

# FRANCHISE DISCLOSURE DOCUMENT

Alloy Wheel Franchise, LLC  
a Delaware Limited Liability Company  
3100 Medlock Bridge Road, Suite 305  
Norcross, GA 30071  
(770) 903-1236  
[robwheeley@alloywheel.com](mailto:robwheeley@alloywheel.com)  
[www.awrswheelrepair.com](http://www.awrswheelrepair.com)



Alloy Wheel Franchise, LLC (“AWRS”) offers franchises for the establishment, development and operation of a business that provides cosmetic restoration and structural repair of automobile wheels within protected territories. AWRS also offers franchises for the establishment, development and operation of a retail business and remanufacturing center that provides the sale of “after-market” chrome wheels, tires, cosmetic restoration and structural repair of automobile wheels.

The total investment necessary to begin operation of an Alloy Wheel Repair Specialists franchise is between \$99,000 to \$638,500 for mobile franchise businesses.

Tier	Franchise Fee	Lowest Initial Payment	Highest Initial Payment	Lowest Investment	Highest Investment
Mobile – Standard Level	\$40,000	\$88,000	\$200,000	\$99,000	\$233,500
Mobile – Medium Market	\$75,000	\$103,000	\$171,000	\$395,000	\$428,500
Mobile – Large Market	\$110,000	\$254,000	\$590,000	\$271,000	\$638,500

This disclosure document summarizes certain provision 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 accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to

Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W. Washington DC 20580. You can also visit the FTC’s home page at [www.FTC.gov](http://www.FTC.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in a different format, contact Charles R. Wheeley at 3100 Medlock Bridge Road, Suite 305, Norcross, Georgia 30071, at (770) 903-1236, or at [robwheeley@alloywheel.com](mailto:robwheeley@alloywheel.com).

**Issuance Date: September 15, 2024**

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about franchise sales, costs, profits and losses. You should also try to obtain this information from others, like current and former franchisees. You can also find their names and contact information in Item 20 or <b>Exhibit [D]</b> .
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or <b>Exhibit _____</b> includes financial statements, which consists of our un-audited opening balance sheet. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Alloy Wheel Business business in my area?</b>	Item 12 and "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be an Alloy Wheel franchisee?</b>	Item 20 or <b>Exhibit [____]</b> list current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 items and all Exhibits in this Disclosure Document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even in you are losing money.

**Business model can change.** The Franchise Agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** Your Franchise Agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if Your Franchise Agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your Franchise Agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** Your Franchise Agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in. this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in **Exhibit [A]**.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

### Special Risks to Consider About *This* Franchise

Certain States require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us first by mediation and then by arbitration only in the State of Arizona. Out- of-state mediation or arbitration may force you to accept a less

favorable settlement for disputes. It may also cost you more to mediate or arbitrate with us in North Carolina than in your own state. Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.

**(THE FOLLOWING APPLY TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

A prohibition on the right of a franchisee to join an association of franchisees.

A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protection provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

A provision that permits a Franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

A provision that permits a Franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee’s inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of Franchisor’s intent not to renew the franchise.

A provision that permits the Franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

A provision which permits a Franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a Franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- The failure of the proposed transferee to meet the Franchisor's then current reasonable qualifications or standards.
- The fact that the proposed transferee is competitor of the Franchisor or Sub-franchisor.
- The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- The failure of the franchisee or proposed transferee to pay any sums owing to the Franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

A provision that requires the franchisee to resell to the Franchisor items that are not uniquely identified with the Franchisor. This subdivision does not prohibit a provision that grants to a Franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the Franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

A provision which permits the Franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the Franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the Franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the Franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the Franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
670 G Mennen William Building  
Lansing, Michigan 48913  
Telephone Number: (517) 373-3800

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**ITEM 1**  
**THE FRANCHISOR, PARENTS, PREDECESSORS, AND AFFILIATES**

**The Franchisor**

For ease in comprehension of this Franchise Disclosure Document (“Disclosure Document”), the following definitions will apply:

“We” or “Our” or “Us” refers to the franchisor, Alloy Wheel Repair Franchise, LLC, or “AWRS”. “You” and “Your” refers to the franchisee, whether a person or legal entity, purchasing the franchise, including, if any, such legal entities owners, partners, members, controlling shareholders, and guarantors.

We are a Delaware limited liability company that was formed on August 18, 2015. Our principal business address is 3100 Medlock Bridge Road, Suite 305, Norcross, Georgia 30071. We conduct business under the name “Alloy Wheel Repair Specialists.” We have not conducted business in any other line of business, nor offered franchises in any other business.

In addition to our franchises, we own either through an affiliate or by us directly, 7 company/affiliate-owned Alloy Wheel Repair Specialists businesses. These businesses are located in Connecticut, Florida, Georgia, Indiana, Maryland, Nevada, and New Jersey.

**Predecessor in Interest**

Our Predecessor in interest was Wheel Repair Solutions, International, Inc. (“WRSI”) a Georgia corporation. On November 17, 2015, the assets of WRSI were sold to AWRS. As part of the sale of the assets, AWRS acquired the Intellectual property rights, including the trademarks. As part of the asset transaction, WRSI retains certain international development rights in and to the franchise system and the right to use the trademarks in the same international venues for which it is accorded development rights. Our Predecessor has conducted the type of business offered to our franchisees since October, 2000. Our Predecessor has not conducted business in any other line of business, nor offered franchises in any other business. We will not compete with our predecessor.

**Parent and Affiliates**

Our corporate parent effective June 16, 2023 is Alloy Wheel Franchise, LLC, a Delaware limited liability company. The ultimate parent is Alloy Wheel Repair, Inc., a Delaware corporation with its principal business address located at 8300 Douglas Ave., Suite 800, Dallas Texas 75225.

