

PATENT ASSIGNMENT

Electronic Version v1.1  
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SUBMISSION TYPE:	NEW ASSIGNMENT										
NATURE OF CONVEYANCE:	ASSIGNMENT										
CONVEYING PARTY DATA											
<table border="1"><thead><tr><th>Name</th><th>Execution Date</th></tr></thead><tbody><tr><td>Tasha Sheets</td><td>08/01/2011</td></tr><tr><td>Automotive Repair Corporation</td><td>08/01/2011</td></tr></tbody></table>		Name	Execution Date	Tasha Sheets	08/01/2011	Automotive Repair Corporation	08/01/2011				
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<table border="1"><tr><td>Name:</td><td>American Innovative Manufacturing, LLC</td></tr><tr><td>Street Address:</td><td>8610 S. Harmon Extension Rd.</td></tr><tr><td>City:</td><td>Spokane</td></tr><tr><td>State/Country:</td><td>WASHINGTON</td></tr><tr><td>Postal Code:</td><td>99223</td></tr></table>		Name:	American Innovative Manufacturing, LLC	Street Address:	8610 S. Harmon Extension Rd.	City:	Spokane	State/Country:	WASHINGTON	Postal Code:	99223
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PROPERTY NUMBERS Total: 2											
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CORRESPONDENCE DATA											
Fax Number: (509)443-2261 <i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>											
Phone: 5099942244											
Email: jhjalt@live.com											
Correspondent Name: American Innovative Manufacturing, LLC											
Address Line 1: 8610 S. Harmon Extension Rd.											
Address Line 4: Spokane, WASHINGTON 99223											
NAME OF SUBMITTER:	Susan Sheets										
Total Attachments: 35 source=arc_001#page1.tif source=arc_001#page2.tif source=arc_001#page3.tif source=arc_001#page4.tif											

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AGREEMENT FOR PURCHASE AND SALE OF ASSETS

OF

AUTOMOTIVE REPAIR CORPORATION

TO

AMERICAN INNOVATIVE MANUFACTURING, L.L.C.

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This Agreement for Purchase and Sale of Assets (this "Agreement") is entered into as of July \_\_, 2011 between AUTOMOTIVE REPAIR CORPORATION, d/b/a ARC Manufacturing, a Washington State corporation ("Seller"), and AMERICAN INNOVATIVE MANUFACTURING, L.L.C., ("Buyer").

This Agreement sets forth all of the terms and conditions upon which Buyer hereby purchases and Seller hereby sells certain assets and related equipment of Seller.

NOW, THEREFORE, the parties hereto agree as follows:

1. Definitions. All words and phrases that are initially capitalized shall have the meanings given them in Section 1 of this Agreement or at such other place in this Agreement as such terms are defined.

1.1 "Pending Orders" means orders placed with Seller but which have yet to be fulfilled.

1.2 "Assets" means any and all materials and equipment owned by Seller that are being sold to Buyer pursuant to this Agreement including those specifically listed on Schedule 1 to be delivered at Closing, as well as, but not limited to, the intangible assets of product trademarks and business goodwill;

1.3 "Closing" means the consummation of purchase and sale of the Assets which is anticipated to be on or before July 31, 2011, or as soon as possible prior to this date with Buyer and Seller working cooperatively to close as soon as possible, unless otherwise extended by the mutual consent of the parties. The Assets shall be transferred to Buyer upon execution of closing documents. The effective time of the transfer of the Assets shall be as of 11:59:58 p.m. on the Closing Date;

1.4 "Customer" means any person, corporation, partnership, limited liability company, business trust or other entity that has purchased products from Seller.

1.5 "Warranty Obligations" refers to implied, oral, or written contractual duties assumed by Seller when it sold equipment to customers or distributors under the "warranty" provisions of the sale.

1.6 "Shareholders" refers to the individuals or entities who have an ownership interest in Seller and who are entitled to vote on the proposed sale of Seller's Assets not in the ordinary course of business.

1.7 "Premises" refers to the land and building currently occupied by ARC at 314 E. Jackson St., Spokane, Washington.

1.8 "ARC Transition Services" refers to Seller's services to Buyer in assisting Buyer with its assumption of manufacturing and sales operations, referral services regarding inquiries and potential sales, and ongoing phone consulting.

## 2. ASSETS.

### 2.1 Commitment to Sale and Transfer of Assets

Seller hereby agrees to sell and deliver to Buyer at the Closing, and Buyer hereby agrees to purchase from Seller all of its business assets other than assets listed specifically in Schedule 2. Prior to the Closing Date, Seller shall do all other things necessary to effectively transfer the Assets into the possession and control of Buyer, including, but not limited to, ensuring the removal of IRS liens on the Assets, in order to ensure that Adept Escrow will be able to facilitate the Closing. Any of Seller's assets not transferred to Buyer (i.e. included in Schedule 2) shall remain the sole and exclusive property of Seller; and Seller shall remain solely and exclusively responsible for all liabilities and obligations with respect to such assets. In addition, Seller will enter into a Covenant Not to Compete and a separate Transition Services Agreement. No stock of Seller is being sold pursuant to this Agreement.

#### 2.1.2 Purchase Price

The total purchase price of the assets and Covenant Not to Compete, including the remaining Inventory, shall be allocated among the assets as provided below or, when not indicated herein, as designated by the parties prior to Closing.

##### 2.1.2.1 Inventory

All of Seller's inventory on hand at the date of closing as determined by a joint physical inventory conducted by the parties the day of closing. The purchase price for the materials inventory shall be one hundred thousand dollars and no cents (\$100,000.00).

**2.1.2.2 Machinery, equipment and Miscellaneous.** All machinery, tools, appliances, furnishings, office equipment, storage, operating supplies, operating equipment, purchased parts and spare and replacement parts located in or on the Facilities, or used by the Facilities (hereinafter referred to as "Machinery and Equipment") described in Schedule 1, attached hereto and incorporated herein. The price of the Machinery and Equipment is one hundred twenty five thousand dollars and no cents (\$125,000.00).

**2.1.2.3 Executory Contracts and Leasehold Interest.** All uncompleted contracts, purchase orders, or agreements of Seller shall be disclosed to Buyer well in advance of closing in order to enable Buyer sufficient time to inspect, investigate and consider the terms of such contracts. Buyer shall have the right, at its option, to take an assignment of such contracts (subject to approval of third parties, where required), or to reject and terminate them. Buyer shall have the right to obtain written assurances from the holders of such contracts that the contracts remain in full force and effect, have not been amended, and are not in default. Prior to closing, the contracts being assumed will be identified and set forth on Schedule 3. Seller shall assign any leasehold interest and all the necessary operating permits to Buyer for the property upon which Seller's business operates.

**2.1.2.4 Covenant Not to Compete.** Concurrently with closing, Seller shall enter into a Covenant Not to Compete with Buyer for a period of five (5) years from the date of closing. The Covenant Not to Compete shall be in the form attached hereto as Schedule 4 and by this reference made a part hereof. The price of the Covenant Not to Compete is twenty five thousand dollars and no cents (\$25,000.00).

**2.1.2.5 Patents, Trade Name and Goodwill.** All of Seller's right, title and interest in the trade name(s) of Seller and all of the goodwill of Seller's business shall be conveyed to Buyer. Trade names shall include those listed in Schedule 5. Such transfer includes Seller's customer list, advertising and logos. The purpose of Buyer's acquisition of the trade names and logos is to ensure that the trade name is not used by Seller or any successor to or assignee of Seller to compete with Buyer. It is not the intention of the parties that Buyer assumes, as a successor in interest, any duties, obligations or liabilities of Seller other than those specifically identified below. Seller and Buyer agree the patents, trademark and good will of the business has a value of seventy five thousand dollars and no cents (\$75,000.00).

