening and operating a franchise with our current and past franchisees. This estimate does not take into account your personal living expenses, your salary, your debt, ongoing working capital requirements, accounts receivable financing or other costs. Not included in this estimate is the cost of attending the Reunion. In some cases, you will be required to attend the Reunion within the start-up phase of your Business (See Item 6 for an estimate related to attending the Reunion). We recommend that you review these figures carefully with your business advisors.

12. All of the fees listed as payable to us are non-refundable. The refundability of payments made to 3<sup>rd</sup> party suppliers is up to each supplier. Except as specifically stated above, the amounts given may be subject to increases based on changes in market conditions, our cost of providing services and future policy changes. We have no current plans to increase any payments over which we have control.

If you are, with our approval, converting an existing business offering similar services to a Business or adding additional territory to a Business or purchasing a particularly large territory, the costs stated above may vary. For example, if you already own a business that you are converting to a Business, you may already own some of the equipment you will need so your costs may be less than if you were beginning a new business. Also, if your territory is large or you are adding a large territory your costs may be more than the typical costs described above. For example, you may need more equipment than you would need as compared with a smaller territory.

**Development Agreement**

**YOUR ESTIMATED INITIAL INVESTMENT**

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT MADE
Development Fee and Initial Franchise Fees <u>1/</u>	\$119,500 to \$199,500 <u>1/</u>	Lump Sum <u>1/</u>	Development Fee due on signing the Development Agreement  Initial Franchise Fee due when each Franchise Agreement is signed	Us
Total Estimated Initial Investment for the first two Businesses ( <i>minus</i> Development Fee and Initial Franchise Fees)	\$51,600 to \$78,850 <u>2/</u>	See first table in this Item 7	See first table in this Item 7	See first table in this Item 7
<b>TOTALS</b>	<b>Developer \$171,100 to <del>\$357,200</del> <u>278,350</u></b>			

Provision	Section in Franchise Agreement (unless otherwise specified)	Summary
n. Franchisor’s right of first refusal to acquire the Business	10(F)	We may buy your franchise at the same price and on the same terms as those of a third-party offer.
o. Franchisor’s option to purchase the Business	None	N/A
p. Death or disability of Franchisee	10(E)(1)	Your personal representative must, within 120 days, tender the right of first refusal, apply for our consent to the transfer, and satisfy the transfer conditions.
q. Non-competition covenants during the term of the Franchise Agreement	9(D)	<p>You (including your guarantors and owners, if you are an entity, or your spouse, children, parents, or siblings, if you are an individual) cannot be involved in a Competitive Business, <a href="#">subject to applicable state law</a>.</p> <p>A “Competitive Business” is any business that offers or sells any product or service or component thereof that (i) composes a part of our System, (ii) is the same as or similar to any product or service then-offered by our franchisees or (iii) otherwise competes directly or indirectly with our System.</p>
r. Non-competition covenants after the Franchise Agreement is terminated or expires	9(D)	For 2 years, no Competitive Business in your Territory, within a 25-mile radius of the outer boundary of your Territory, or inside the territory of another SHELFGENIE business, <a href="#">subject to applicable state law</a> .
s. Modification of the Franchise Agreement	14(B)	No modification of the Franchise Agreement except by written agreement of both parties.
t. Integration/merger clause	14(B)	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim our representations made in this disclosure document.
u. Dispute resolution by arbitration or mediation	11	Most disputes must be initially mediated. If a dispute is not resolved through the mediation process described in the Franchise Agreement, most disputes must be settled by litigation, subject to state law. Only if a court invalidates a jury waiver or a class action waiver will the dispute be

Provision	Section in Development Agreement (“DA”) (unless otherwise specified)	Summary
		defaults that are curable.
h. “Cause” defined - defaults which cannot be cured	Section 6	Bankruptcy or insolvency, execution against Developer’s business or property; real or personal property is sold after levy.
i. Your obligations on termination/non-renewal	Section 8	Compliance with post-termination covenant not to compete.
j. Assignment of contract by us	Section 7	No restriction on our right to assign.
k. “Transfer” by you – definition	Section 7	Transfer of rights or obligations under the DA or the assets or ownership of Developer.
l. Our approval of transfer by you	Section 7	You may not transfer your rights or obligations under the DA without our approval.
m. Conditions for our approval of transfer	Section 7	You may not transfer your development rights under the DA separate and independent from Franchise Agreements for Businesses in the Development Area, although you are not required to transfer all of your Franchise Agreements as part of the transfer of development rights. You must pay a transfer fee and we must agree on which Businesses will be included in the transfer.
n. Our right of first refusal to acquire your business	Section 7	Not Applicable
o. Our option to purchase your business	None	Not Applicable
p. Your death or disability	None	None.
q. Non-competition covenants during the term of the franchise	Section 8	You will not have any interest in any other competing business without our prior written consent, <a href="#">subject to applicable state law</a> .

Provision	Section in Development Agreement (“DA”) (unless otherwise specified)	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 8	No competition for a period of 2 years following a permitted transfer or expiration or termination of the Development Agreement within the Development Area or a 15-mile radius of the territories of any other ShelfGenie® business, <a href="#">subject to applicable state law</a> .
s. Modification of the agreement	Section 13	No modifications except by written agreement signed by both parties.
t. Integration/ merger clause	Section 13	Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and development agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	None	Most disputes must be initially mediated. If a dispute is not resolved through the mediation process, most disputes must be settled by litigation, subject to state law. Only if a court invalidates a jury waiver or a class action waiver will the dispute be resolved through arbitration, subject to state law.
v. Choice of venue	Section 16	Unless state law supersedes this provision, venue for mediation, arbitration, and litigation is in McLennan County, Texas.
w. Choice of law	Section 16	Texas law applies unless state law supersedes this provision.

SEE THE ATTACHED STATE ADDENDA (EXHIBIT M) FOR ADDITIONAL DISCLOSURES.

## ITEM 18

### PUBLIC FIGURES

We do not use any public figure to promote our franchise business.