



Franchise Disclosure Document (FDD)

Kwicksilver Systems, LLC
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The franchisee will straighten, repair, polish, recondition, replace and sell wheels. The initial franchise fee is \$15,000 for a combination fixed-location/mobile business. There are two equipment/training packages available at \$13,000 and \$18,500. The only difference is the upgraded wheel straightener in the \$18,500 package. The equipment/training packages include 2 weeks of training, our patented wheel straightening/repair equipment, hand tools, air tools, marketing supplies and materials, and a generous amount of reconditioning supplies, including paints, clearcoat, abrasives, cleaners, etc. The entire list can be found in your Franchise Agreement.

The total investment necessary to begin operation of a Kwicksilver franchise is \$48,000-\$70,000. This includes the \$15,000 franchise fee.

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.**

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-FTCHELP 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.

Effective Date: March 1, 2012

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Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

In order to simplify the language of the Franchise Disclosure Document "Kwicksilver" means Kwicksilver Systems, LLC, the franchisor. "You" refers to the person buying the franchise. Kwicksilver is a California limited liability company. Kwicksilver filed its articles of organization on March 29, 2003. Kwicksilver does business as Kwicksilver and/or Kwicksilver Wheel Repair Pros.

Kwicksilver's agent for service of process is John Edwards.

Kwicksilver franchises the right to repair and recondition automobile wheels using its patented machinery and proprietary systems. Kwicksilver shops also offer custom wheel painting, wheel polishing and chrome exchanges as well as the sale of tires and wheels. Kwicksilver shops

will have both wholesale and retail customers. Every person who owns a car and every business that uses, works on, services and/or sells cars is a potential Kwicksilver customer.

The franchise being offered is a mobile and/or fixed-location business. The wheel repair and reconditioning market is an emerging market that is highly fragmented. There are a few large warehouse competitors in which, generally, a damaged wheel is shipped to the facility, repaired over the next day or so and shipped back to the shop or customer of origin. This is often time consuming and inconvenient for the customer. Also, there are a number of small wheel shops that operate very locally. These small wheel shops are not well organized, often rely on very primitive methods to straighten and recondition wheels, and conduct very little marketing and promotion.

Kwicksilver shops are located in primarily urban areas with approximately 1000-2000 square feet of industrial space. Kwicksilver has mobile trailers and box trucks that are highly customized and are the most advanced in the industry.

Item 2 BUSINESS EXPERIENCE

President: Jeffrey Smith

From 1994 to 2001 Mr. Smith was managing partner at SMITH & BROWN, LLP, a San Diego, California based law firm specializing in the area of intellectual property, including copyrights, trademarks, patents and trade secrets. Mr. Smith is a cofounder of Wheelsaver Systems, LLC and Kwicksilver Systems, LLC and has held the position of President since 2002.

Director of Marketing & Business Development: Adrienne Brown

From 1994 to 2001 Ms. Brown was a partner at SMITH & BROWN, LLP and specialized in business litigation. Ms. Brown is the cofounder of Wheelsaver Systems, LLC and Kwicksilver Systems, LLC and is currently the Director of Marketing & Business Development. Ms. Brown has been with Kwicksilver since 2003.

Item 3 LITIGATION

There is no litigation to be disclosed in this offering disclosure.

Item 4 BANKRUPTCY

No person previously identified in Items 1 or 2 of this offering circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

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Item 5
INITIAL FEES

Franchisees pay a franchise fee of \$15,000 for a combination fixed-location/mobile business. This gives a franchisee a protected territory with a population generally between 700,000 to 1,200,000. Franchise will choose between one of two equipment/training packages. The cost is \$13,000 for the standard package or \$18,500 for the premier package. Franchisee will receive 2 weeks of training at a Kwicksilver training outlet. Part of the training may take place in franchisee's exclusive territory. Franchisor may send a representative to Franchisee's territory to assist in marketing and setting up initial accounts. Franchisee will receive further and additional assistance and rights, pursuant to the Franchise Contract.