**2.1.2.6 Transition Services:** Seller agrees to enter into a separate Transition Services Agreement as defined in Section 1.8 of this agreement. The Transition Services Agreement shall provide for seventy five thousand dollars and no cents (\$75,000.00) in services.

**2.1.3 Bills of Sale.** Concurrently with closing, Seller, in the form attached hereto as Schedule 6, agrees to execute bills of sale for the sale of the assets described in paragraphs 2.1.2.2 and 2.1.2.5.

## **2.2      Liabilities and Obligations**

**2.2.1   Liabilities Not Assumed by Buyer.** Buyer shall not assume any debt, obligation or liability of Seller, whether known, unknown or contingent, whether arising before or after closing, or whether arising from contract, tort or otherwise, including, without limitation (a) tort liability arising out of actions of Seller or any of Seller's employees, agents, invitees or contractors prior to or after closing; (b) liability resulting from breach of contract arising out of actions of Seller or Seller's employees, agents, invitees or contractors; (c) liability related to goods or services sold and delivered by Seller; (d) liability in connection with contracts not assumed by Buyer under this Agreement; (e) liability in connection with any employment agreement; (f) unfulfilled barter liabilities of Seller; (g) any tax liability of Seller; or (h) any other claims against Seller, or Seller's employees, agents, invitees or contractors of any kind or nature whatsoever. Buyer shall not assume Seller's payroll taxes payable, state excise and sales tax payable, union benefits payable nor federal income tax payable.

### **2.2.2   Obligation and or Commitments Assumed By Buyer.**

- (1)** Buyer agrees to allow Seller to continue using the name Automotive Repair Corporation to collect on the promissory note, provide transition services, resolve disputes, and close out the operations of the corporations. For a period of five years, ARC and the General Manager and Current President of Seller will not compete by developing or selling any product that competes with a currently existing product of Seller, as well as the yet-to-be developed aluminum dent puller/welder, regardless of the application for which such competing product can be used, and regardless of the market in which it can be sold, including markets that Seller has yet to exploit. Should ARC or its current President and General Manager reenter the business of manufacturing automotive repair equipment at the end of the 5 year period contemplated by this agreement, it shall not be with the current business entity or business name.
- (2)** Buyer agrees to indemnify and hold Seller harmless for any liabilities or any obligations under any contract Buyer forms or has formed in relation to the purchase of Seller's Assets.
- (3)** Buyer agrees that any business relationships it forms with persons or entities will not implicate Seller in any way, and Buyer will indemnify and hold harmless Seller with respect to obligations incurred by Buyer through any business relationship, agreement, or contract entered into by Buyer related to the purchase of Seller's Assets, as well as any business relationship, agreement, or contract entered into by Buyer following the closing of Buyer's purchase of Seller's Assets.

- (4) Buyer is acquiring Seller's patents, trademarks, and goodwill, and therefore understands that it is Buyer's responsibility to pay all future costs and fees associated with trademark and patent registrations and expenses, which are due and payable from the date of closing forward.
- (5) Buyer will execute a promissory note for the amount of \$100,000.00 that reflects the terms set forth in Paragraph 3.5 of this Agreement, and which will contain the additional guarantees from the member owners of the Buyer, as well as the personal guarantees of Michael McKinney and John Hjaltalin as individuals.
- (6) Buyer agrees to repay Seller's attorney the cost of renewing the patent, \$2,120.00, in a separate and additional check to Ms. Beatty at the time of Closing.
- (7) Buyer agrees to honor and fulfill, at its own expense, all warranty obligations that are generated by products delivered by the Seller during the year prior to closing date. Seller shall notify in writing Buyer prior to closing of any pending warranty claims which have arisen between the effective date of this agreement and closing.

**2.2.3 Obligation and or Commitments Assumed By Seller.**

- (a) Seller shall allow and provide assistance for Buyer to take immediate control of the Assets at closing. At or before closing, Seller shall provide Buyer with access to, or electronic/digital or physical copies of, all contracts, work papers, installation and service records and other documents relating to the Assets and Customers.
- (b) Through the escrow process, Seller will ensure all liens on its assets are removed on or prior to Closing Date.
- (c) Seller will ensure all tangible assets not purchased by Buyer, as well as all personal property, are removed from the premises of 314 E. Jackson, Spokane, WA.
- (d) Beginning on or after the 10th day after closing, and for a period of 60 days thereafter, Seller's personnel will be available for Transition Services, to assist Buyer in its efforts to restart the manufacturing operations. Appropriate personnel will be made available for up to 100 hours of total time for the following purposes: fundamental equipment instruction, product orientation, customer orientation, and vendor orientation. All other services will be provided by Seller's personnel only through individual consulting agreements. No employee of Seller will be expected to spend more than 35 hours per week providing these services. After the first 14 days of services, services will be provided only at times mutually agreeable to Buyer and Seller.
- (e) Seller will cease using the trade name "ARC Manufacturing" and the trade dress associated with it. Seller will continue to operate using the name Automotive Repair Corporation only to the extent it needs to do so to keep the entity up and running.

including but not limited to: paying its bills, receiving payments from Buyer and others, and resolving disputes.

- (f) Seller accepts the liability for all unfilled-prepaid orders, unless Buyer specifically elects to fill them. After the execution of this agreement, Seller will disclose those orders that were pre-paid, but not yet cancelled so that Buyer can decide which orders it wishes to fulfill. However Buyer agrees not to contact any of those customers or any other customers until after Closing without the prior consent of Seller.

**2.3      Seller's Required Deliveries at Closing.** At Closing, Seller will deliver, or cause to be delivered, to Buyer, all items, documents and instruments necessary to transfer to Buyer all of right title and interest of Seller in and to Assets and to consummate the Asset Sales transaction. Such items, documents and instruments shall include:

- (a) A Bill of Sale(s) in the form attached hereto as Schedule 6;
- (b) An electronic copy of its Customer database in spreadsheet form;
- (c) An electronic copy of its Machine Sales;
- (d) An electronic copy of its Prepaid Equipment Order List with all associated paperwork;
- (e) An electronic copy of its Outstanding Orders (unpaid) with all associated paperwork;
- (f) Keys to the premises of 314 E. Jackson St., Spokane, WA;
- (g) Statement of Shareholder Approval of the Sale of Corporate Assets not in the ordinary course of business, signed by the Secretary of the Corporation;
- (h) Assignment of Patents, Trademarks, and Trade names including "ARC Manufacturing" name.

**2.4      Buyer's Required Deliveries on or before Closing.** On or before Closing, Buyer will deliver, or cause to be delivered, to Seller,

- (a) Any documents required by Seller to perfect its lien on the patents being sold to Buyer;
- (b) A certified check or electronic wire transfer for \$195,000.00, or as otherwise instructed by Adept Escrow, and deposited with Adept Escrow pursuant to its instructions;
- (c) A promissory note pursuant to Paragraph 3.5 of this document.
- (d) An executed contract for ARC Transition Services valued at \$75,000.00.



- (e) A check for \$2,120.00, payable to Donna Beatty to reimburse her for the patent renewal expenses.

2.5 Closing Costs; Transfer Taxes; and Fees. Buyer shall be responsible for any property or other documentary and transfer taxes and any sales, use or other taxes imposed by reason of the transfers of the Assets provided hereunder. Buyer will be responsible for any title searches or insurance premiums for title insurance to be obtained by Buyer. Buyer shall pay the fees and costs of recording or filing all applicable convincing instruments described herein. If applicable, Buyer shall pay all costs of applying for new Governmental Authorizations and obtaining the transfer of existing Governmental Authorizations, which may be lawfully transferred.

2.6 Allocation of Purchase Price. Buyer shall prepare the allocation of the Purchase Price (the "Allocation") in accordance with the provisions of Section 1060 of the Internal Revenue Code and the regulations thereunder, upon reasonable consultation with Seller, and with Seller's consent, which consent shall not be unreasonably withheld or delayed. The Allocation shall be as set forth on Section 2.1.2 of this Agreement. Each of the parties agrees to report this transaction for federal tax purposes in accordance with the Allocation. Buyer and Seller agree to (i) be bound by the Allocation, (ii) act in accordance with the Allocation in the preparation of financial statements and filing of all Tax Returns (including, without limitation, filing Form 8594 with their United States federal income Tax Return for the taxable year that includes the date of the Closing) and in the course of any Tax audit, Tax review or Tax litigation relating thereto and (iii) take no position and cause their controlled affiliates to take no position inconsistent with the Allocation for income Tax purposes. Not later than 30 days prior to the filing of its Form 8594 relating to this transaction, Seller shall deliver to Buyer a copy of such form.

### 3. CONSIDERATION.

In addition to the selected assumption of Seller's liabilities related to any assumed Pending Orders and Seller's warranty obligations as described herein, Buyer agrees to pay Seller the sum of \$400,000.00, as follows:

3.1 \$10,000.00 deposit already paid on April 4, 2011 (already paid, and hereby acknowledged);

3.2 \$20,000.00 additional deposit & "earnest money" to be paid to Sellers within 3 days of both parties' agreement to the terms of this contract.

3.3 \$195,000.00 in the form of a certified check or electronic wire transfer to be deposited with Adept Escrow \_\_\_\_\_ days prior to the Closing Date, as instructed by the chosen escrow company;

3.4 \$75,000.00 for ARC Transition Services, to be paid in 32 equal, monthly installments in the amount of \$2,343.75 to Seller, beginning on the first of the month following four full

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calendar months from the closing date of the sale. For instance, if the closing date is July 31, 2011, the first payment for ARC Transition Services will be due on December 1, 2011. Should Buyer default in its performance of the ARC Transition Services contract by tendering more than two late payments, or failing to make a single payment for more than 60 days, the unpaid balance of the \$75,000.00 value of that agreement will immediately convert to an additional amount due under the promissory note referred to in Section 3.5, below, and will be subject to the personal guarantees and interest contained therein.

3.5 The remaining purchase price of \$100,000.00 is to be paid in monthly installments due on or before the last business day of the month, beginning in January of 2012. Interest charges of 8% per annum will commence on the day after Closing, and will accrue until the debt is paid in full. The full amount will be payable in 30 equal monthly payments of \$3813.44 each, due to Seller on or before the last day of the month, beginning in January of 2012 pursuant to Schedule 3.1. Payments shall be sent by US mail, postmarked no later than three days prior to the last day of the month, to the following address: PO Box 3332, Spokane, WA 99220, unless Buyer is notified via certified mail that Seller's address has changed. If Buyer is so notified of Seller's change of address, payments must be mailed to the new address.

3.6 Buyer also agrees to reimburse Donna Beatty for the payment of the final patent fees in the amount of \$2,120.00. A separate check for that amount will be paid to Donna Beatty in that amount at Closing.

#### 4. REPRESENTATION AND WARRANTIES OF PARTIES.

4.1 Seller. Seller represents and warrants to Buyer as follows:

(a) Corporate Status. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington. Seller has full power and authority to engage in the business in which it is presently engaged, and has title to the assets listed in Schedule 1.

(b) Sale is Contingent of Shareholder Authorization. Seller will seek approval of its Board of Directors and its Shareholders to execute this transaction, which is the sale of Seller's Assets not in the ordinary course of business. The final execution and delivery of this Agreement, the performance of Seller's obligations hereunder, and the consummation of the transactions contemplated hereby is contingent on the consent of Shareholders of Seller to this transaction. If approved by the Seller's Shareholders, this Agreement constitutes a valid and binding obligation of both Seller and Buyer, enforceable in accordance with its terms.

(c) IRS Liens. Closing is Contingent on the removal of the IRS liens currently in place on the assets of Seller. Adept Escrow will be instructed to pay the IRS from the money deposited with it, the amount necessary to ensure the removal of the IRS lien, and make any other payments necessary to remove any liens that are in effect.

(d) Non-Contravention; No Default. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby

- do not and will not result in a breach of or a default under (i) the governing documents of Seller, or (ii) any agreement, license or other obligation of Seller; and
- will not violate or contravene any law, rule or regulation of any agency or governmental body applicable to Seller or any judgment binding on Seller.

(e) Marketable Title. Once the IRS releases its lien on Sellers Assets, Seller has good, valid and marketable title to the Assets, free and clear of all security interests, demands, liens, claims, or encumbrances of any nature or kind whatsoever. Once the sale of Assets is approved by the Shareholders, there exist no facts or set of circumstances which would prevent Seller from performing under this Agreement, or which would prevent or render Seller unable to deliver good and marketable title to the Assets. Seller will provide reasonable efforts to obtain the release of the IRS lien and Shareholder approval. The Closing of this sale depends on removal of the IRS liens and obtaining Shareholder approval.

(f) Condition of Assets. Except as explicitly noted on Schedule 1, all of the Assets (including all equipment and materials included therein) are in good working order and condition with only ordinary wear and tear, and have been installed and maintained in accordance with good workmanlike practices prevailing in the industry at the time of installation and maintenance. To the best of Seller's knowledge, in no case have any of the Assets been installed in a manner which was in material violation of any applicable law, code or regulation when installed. To the best of Seller's knowledge there are no current warranty claims or service obligations pending other than those identified in Schedule 8.

(g) Compliance with Laws. As of the Closing Date, Seller will have complied with all material laws, rules, regulations and orders applicable to the Assets. Seller has not taken any action, or failed to take any action which action or failure will or would, in any way, preclude or prevent Buyer from owning the Assets after the Closing in substantially the same manner as theretofore used by Seller. As of the Closing Date, Seller and its employees will have all governmental licenses and permits (federal, state and local) necessary for the ownership and utilization of the Assets as now carried on by Seller, and such licenses are in full force and effect. No violations are or have been recorded in respect of any such licenses or permits and no proceedings are pending or threatened, concerning the revocation or limitation of any such license or permit.

(h) Brokerage Fees. Seller has not used a broker in connection with this transaction and there are no claims for brokerage commissions, finders' fees or similar compensation in connection with this Agreement that will be paid by Buyer.

(i) Taxes. All federal, state and local income, property, payroll, sales and/or use taxes, payroll withholdings and all other taxes or charges incurred by Seller during any period prior to and including the date of the Closing which may relate to or affect the Assets in any way other than taxes due pursuant to the sale of the Assets to Buyer, are the obligation and liability of Seller and are to be paid or provided for in full by Seller.