Item 6
OTHER FEES

| <u>Name of Fee</u> | <u>Amount</u> | <u>Due Date</u> | <u>Remarks</u> |
|--|---------------------------|----------------------------|--------------------|
| Royalty | 6% gross/\$300-\$500 min. | 1 st each month | Limited to \$1,800 |
| (no royalties for first 4 months) | | | |
| Additional Training | \$2,000 per person | 2 weeks prior to training | |
| Transfer Fees | \$2,000 | Upon transfer of franchise | |
| Renewal Fees | \$1,500 | Upon signing new term | |

Item 7
ESTIMATED INITIAL INVESTMENT

| <u>Name of Fee</u> | <u>Amount</u> | <u>Due Date</u> | <u>Remarks</u> |
|--|-----------------|-----------------------------------|--|
| Franchise Fee | \$15,000 | At signing of franchise agreement | Payable to Kwicksilver Systems |
| Travel & Living Expenses During Training | \$1,200-\$2,500 | As incurred | |
| Real Estate | \$800-\$2,300 | Monthly | Rent for fixed location is an estimate which varies depending on size, condition and location. |
| Rental deposit | \$0-\$3,000 | | |

| | | | |
|------------------------------|---|-----------------|--|
| Vehicle | \$100-\$400 | Monthly | It will be necessary to have a truck for the transportation of wheels. |
| Tools & Equipment | \$5,000-\$20,000 (Typically \$400 per month) | As incurred | These costs are primarily for your tire changer & balancer, which are typically leased |
| Signage | \$200-\$600 | As incurred | Kwicksilver will provide artwork file |
| Computer, Fax Copier, Phones | \$900-\$2,000 | As incurred | |
| Insurance | \$75-\$150 | Monthly | |
| Kwicksilver Trailer | \$33K-40K | Time of order | Not required to Purchase / May finance |
| Trailer Wrap | \$2,500 | Before delivery | This includes printing and installation. Artwork is provided by Kwicksilver |
| 3 months working capital | \$5,000-\$15,000 | | |
| TOTAL | \$48,000-\$70,000 (This varies based on whether the franchisee starts a mobile operation in a trailer or rents a fixed shop) | | |

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS & SERVICES

The consumables and marketing materials must be purchased through vendors designated by Kwicksilver to ensure quality and consistency. You do not buy these items directly from Franchisor. These vendors will be disclosed in the Kwicksilver Operations Manual. All other supplies may be purchased through various suppliers of franchisee's choice. Kwicksilver will provide franchisee with a list of recommended suppliers in the Operations Manual for those supplies not specifically mentioned above. Kwicksilver will endeavor to obtain special pricing through the recommended suppliers. ***No Kwicksilver officer has any ownership interest in the designated or recommended suppliers.***

On an ongoing basis, Kwicksilver will provide Franchisee with brochures, flyers and business cards at no cost to Franchisee. There are some reasonable limitations here.

If you wish to purchase supplies, advertising materials, or services from a non-designated vendor, you must first obtain Kwicksilver’s written approval. This may require you to have samples sent to Kwicksilver.

Item 9
FRANCHISEE’S OBLIGATIONS

This table lists your principal obligations under the franchise contract. It will help you find more detailed information about your obligations in the franchise contract and in other items of this offering circular. You will receive a franchise agreement once your territory is determined.

| <u>Obligation</u> | <u>Section in Franchise Agreement</u> | <u>Item in Circular</u> |
|--|---------------------------------------|-------------------------|
| a. Training | 5(B) | 11 |
| b. Fees | 3 | 5 |
| c. Compliance with standards and policies/Operating manual | 10 | |
| d. Trademarks and proprietary Information | 6 | 13 |
| e. Restrictions on products/ services offered | 10 | 8 |
| f. Territorial development and sales quotas | 2 | 12 |
| g. Maintenance, appearance and conduct requirements | 10 | |
| h. Insurance | 11 | |
| i. Indemnification | 8 | |
| j. Owner’s participation/ management/staffing | 4 | 15 |
| k. Periodic Review | 12 | |
| l. Transfer | 13 | |
| m. Renewal | 2(E) & (F) | |
| n. Post-termination obligations | 15 | |
| o. Non-competitive covenants | 9 & 15(D) & Exhibit C, D | |
| p. Dispute resolution | 16(F) | 17 |