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(j) Changes in Assets. Since April 30, 2011, there have not been any of the following changes with respect to the Assets:

(i) Any damage, destruction or loss (whether or not covered by insurance) materially and adversely affecting any of the Assets;

(ii) Any change in the accounting methods or practices followed by Seller;

(iii) Any sale, lease, abandonment or other disposition by Seller of any of the Assets, except in the ordinary course of its business; or

(iv) Any transaction by Seller not in the ordinary course of business.

(k) No Material Misstatements. No representation or warranty by Seller contained in this Agreement or made hereunder contains, or will contain, any untrue statement of a material fact or omits, or will omit, to state a material fact necessary to make the statements contained herein and therein not misleading.

(l) Employment Contracts and Employees. Seller is not a party to or bound by any employment agreement, collective bargaining agreement or other labor contract or any pension, profit sharing, retirement, bonus or deferred compensation or similar obligation, whether or not such obligation is of a legally binding nature or in the nature of any informal understanding. No employee has any rights to benefits provided by Seller or any claim against Seller, except for normal salary and wage payments due in the ordinary course of business. Seller is not aware of any labor dispute or labor trouble involving any of Seller's employees. On or before the Closing Date, Seller shall have terminated all employees, other than its President and General Manager, who are currently employed in connection with the operation of the business and shall pay each such newly terminated employee all compensation, wages and vacation pay earned by such employee or accrued up to and including the closing date.

4.2 Buyer. Buyer represents and warrants to Seller as follows:

(a) Status. Buyer has full power and authority to purchase and acquire the Assets as herein provided.

(b) Authorization. The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, and the subsequent acquisition and retention of the Assets (i) are permissible under Buyer's governing instruments, (ii) have been duly and validly authorized by all necessary and appropriate action by Buyer, and (iii) does not and will not result in a breach of or a default under any agreement, license or other obligation of Buyer.

4.3 Survival of Representations, Warranties and Indemnities. All representations, warranties and indemnities made by Seller herein shall survive the Closing for a period of one year in the event of any alleged or actual breach, including the following representations,

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warranties, and indemnities: (i) status, (ii) title, (iii) authority, (iv) tax and (v) employee benefits, in which instance the survival period shall be the same as the applicable statute of limitations.

## **5. INDEMNIFICATION.**

**5.1 By Seller.** Seller covenants and agrees that, notwithstanding the Closing, and the delivery of any instruments of conveyance, and regardless of any investigation at any time made by or on behalf of Buyer or of any information Buyer may have in respect thereof, Seller will indemnify and hold Buyer harmless from, for and against any loss, damage, liability or deficiency (including without limitation, attorneys' fees and other costs and expenses incident to any suit, action, investigation or other proceeding) arising out of or resulting from, and will pay Buyer on demand the full amount of any sum which Buyer may pay or become obligated to pay on account of, or reimburse Buyer for any loss suffered on account of: (a) any inaccuracy in any representation or the breach of any warranty made by Seller; (b) any federal, state, local or other tax of any nature related to the Assets arising out of any event or state of facts occurring or existing on or prior to the Closing; (c) any failure of Seller duly to perform or observe any term, provision, covenant, agreement or condition hereunder; and (d) any claim or demand against Buyer relating to the Assets resulting from any act, error or omission occurring on or prior to the Closing Date made within one year after the Closing Date, other than claims related to Pending Orders and Warranty Obligations. Buyer shall notify Seller in writing by registered or certified mail within sixty days after receipt of notice of any potential claim arising pursuant to this Section. In addition, if Buyer prevails in the indemnification claim, Seller will indemnify and hold Buyer harmless from, for and against any and all reasonable and necessary costs and expenses (including attorneys' fees) which it may suffer or sustain in seeking to enforce the indemnification obligation of Seller hereunder.

**5.2 By Buyer.** Buyer covenants and agrees that it will indemnify and hold Seller harmless from, for and against any loss, damage, liability or deficiency (including without limitation, attorneys' fees and other costs and expenses incident to any suit, action, investigation or other proceeding) arising out of or resulting from, and will pay Seller on demand the full amount of any sum which Seller may pay or become obligated to pay on account of, or reimburse Seller for any loss suffered on account of (a) any inaccuracy in any representation or the breach of any warranty made by Buyer; and (b) any failure of Buyer duly to perform or observe any term, provision, covenant, agreement or condition hereunder. Seller shall notify Buyer in writing by registered or certified mail within thirty days after receipt of notice of any potential claim arising pursuant to this Section. In addition, if Seller prevails in the indemnification claim, Buyer will indemnify and hold Seller harmless from, for and against any and all reasonable and necessary costs and expenses (including attorneys' fees) which it may suffer or sustain in seeking to enforce the indemnification obligation of Buyer hereunder.

## **6. BUYER'S CLOSING CONDITIONS.**

Buyer's obligation to consummate the purchase of the Assets described herein will be subject to satisfaction of the following conditions:

6.1 Due Diligence. Buyer shall have completed its due diligence review of the Assets and Seller's business and shall be satisfied, in Buyer's sole discretion, with the results of such review and investigation.

6.2 No Material Adverse Changes. No change in the Assets or Seller's business shall have occurred from April 30, 2011, through the Closing Date, which would have a material adverse effect on the transactions contemplated by this Agreement or on the Assets.

6.3 Representations and Warranties; Covenants. The representations and warranties contained in Section 4.1 hereof are true and correct in all material respects and shall be true and correct in all material respects at the Closing Date, with the same effect as though such representations and warranties had been made on and as of such date, and the covenants and agreements of Seller to be performed on or before the Closing Date shall have been duly performed in all material respects.

6.4 No Injunction. At the Closing Date, there shall be no injunction, restraining order or decree of any nature of any court or governmental agency or body of competent jurisdiction that is in effect that restrains or prohibits the consummation of the purchase of the Assets.

6.5 Lease of Premises. Buyer must contact Black Realty within three business days of execution of this agreement to begin negotiating a lease of Premises.

#### 7. SELLER'S CLOSING CONDITIONS.

Seller's obligation to consummate the sale of the Assets will be subject to satisfaction of the following conditions:

7.1 Representations and Warranties. The representations and warranties contained in Section 4.2 are true and correct in all material respects, and shall be true and correct in all material respects at the Closing Date with the same effect as though such representations and warranties had been made on and as of such date.

7.2 No Injunction. At the Closing Date, there shall be no injunction, restraining order or decree of any nature of any court or governmental agency or body of competent jurisdiction that is in effect that restrains or prohibits the consummation of the purchase of the Assets.

7.3 All required documents, including the executed Promissory Note with the guarantee of the Member buyers, and the personal guarantees of Michael McKinney and John Hjaltalin.

#### 8. CERTAIN COVENANTS.

Seller undertakes the following specific covenants:

**8.1 Confidentiality of Certain Information.** Seller acknowledges that all Customer lists, sales data and proprietary manufacturing processes are special and unique assets and are and will be owned exclusively by Buyer or an affiliate thereof as of the Closing Date, though Seller may retain records of such data in order to ensure it has all necessary information to carry on business activities including, but not limited to, receipt of payments, payments of obligations, and resolution of disputes.

**8.2 Further assurances.** Each of the parties hereto agrees that, from time to time, whether before, at or after the Closing Date, each of them will execute and deliver such further instruments of conveyance and transfer and take such other action as may be necessary to carry out the purposes and intents of this Agreement.