Item 10
FINANCING

Kwicksilver has leasing partners for such equipment as the Kwickshop trailer, tire changers and wheel balancers. Kwicksilver may, in its sole discretion, offer partial financing on the Franchise Fee, Area Development Fee, or for additional equipment.

Item 11

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

Except as listed below, Kwicksilver is not required to provide you with any assistance. There is no particular computer system that is required to be purchased. Franchisees typically use QuickBooks for their accounting software.

Kwicksilver will:

- 1) Designate your exclusive territory.
- 2) Provide our wheel straightening/repair equipment, the Kwickspin repair station, and a long list of equipment, tools and supplies, as identified in your Franchise Contract. However, at the termination of this Agreement, if not renewed, the wheel straightening/repair equipment must be returned to Kwicksilver.
- 3) Upon request, assist you in selecting a business site.
- 4) Upon request, assist you in negotiating your lease. Your shop will be purchased or leased by you from an independent 3rd party.
- 5) Within 30 days of your signing the Franchise Agreement, provide you with a detailed list of required and suggested tools and equipment for your shop.
- 6) Within 30 days of your signing the Franchise Agreement, provide you with a list of preferred suppliers of equipment and tools.
- 7) Within 30 days of your signing the Franchise Agreement, provide you with artwork for signage for your shop and vehicle and for stationery, business cards, invoices, etc.
- 8) Within 60 days of your signing the Franchise Agreement, train you or your chosen employee technician. Additional training is provided at \$2,000 per person. You'll receive two weeks of step by step instruction from a Kwicksilver professional. The training includes wheel straightening and repair, cosmetic repair, custom wheel painting, tire service training, wheel polishing and administrative guidance.
- 9) Offer training, consultation, and guidance with setting up your initial accounts with car dealers, body shops, tire dealers, etc.
- 10) Endeavor to develop new products and methods and provide you with information about developments.
- 11) Provide you with marketing materials, brochures, promotional premiums, special promotions and promotional advertising leaflets. Most is at no charge.

12) Provide additional training for new employees, as well as ongoing training of new methods in wheel repair and reconditioning for a reasonable fee.

13) Provide customer referrals to you via our website, trade publications, and Internet advertising.

14) Assistance with setting up website, SEO (search engine optimization) and PPC (pay per click) advertising on Google Adwords.

Item 12 TERRITORY

You will receive an exclusive territory which is dependent upon the general population, the number of body shops, tire dealers, and car dealers, among other factors. You will operate from one location and must receive Kwicksilver's permission before relocating. Kwicksilver will not operate other shops or grant additional franchises in your territory. You will operate mobile units throughout your territory.

Franchisee shall not offer or sell the services provided by the Franchised Business to customers situated in the protected territory of another Franchisee of Franchisor. Franchisee is allowed to solicit customers outside his territory if the territory has not been purchased by another Kwicksilver franchisee. However, once that territory is sold, franchisee will be required to relinquish all sales and service rights to customers within the newly acquired territory.

There is no minimum sales quota. You maintain rights to your area even though the population increases.

Item 13 TRADEMARKS

Kwicksilver grants you the right to operate your business under the Kwicksilver® and/or Kwicksilver Wheel Repair and Recon Pros® servicemark. You may also use any future trademarks we establish. On January 18, 2005, the service mark was registered on the principal register of the United States Patent and Trademark Office, registration no, 2939249.