**8.3 Preservation of Assets.** Seller shall use all commercially reasonable efforts to (a) preserve the Assets.

**8.4 Supplemental Disclosure.** Seller will promptly supplement or amend each of the Schedules hereto with respect to any matter that as of the date hereof would have been required to be set forth or listed in the Schedules hereto; provided, that, for purposes of determining the rights and obligations of the parties hereunder, any such supplemental or amended disclosure of any matter will not be deemed to have been disclosed to Buyer unless Buyer otherwise expressly consents in writing. If any Schedule to this Agreement prepared by or on behalf of Seller is supplemented or amended after the date hereof due to such matter(s) that, individually or in the aggregate, results in a material adverse effect on the Assets or on Seller's business, condition, assets, liabilities, operations or prospects, or that materially impairs the performance, rights or obligations of any party under this Agreement, Buyer may elect at its sole option to (a) terminate this Agreement, (b) negotiate with a purchase price reduction which shall be determined by the parties in good faith. If any such supplemental disclosure impairs the performance or rights of either party, or valuation of the Assets to be purchased under this Agreement, but does not constitute a material adverse effect, the parties shall in good faith attempt to negotiate an adjustment to the Purchase Price.

**8.5 Expenses.** Buyer and Seller shall each pay all of their own respective expenses incurred by or on behalf of each of them in connection with this Agreement and the transactions contemplated hereunder.

## **9. TERMINATION.**

**9.1 Rights to Terminate.** This Agreement and the transactions contemplated hereby may be terminated and abandoned (a) at any time prior to the Closing by mutual written consent of Seller and Buyer; (b) by Buyer pursuant to Section 8.4; or (c) if a condition to performance by the terminating party hereunder has not been satisfied or waived prior to July 31, 2011, including Seller's required authorization by its Shareholders, the removal of the IRS lien, or (d) failure to timely complete the transaction.

Should Buyer materially breach the terms of this agreement or a condition of closing has not been satisfied, the Seller may elect to either waive the breach and continue the transaction, or terminate the agreement and retain any deposits provided by Buyers to Seller as liquidated damages. The deposits provided by Buyers to Seller shall be the Seller's sole and exclusive remedy. Should Seller breach the terms of this agreement or a condition of closing has not been satisfied, Buyer may choose to terminate the agreement (and be refunded the deposits provided Seller), continue with the transaction, renegotiate the terms, or seek specific performance of the terms contained within this agreement.

**9.2 Procedure and Effect on Termination.** Any termination of this Agreement under Section 9.1 hereof will be effective immediately upon the delivery of written notice of the terminating party to the other parties hereto. In the event of termination of this Agreement as provided in Section 9.1, this Agreement shall be of no further force or effect, except (i) as set forth in Section 8.1, Section 9.2 and Section 10.5, which will survive the termination of this Agreement, and (ii) nothing herein shall relieve any party from liability for any willful breach of this Agreement.

## **10. MISCELLANEOUS.**

**10.1 Sales and/or Use Taxes.** Buyer shall be responsible for paying any and all sales and/or use taxes resulting from the sale of the Assets to Buyer as provided herein.

**10.2 Notices.** Any and all notices, demands or other communications required or desired to be given hereunder by any party shall be in writing and signed by the party giving notice. Notices shall be delivered personally or mailed, certified or registered, postage prepaid, return receipt requested to the appropriate party at the addresses indicated below:

If to Buyer:            John Hjaltalin  
American Innovative Manufacturing LLC  
8610 S. Harmon Extension Rd  
Spokane, WA 99223

With a copy to:        Michael McKinney  
c/o TC Business Ventures LLC  
8920 W. Quinault  
Kennewick, WA 99336

If to Seller:            Susan Sheets,  
c/o Automotive Repair Corporation,  
PO Box 3332, Spokane, WA 99220.

With a copy to:        Donna L. Beatty,  
Attorney at Law,  
P.O. Box 636,  
Greenacres, WA 99019.

ARC ASSET PURCHASE AND SALE AGREEMENT

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Any party, or copied recipient, hereto may change its address for the purpose of receiving notices, demands and other communications as herein provided by a written notice given in the manner provided hereby to the other party or parties hereto.

10.3 Schedules. All Schedules described in this Agreement, are delivered herewith, unless expressly waived by Buyer. Each fact or statement recited or contained in any Schedule, certificate or other instrument delivered by or on behalf of the parties hereto, or in connection with the transactions contemplated hereby, shall be deemed a representation and a warranty hereunder.

10.4 Applicable Law; Severability; Attorney's Fees. This Agreement shall, in all respects, be governed by the laws of the State of Washington applicable to agreements executed and to be wholly performed within the State of Washington. The exclusive venue for any claim arising from or otherwise related to this Agreement shall be the Courts of Spokane County, Washington. In the event any action or arbitration is instituted by a party hereto regarding the construction of any term or to recover damages resulting from the breach of any term of this Agreement, the prevailing party in such action or arbitration shall be entitled to such reasonable fees, costs and expenses (including, without limitation, the costs of the arbitrator) as may be fixed by the court or arbitrator.

10.5 Confidentiality. Should either Buyer or Seller terminate this agreement, both parties further covenant that it will not use any information acquired during the negotiation and execution of this agreement for its own benefit. Except as described in section 8.1.

10.6 Knowledge of Parties. Where any representation or warranty contained in this Agreement is expressly qualified by a reference to knowledge, information or belief of the party making such representation and warranty, such party shall have made reasonable inquiry of those persons who are in a position to have actual knowledge of the matters that are the subject of such representations and warranties.

10.7 Entire Agreement; Construction; Waiver; Further Assurances. This Agreement, together with any related documents referred to in this Agreement, constitutes the entire understanding and agreement of the parties with respect to the subject matter of this Agreement, and any and all prior agreements, understandings or representations are hereby terminated and canceled in their entirety. All of the terms and provisions contained herein shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, personal representatives, successors and assigns. No reliance upon or waiver of one or more provisions of this Agreement shall constitute a waiver of any other provisions hereof. All references herein to this Agreement include all exhibits and schedules hereto, which are incorporated herein by reference. No provision of this Agreement shall be construed against any party on the ground that such party or its counsel drafted the provision. All headings and captions and the table of contents have been inserted for convenience only and shall not affect the interpretation of this Agreement. Each of the parties hereto shall execute and deliver any and all additional papers, documents and other

assurances, and shall do any and all acts and things reasonably necessary in connection with the performance of their obligations hereunder and to carry out the intent of the parties hereto.

**10.8 Separate Counterparts.** This document may be executed in one or more separate counterparts, each of which, when so executed, shall be deemed to be an original. Such counterparts shall, together, constitute and shall be one and the same instrument.

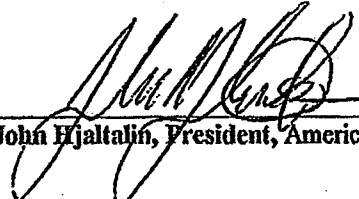
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

**SELLER:**

\_\_\_\_\_  
Susan Sheets, President  
Automotive Repair Corporation

Date: \_\_\_\_\_

**BUYER:**

\_\_\_\_\_  
John Hjalafin, President, American Innovative Manufacturing, L.L.C.

Date: 7/13/11

\_\_\_\_\_  
Michael McKinney, CFO/GC, American Innovative Manufacturing, L.L.C.

Date: 7/13/11

**Notary's Acknowledgement**

On \_\_\_\_\_, \_\_\_\_\_ before me, \_\_\_\_\_, a notary public for the State of Washington, personally appeared Susan Sheets, President of Automotive Repair Corporation known to me, or proved to me on the basis of satisfactory evidence, to be the person whose name is subscribed to in the affixed and attached instrument.