You must follow our rules when you use this mark. You can not use our name or mark as part of a corporate name or with modifying words, designs or symbols except for those which Kwicksilver licenses to you. You may not use Kwicksilver in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by Kwicksilver.

No agreements limit Kwicksilver's right to use or license the use of Kwicksilver's trademarks.

You must notify Kwicksilver immediately when you learn about an infringement of or challenge to your use of our trademark. Kwicksilver shall have the sole discretion to take or refrain from taking any action that Kwicksilver deems appropriate.

Kwicksilver is not aware of any activity that could materially affect your use of Kwicksilver's trademark.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Kwicksilver has the exclusive right to manufacture, sell and use the Wheelsaver® straightening device for car rims. U.S. Patent 5,946,965 was issued on September 7, 1999. It describes a novel wheel rim straightener and a process for operating the device. It is likely that future patents will be filed that cover additional devices invented by Kwicksilver.

Copyright in certain brochures and advertising materials will also be applied for.

Kwicksilver's right to use or license the patent and copyrighted materials is not materially limited by any agreement or known infringing use.

You must tell us immediately if you learn about an infringement or challenge to our use of this patent or copyrighted materials. Kwicksilver shall have the sole discretion to take or refrain from taking any action that Kwicksilver deems appropriate. You agree not to contest Kwicksilver's interest in these proprietary items or our trade secrets.

If Kwicksilver decides to add, modify or discontinue the use of an item or process covered by a patent or copyright, you must also do so.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Kwicksilver does not require that you personally supervise the franchised business. The business must be directly supervised on-premises by a manager that has successfully completed Kwicksilver's training program. The on-premises manager can not have an interest in or business relationship with any of Kwicksilver's business competitors. The manager need not have an ownership interest in the corporate or partnership franchisee. The manager must sign a written agreement to maintain confidentiality of Kwicksilver trade secrets and to conform to the covenants not to compete.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Kwicksilver requires you to offer and sell only those goods and services that Kwicksilver has approved. You must offer all goods and services that Kwicksilver designates as required for all franchisees in its Operations Manual. These required services are wheel straightening and repair, cosmetic reconditioning, wheel polishing, custom painting, wheel exchanges, and protective wheel/tire coatings. You must also offer new tires and wheels but are not required to keep an inventory. Without your consent, Kwicksilver may choose to amend these goods and services at any time.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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.

THE FRANCHISE RELATIONSHIP

| Provision | Section In Franchise Contract | Summary |
|---|--------------------------------------|---|
| a. Length of the franchise term | Section 2 | Five year term |
| b. Renewal or extension of the term | Section 2 | Automatic upon renewal terms & previous compliance |
| c. Requirements for franchisee to renew or extend | Section 2 | Notify Kwicksilver; pay renewal fee; new contract may be materially revised |
| d. Termination by franchisee | Section 14 | Material breach by Kwicksilver |
| e. Termination by franchisor without cause | Section 14 | Consent of both parties |
| f. Termination by franchisor with cause | Section 14 | Failure to remedy minor breach; material breach |
| g. "Cause" defined – curable defaults | Section 14 | Failure make payments; failure cure any default within 30 days, etc. |
| h. "Cause" defined – non-curable defaults | Section 14 | Bankruptcy, abandonment of business, etc. |
| i. Franchisee's obligations on termination / non-renewal | Section 15 | Pay money due; cease use trademarks; return Wheelsaver & Kwickspin; non-compete |
| j. Assignment of contract by franchisor | Section 13 | Fully transferable |
| k. "Transfer" by franchisee – defined | Section 13 | Issue securities; transfer stock or voting power; merger |
| l. Franchisor approval of transfer by franchisee | Section 13 | Kwicksilver's consent |
| m. Conditions for franchisor approval of transfer | Section 13 | Assignee is solvent and capable of operating business; assignee has assumed obligations of franchisee, etc. |
| n. Franchisor's right of first refusal to acquire franchisee's business | Section 13 | Kwicksilver has right to match purchase offer |
| o. Franchisor's option to purchase franchisee's business | Not Applicable | Not Applicable |
| p. Death or disability of franchisee | Section 13 | Your heirs must qualify to take over business or must be sold to another qualified applicant |
| q. Non-competition covenants during the term of the franchise | Section 9 | No interest in competing business |
| r. Non-competition covenants after the franchise is terminated or expires | Section 15 | 5 year period and 200 mile radius from territory |
| s. Modification of agreement | Section 16 | Written provision signed by both parties |
| t. Integration / merger clause | Not Applicable | Not Applicable |