State of Washington                    )  
  ) ss.  
County of Spokane                    )

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
Notary Public in and for the State of Washington  
Residing at \_\_\_\_\_

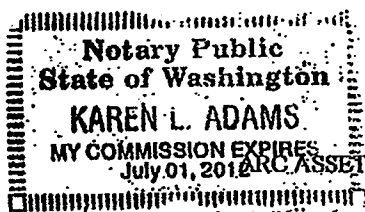
My Commission Expires: \_\_\_\_\_

**Notary's Acknowledgement**

On July, 13<sup>th</sup> 2011 before me, Karen L. Adams, a notary public for the State of Washington, personally appeared John Hjaltalin, President of American Innovative Manufacturing, L.L.C., known to me, or proved to me on the basis of satisfactory evidence, to be the person whose name is subscribed to in the affixed and attached instrument.

State of Washington                    )  
  ) ss.  
County of Spokane                    )

Subscribed and sworn to before me this 13<sup>th</sup> day of July, 2011.



*Karen L. Adams*  
7-1-2012

ARC ASSET PURCHASE AND SALE AGREEMENT

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**Notary's Acknowledgement**

On July, 13 before me, Cathy Brady a notary public for the State of Washington, personally appeared Michael McKinney, CFO/General Counsel of American Innovative Manufacturing, L.L.C., known to me, or proved to me on the basis of satisfactory evidence, to be the person whose name is subscribed to in the affixed and attached instrument.

State of Washington                    )  
  ) ss.  
County of Spokane                    )

Subscribed and sworn to before me this 13 day of July, 2011.



Cathy Brady  
Notary Public in and for the State of Washington  
Residing at Benton County  
My Commission Expires: 2-29-2011

assurances, and shall do any and all acts and things reasonably necessary in connection with the performance of their obligations hereunder and to carry out the intent of the parties hereto.

10.8 Separate Counterparts. This document may be executed in one or more separate counterparts, each of which, when so executed, shall be deemed to be an original. Such counterparts shall, together, constitute and shall be one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

**SELLER:**

Susan Sheets-Pro Date: 7/13/11  
Susan Sheets, President  
Automotive Repair Corporation

**BUYER:**

\_\_\_\_\_  
Date: \_\_\_\_\_  
John Hjaltalin, President, American Innovative Manufacturing, L.L.C.

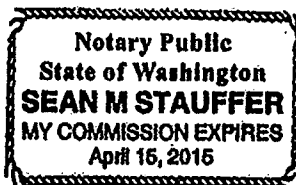
\_\_\_\_\_  
Date: \_\_\_\_\_  
Michael McKinney, CFO/GC American Innovative Manufacturing, L.L.C.

### Notary's Acknowledgement

On 7/13, 2011 before me, Sean Stauffer, a notary public for the State of Washington, personally appeared Susan Sheets, President of Automotive Repair Corporation known to me, or proved to me on the basis of satisfactory evidence, to be the person whose name is subscribed to in the affixed and attached instrument.

State of Washington                    )  
  ) ss.  
County of Spokane                    )

Subscribed and sworn to before me this 13 day of July, 2011.



Sean M. Stauffer  
Notary Public in and for the State of Washington  
Residing at Spokane, WA  
My Commission Expires: April, 15, 2015

### Notary's Acknowledgement


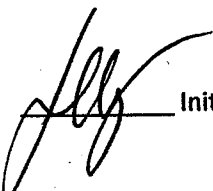
On \_\_\_\_\_, \_\_\_\_\_ before me, \_\_\_\_\_, a notary public for the State of Washington, personally appeared John Hjaltalin, President of American Innovative Manufacturing, L.L.C., known to me, or proved to me on the basis of satisfactory evidence, to be the person whose name is subscribed to in the affixed and attached instrument.

State of Washington                    )  
  ) ss.  
County of Spokane                    )

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

**Schedule 1**  
**Equipment List**

<b>ARC - EQUIPMENT LIST</b>				
<u>Description</u>	<u>Serial Numbers</u>	<u>Date Acquired</u>	<u>Cost</u>	<u>Acquistion Cost</u>
Birmingham Mill - BPS 1649C - 16 Speed	S/N 2040	11/10/1997	4,989.00	3,000.00
Ellis Saw		11/10/1997	2,000.00	500.00
Atrump K2V Knee Mill	S/N 768	12/23/1997	10,765.00	8,000.00
-Added - Mill Power Drawbar		6/1/2007	699.00	incl
-Added - Digital Reader for Mill		5/18/2007	1,570.00	incl
Atrump 1340GH Lathe (Atrump Mill and Lathe were purchased together for \$10,765	S/N 18DS1705			incl
Scottsman Punch		1/1/1997	3,800.00	2,000.00
Ineco Bending Machine	S/N 703539-7	7/1/1998	16,469.00	8,500.00
Lux-Matter Lathe - Lux 1340GH	S/N 991065	8/4/1999	5,600.00	2,500.00
Vertical Compressor - 5HP		12/23/1999	581.00	250.00
Shelving		3/23/2001	500.00	100.00
22 Ton Cap 1000 Strippit Turret Punch	S/N 330032985	1/10/2006	12,495.00	8,500.00
200DX Welder Miller		1/17/2006	2,154.00	1,000.00
Di-Acro Press Brake Model 1672	S/N JE-1106	2/22/2006	7,500.00	4,500.00
Shear Pneumatic 4' 16G		8/14/2006	1,950.00	500.00
ShopFox Disc-Belt Sander		8/24/2006	468.00	100.00
Nibbler		8/25/2006	501.00	100.00
Sharp Turning Center- CNC Mill SV-2412	S/N 30900351	11/20/2006	34,214.00	19,500.00
Air Compressor		12/16/2006	950.00	250.00
Slip Roll 16G 48"		1/10/2007	1,350.00	250.00
Spectrum 625 Plasma		2/12/2007	1,765.00	250.00
80 Gal Hort Tank - extra air tank		3/1/2007	635.00	250.00
Sharp 2060T Lathe CNC	S/N 623003	5/16/2007	42,859.00	33,000.00
Lathe Machine - Boaring		5/23/2007	885.00	250.00
Air Compressor		11/20/2007	1,500.00	500.00
Strippit NC Turret Punch FC-1250	S/N 022051084	12/10/2007	10,055.00	7,000.00
Jet Bandsaw HBS-916W	S/N 07012874	1/28/2008	3,893.00	700.00
Mazak Quick Turn 15 CNC Lathe	S/N 73992	2/6/2008	11,007.00	8,500.00
Bar Feeder for Mazak Quick Turn 15 CNC Lathe		2/5/2008	800.00	incl
Smithy		2/13/2008	1,600.00	incl
Misc Tooling for CNC's			12,190.00	5,000.00
Scotchman Model 4014FF Ironworker	S/N 6132FF495	9/6/1995	6,588.00	3,500.00
Hyster Forklift - Model H25E	S/N B1D11964X	11/27/1995	4,031.00	1,500.00
			206,363.00	120,000.00
Office Furniture, cabinets, phones, CNC computers				\$ 5,000.00
				\$ 125,000.00

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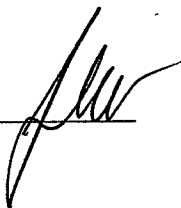
**SCHEDULE 2  
EXCLUDED ASSETS LIST**

- Office Computers (not including computers related to manufacturing and machine equipment)
- Four (4) file cabinets
- Three (3) shelves located in the storage room
- Misc. personal items of furniture etc. located in the current facility

Initials



Initials





**SCHEDULE 3**  
**CONTRACTS OR OTHER AGREEMENTS**

- No Contracts, Agreements or Leases are assigned

Initials

*SS*

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## COVENANT NOT TO COMPETE

### Schedule 4

THIS COVENANT NOT TO COMPETE, effective August 1, 2011 ✓  
("Agreement"), is made by and between American Innovative Manufacturing LLC., a Washington corporation, ("Buyer"), and Automotive Repair Corporation ("ARC"), a Washington Corporation, whose mailing address is P.O. Box 3332, Spokane, WA 99220, ("Seller") Susan Sheets (ARC President and Majority Shareholder), a single individual, and Tasha Sheets (ARC General Manager), a single individual, (hereinafter "Shareholders/Management").

### RECITALS

A. On July 11, 2011, an Asset Purchase Agreement (the "Purchase Agreement") was entered into by and between the Buyer and Seller. ARC is a Washington Corporation and has engaged in the business of manufacturing and marketing of D.C. powered equipment (dent pullers, power boosters and welders) and related accessories. President also owns 85% percent of the stock of Seller.

B. The Buyer desires to obtain the agreement of the Seller and Shareholders/Management not to compete with the Buyer in the manufacturing and marketing D.C. powered equipment (dent pullers, power boosters and welders) and related accessories (hereinafter "Business"), and not to disclose certain information with respect to the Buyer and the Business, all upon the terms and conditions hereinafter set forth.

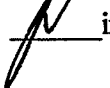
C. The Shareholders/Management recognize and acknowledge that closing the Purchase Agreement is in their best interests and the benefits and consideration for the Purchase Agreement flow directly to the Shareholders/Management, and based upon the consideration and benefits, the Shareholders/Management are willing to enter into this Covenant Not to Compete.

D. This Covenant is a material inducement for the Buyer to enter into the Purchase Agreement and any related agreements.

### AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein, it is hereby covenanted and agreed by the parties as follows:

 initials

 initials

Schedule 4  
ARC Manufacturing Asset Purchase and Sale.  
Covenant Not To Compete  
Page 1 of 5

## 1. Duties.

Pursuant to this Agreement, Shareholders/Management and Seller shall not:

(a) Directly or indirectly either as an entity, employee, owner, partner, shareholder, agent, manager, consultant, formal or informal advisor or otherwise, without permission of the Buyer, undertake any work either with or without a fee or other consideration, compete by developing or selling any product that competes with a currently existing product of Seller, as well as the yet-to-be developed aluminum dent puller/welder, regardless of the application for which such competing product can be used, and regardless of the market in which it can be sold, including markets that Seller has yet to exploit.

(b) Directly or indirectly suggest, request or encourage any present or future employees, consultants, customers or suppliers of the Buyer to curtail, reduce or cancel their employment and/or other relationship with the Buyer, its successors or affiliates.

(c) Buyer agrees to allow Seller to continue using the name Automotive Repair Corporation to collect on the promissory note, provide transition services, resolve disputes, and close out the operations of the corporations. Should ARC or its current President and General Manager reenter the business of manufacturing automotive repair equipment at the end of the 5 year period contemplated by this agreement, it shall not be with the current business entity or business name.

## 2. Term.

This Agreement shall be effective for a period of five (5) years from and after the Closing Date as defined in the Purchase Agreement.

## 3. Confidentiality.

The Seller and Shareholders/Management recognize and agree that they might have access to confidential and/or proprietary information or trade secrets of the Buyer, including, without limitation, marketing strategies, pricing policies, supply sources and costing techniques. The Seller and Shareholders/Management did have access to such information pertaining to Seller that upon the closing of the Purchase Agreement became the property of Buyer. All of the foregoing is referred to herein as the "Proprietary Information." Proprietary Information shall not include any information which (a) Seller or Shareholders/Management do not know, and could not reasonably be expected to know, is being treated as confidential or proprietary by the Buyer, or (b) which has come into the public domain or is discovered or learned by Seller or Shareholders/Management after the termination of this Agreement. Seller and Shareholders/Management agree not

 initials       initials

Schedule 4  
ARC Manufacturing Asset Purchase and Sale.  
Covenant Not To Compete  
Page 2 of 5

to copy, use, or disclose Proprietary Information in any manner without the prior written consent of the Buyer.

**4. Specific Enforcement.**

Seller and Shareholders/Management agree that the remedy at law for any actual or threatened breach of any provision of this Agreement will not be adequate and the damage to the Buyer as a result of such violation will be irreparable and for that reason, Seller and Shareholders/Management further agree that the Buyer shall be entitled, as a matter of right in case of Breach of this Agreement, and in addition to any other remedies available at law or in equity, to temporary and permanent injunctive relief from any court of competent jurisdiction, restraining any continued or further breaches of any such provisions by Seller or Shareholders.

**5. Assignment.**

The Buyer shall have the right to assign its rights pursuant to this Agreement to any other corporation or entity to which it sells or otherwise transfers substantially all of its assets or into which it merges.


**6. Notices.**

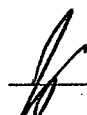
All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if personally delivered, or if mailed by United States certified or registered mail, postage prepaid, to the parties or their assignees at the following addresses (or at such other address as shall be given in writing by one party to the other):

If to Buyer: John Hjaltalin  
c/o American Innovative Manufacturing LLC.  
8610 S. Harmon Extension Road  
Spokane, WA 99223

With a copy to: Michael McKinney  
c/o TC Business Ventures LLC  
8920 W. Quinault  
Kennewick, WA 99336

If to Seller: Susan Sheets  
c/o Automotive Repair Corporation  
P.O. Box 3332  
Spokane, WA 99220

 initials

 initials

Schedule 4  
ARC Manufacturing Asset Purchase and Sale.  
Covenant Not To Compete  
Page 3 of 5

7. **General Provisions:**

- (a) This Agreement, together with the Purchase Agreement and schedules attached thereto, constitutes the sole understanding of the parties with respect to the subject matter hereof. No amendment or modification of this Agreement shall be deemed effective unless and until executed in writing by all parties hereto.
- (b) No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provision of this Agreement, except by written instrument executed by the party charged with such waiver or estoppel.

8. **Governing Law and Venue.**

This Agreement shall be governed by and construed according to the laws of the State of Washington, and venue for any action, claim or dispute regarding this Agreement shall be in Spokane County, State of Washington.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the 1st day of August, 2011.