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|---|----------------|----------------------|
| u. Dispute resolution by arbitration or mediation | Not Applicable | Not Applicable |
| v. Choice of forum | Section 16 | San Diego County, CA |
| w. Choice of law | Section 16 | California |

Item 18
PUBLIC FIGURES

Currently, Kwicksilver does not use any public figure to promote its franchise.

Item 19
FINANCIAL PERFORMANCE REPRESENTATIONS

A Kwicksilver franchisee will take advantage of several streams of revenue, such as wheel straightening and repair, chrome exchanges, cosmetic wheel repair, dealer/customer aftermarket upgrades, custom wheel painting, wheel location and replacement, tire/wheel sales, mobile wheel repair, etc. A Kwicksilver franchisee will have both wholesale and retail customers. Repairs typically range from \$55 to \$250, depending on the severity of the damage, the type of rim, and the particular customer. One experienced technician can repair as many as 20 rims in a day. This information is based on the experience of actual Kwicksilver outlets.

An individual franchisee's revenue depends heavily upon the franchisee's ability to spend a significant amount of time developing a solid customer base. This is a very local business where frequent, ongoing, in-person sales calls are necessary.

Item 20
OUTLETS AND FRANCHISEE INFORMATION (last 3 years)

| STATE TERRITORY PROVINCE COUNTRY | TRANSFERS | CANCELLED OR TERMINATED | NOT RENEWED | REAIQUIRED | OPERATING |
|---|-----------|-------------------------------|----------------|------------|-----------|
| California | | | | | 2 |
| New York | | | | | 5 |
| North Carolina | | | | | 4 |
| New Jersey | | | | | 4 |
| Virginia | | | | | 3 |
| Tennessee | | 1 | 1 | | |
| Arizona | | | | | 1 |
| Mississippi & Alabama | | | | | 2 |
| Florida | | | | | 3 |
| Pennsylvania | | | | | 2 |
| Maryland | | 1 | | | |

| | | | | | |
|---------------------------------|--|--|--|--|---|
| Maine | | | | | 2 |
| Massachusetts | | | | | 3 |
| Connecticut | | | | | 1 |
| New Hampshire | | | | | 1 |
| Minnesota | | | | | 1 |
| Edmonton, AB | | | | | 2 |
| British Columbia | | | | | 1 |
| Master Franchisee Rights Canada | | | | | |
| Puerto Rico | | | | | 1 |
| Greater London | | | | | 2 |
| Master Franchisee Rights UK | | | | | |
| Kingdom of Saudi Arabia | | | | | 1 |

Item 21
FINANCIALS

A company balance sheet is available upon request.

Item 22
CONTRACTS

A standard franchise agreement and, where applicable, an area development agreement will be provided upon determination of franchisee's territory(ies).

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Item 23

RECEIPTS

(Sign and Fax or Email to Franchisor)

THIS DISCLOSURE DOCUMENT SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DOCUMENT AND ALL AGREEMENTS CAREFULLY.

Kwicksilver authorizes John Edwards at 2223 Avenida de la Playa, Suite 100, La Jolla, California, 92037, to receive service of process for Kwicksilver.

I have received a Franchise Disclosure Document dated March 1, 2012.

Dated: _____

Print Name

Sign Name

Item 23

RECEIPTS

(Sign and Fax or Email to Franchisor)

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Print Name

Sign Name