SELLER:

By: Susan Reeb

Its: President

BUYER:

By: [Signature]

Its: PRESIDENT

SS initials [Signature] initials

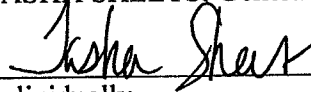
Schedule 4  
ARC Manufacturing Asset Purchase and Sale.  
Covenant Not To Compete  
Page 4 of 5


**PATENT**  
**REEL: 026685 FRAME: 0811**


SUSAN SHEETS, President:

  
Individually

TASHA SHEETS, General Manager:

  
Individually

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Schedule 4  
ARC Manufacturing Asset Purchase and Sale.  
Covenant Not To Compete  
Page 5 of 5

PATENT  
REEL: 026685 FRAME: 0812

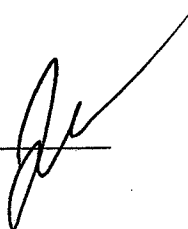
**SCHEDULE 5**  
**PATENTS, TRADENAMES, TRADEMARKS**

- Patent # 5917394 "Solenoid Patent"
- Patent # 5516997 "Hunter Patent"
- Trademark #2154570 ARC Logo
- Trademark #2176619 Panel Beater
- Registered Tradenames:
  - The Panel Beater
  - ARC Pull 'N Spot
  - ARC International
  - ARC MFG
  - ARC Manufacturing
  - ARC Power Booster

Initials



Initials



**SCHEDULE 6(a)**  
**BILL OF SALE**

KNOW ALL PERSONS BY THESE PRESENTS that, in consideration of the value set forth below, the receipt of which is hereby acknowledged, Automotive Repair Corporation d/b/a ARC Manufacturing the undersigned "Seller," hereby grants, bargains, sells, transfers and delivers to American Innovative Manufacturing, L.L.C, as "Buyer," all of Seller's rights, title and interest in the following property:

All tangible property, identified in Schedule 1 of the "Agreement For Purchase And Sale of Assets Of Automotive Repair Corporation to American Innovative Manufacturing L.L.C." (Asset Purchase Agreement") to which this Bill of Sale is attached. The sum paid for assets described in Schedule 1 is One Hundred Twenty Five Thousand Dollars and no cents (\$125,000.00).

to have and to hold, the same unto the Buyer and Buyer's successors and assigns forever.

Except as expressly provided in the Asset Purchase Agreement, the property is transferred to buyer "As Is" with no warranties, explicit or implied.

The Seller hereby covenants to and with the said Buyer, that it is the owner of the property, that the same is free from all encumbrances and it has a good right to sell the same.

Dated this 1st day of August, 2011.

SELLER: AUTOMOTIVE REPAIR CORPORATION

By: Susan Shurt

Its: President



**SCHEDULE 6(b)**  
**BILL OF SALE**

KNOW ALL PERSONS BY THESE PRESENTS that, in consideration of the value set forth below, the receipt of which is hereby acknowledged, Automotive Repair Corporation d/b/a ARC Manufacturing the undersigned "Seller," hereby grants, bargains, sells, transfers and delivers to American Innovative Manufacturing, L.L.C, as "Buyer," all of Seller's rights, title and interest in the following property:

All intangible property described in Schedule 5 of the Asset Purchase Agreement to which this Bill of Sale is attached. The sum paid for intangible property described in Schedule 5 is Seventy Five Thousand Dollars and no cents (\$75,000.00).

to have and to hold, the same unto the Buyer and Buyer's successors and assigns forever.

Except as expressly provided in the Asset Purchase Agreement, the property is transferred to buyer "As Is" with no warranties, explicit or implied.

The Seller hereby covenants to and with the said Buyer, that it is the owner of the property, that the same is free from all encumbrances and it has a good right to sell the same.

Dated this 1st day of August, 2011.

**SELLER: AUTOMOTIVE REPAIR CORPORATION**

By: *Lisa Hunt*

Its: *President*

## PROMISSORY NOTE

### Schedule 7

\$100,000.00

Spokane, Washington  
/ day of AUGUST, 2011

THIS PROMISSORY NOTE ("Note") is made and effective as of the date hereof, (the "Effective Date" by American Innovative Manufacturing, L.L.C., a Washington Limited Liability Corporation, whose mailing address is 8610 Harmon Extension Road, Spokane WA 99202 ("Payor"), in favor of Automotive Repair Corporation, a Washington corporation, whose principal address is, PO Box 3332, Spokane, WA 99220 ("Payee").

### BACKGROUND:

1. Payor and Payee have entered into an Asset Purchase and Sale Agreement ("Agreement") whereby Payor is purchasing the assets of Payee.
2. Payment terms of the purchase include an agreement to enter into this Promissory Note.

FOR VALUE RECEIVED, Payor promises to pay to Payee, or order, the sum of one hundred thousand dollars (\$100,000.00), together with interest thereon, all as hereinafter provided.

### TERMS:

1. Interest. All sums from time to time owing hereon shall bear interest from the Effective date at the rate of eight percent (8%) per annum.
2. Payment. Principal and interest shall be payable in 30 equal monthly payments of \$3813.44. The first monthly payment shall be due on or before the last day of the January 2012, and subsequent payments becoming due on the last day of each calendar month thereafter, until June 2014, on which date the entire unpaid principal balance, together with interest thereon, shall become due and payable.
3. Prepayment. All or any part of the principal may be prepaid, together with interest accrued thereon, at any time without penalty.
4. Payee's Remedies on Default. In the event of default in the payment of any installment required under this Note or in the event of material default under the Sales Agreement, (which default is not cured within fifteen (15) days after written notice to Payor and all Guarantors, time being of the essence hereof), Payee may, without notice

or demand, declare the entire principal then unpaid, together with interest accrued thereon, immediately due and payable.

5. Late Payment; Penalty Interest. If Payor shall fail to make any payment of principal and interest required hereunder and such failure shall continue for a period of ten (10) days, Payor shall pay the Payee an amount equal to five percent (5%) of the payment then due as a late payment penalty. Any such late payment shall be deemed to be amounts due hereunder.

6. Payment Method/Address. Payments shall be sent by US mail, postmarked no later than three days prior to the last day of the month, to the following address unless Buyer is notified via certified mail that Seller's address has changed:

Susan Sheets  
c/o Automotive Repair Corporation  
PO Box 3332,  
Spokane, WA 99220

If Buyer is so notified of Seller's change of address, payments must be mailed to the new address.

7. Security. Pursuant to the terms of the Agreement, Maker pledges the patents listed in Schedule 5 to the Sales Agreement, as security for this promissory note and consents to the filing of a Financing Statement with whatever government agency or agencies are deemed necessary by the Payee.

8. Miscellaneous and Procedure.

8.1 Application of Payments. All payments under this Note shall be applied first to interest due to the date of payment and the balance to principal.

8.2 Notice. Any notices required or authorized to be given under this Note shall be in written form. Such notices may be sent by registered or certified delivery, postage prepaid and return receipt requested, addressed to the proper party at the address provided above or such address as the party shall have designated to the other parties in accordance with this Section. All notices given by mail shall be deemed delivered as of the date of mailing. Additionally, any notice authorized or required to be given under this Note may be personally delivered to the proper party.

8.3 Payee's failure at any time to exercise any of the rights hereunder shall not constitute a waiver of such rights and shall not be a bar to exercise of any of such rights at a later date.

8.4 Choice of Forum. Should legal action be required to enforce or interpret this Note, at the option of the Payee, the action may be brought in Spokane County, Washington.

8.5 Governing Law. This Note shall be construed in accordance with the laws of the state of Washington.

8.6 Attorney's Fees. In the event of commencement of suit to enforce payment of this note, the prevailing party shall be entitled to receive the costs of collection including reasonable attorneys' fees and court costs.

American Innovative Manufacturing LLC

By: \_\_\_\_\_

Its: \_\_\_\_\_

Guarantors:

\_\_\_\_\_  
John Hjaltalin, Individually  
8610 Harmon Extension Road,  
Spokane WA 99202

\_\_\_\_\_  
Michael McKinney, Individually  
8920 W. Quinault  
Kennewick, WA 99336

**SCHEDULE 8**  
**PENDING WARRANTY CLAIMS**

- No Pending Warranty Claims

Initials



Initials