We have no affiliates that are selling franchises.

We are affiliated with Alloy Remanufacturing, LLC, a New York limited liability company. Its principal business address is 30 West Ames Court, Plainview, NY 10461. By virtue of a transaction in July 2016, Alloy Remanufacturing, LLC acquired and now owns the assets of Elite Rim Repairs LLC, a New York limited liability company whose principal business address is 30C West Ames Court, Plainview, NY 11803. As part of that transaction, one of the individually owned businesses

operated by Elite Rim Repairs LLC known as Elite Wheels of Albany Inc (“Elite Albany” or “Licensee”) a New York corporation whose principal business address is 30C West Ames Court, Plainview, NY 11803, was licensed by us to use the trademarks of Alloy Wheel Repair Specialists (“Licensor”) on a limited basis. Elite Albany offers the same services that we offer. Elite Albany is authorized to use our trademarks only at its location in Mechanicville, NY, and the Albany, NY metropolitan statistical area. Elite Albany may not offer any services outside of its designated territory. Elite Albany also does not pay any royalties or advertising fees to us. The assets of Alloy Remanufacturing were purchased by Alloy Wheel Elite, LLC, a Delaware LLC on June 16, 2023.

We are also affiliated with AWRS NY Outer Boroughs, LLC, a Delaware limited liability company. Its principal business address is Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801. They operate an Alloy Wheel Specialists Repair business located in Bronx, New York.

We are also affiliated with AWRS Dade LLC, a Florida foreign limited liability company. Its principal business address is 2048 McKinley St., Bay #6, Hollywood, FL 33020. It owns an Alloy Wheel Repairs Specialists business in Dade County, Florida

We are also affiliated with Wheel Repair Solutions, Inc., a Georgia corporation. Its principal business address is 3100 Medlock Bridge Road, Suite 305, Norcross, GA 30017. It operates an Alloy Wheel Specialist business in Atlanta, Georgia.

We are also affiliated with CR Wheel Solutions, Inc., a Maryland corporation. Its principal business address is 1 Nashua Court, Ste. G, Baltimore, MD 21221. It operates an Alloy Wheel Specialist business in Baltimore, Maryland.

We are also affiliated with D7M Enterprises, LLC, an Indiana limited liability company. Its principal business address is 8110 Castleway Ct., West, Ste. 100, Bldg 33, Indianapolis, IN 46250. It operates an Alloy Wheel Specialist business in Indianapolis, Indiana.

We are also affiliated with PFE LLC, a Nevada limited liability company. Its principal business address is 3375 W. Oquendo Rd., Las Vegas, NV 89118. It operates an Alloy Wheel Specialist business in Las Vegas, Nevada.

### **Agent for Service of Process**

Our agents for service of process are disclosed in **Exhibit D**.

### **Prior Experience**

The franchise was started by Alloy Wheel Repair Specialists, Inc. (“AWRSI”) which developed the system in October 2000 (“System”). AWRSI entered into 8 license agreements between 2000 and 2004. Thereafter in 2004, AWRSI was merged into WRSI, our predecessor. In November 2015, our Parent company, Alloy Wheel Repair Specialists Holdings, LLC acquired the assets of WRSI, and the 8 license agreements became part of our franchise system and operate under

essentially the same terms as our franchisees in that they pay the same royalties and advertising contributions as our franchisees.

Our Predecessor, WRSI offers franchises outside of the United States using the processes and the marks of the franchisor. We do not receive royalties from these international franchisees.

### **The Business We Offer**

You operate within a specific territory (the “Territory”). We license you to use the System with our service marks, trademarks, logos, trade names, and proprietary confidential information. It is essential to the franchised business (the “Business”) that you develop new customers, as well as service those existing or potential customers that we may refer to you. The System provides a comprehensive program including the product, equipment, and initial inventory required to outfit a mobile reconditioning facility that provides cosmetic restoration of automobile wheels, primarily to automotive dealerships, auto body shops, as well as the general public. AWRS sells products and supplies to our Franchisees.

The business is highly developed and highly competitive. Your competitors include both franchised and independent businesses that offer repair and restoration of automobile wheels, including non-mobile or fixed location automotive repair shops, which may be referred to commonly as a remanufacturing facility. Your business will be directed at the entities listed above, unless you have a fixed location, in which case you also will seek to directly service consumers.

We have not offered franchises in any other line of business.

### **Applicable Regulations**

In addition to the laws that apply to all business in general, you are required to comply with all local, state, and federal laws applicable to the operation of your franchise. There are both state and federal laws dealing with the transportation and disposal of hazardous wastes, which you will have to comply with and which we help you with as part of our training process.

## **ITEM 2** **BUSINESS EXPERIENCE**

### **Chief Executive Officer: Robert Wheelley**

Mr. Wheelley was appointed as CEO of AWRS in November 2015. Prior to that time, he was an AWRS franchisee from November 2007 to November 2015.

### **Vice President of Operations: Herman Mansbart**

Herman Mansbart was appointed as the VP of Operations after serving 3 years as Director of Operations beginning in September 2016 when Elite Rim Repair was acquired. Prior to joining AWRS, he was an owner-operator of Elite Rim Repair. He works out of our Peachtree Corners, GA headquarters.

**Vice President of Franchise Relations and Human Resources: Tammey Sigmon**

Tammey Sigmon has worked for WRSI since February 1, 2008 as Manager of Franchise Relations and during 2012 was also given duties regarding Human Resources. She works out of our Peachtree Corners, GA headquarters.

**National Director of Sales and Marketing: Mike Haas, LPN, LMPFS**

Mike Haas, LPN, LMPFS was appointed National Director of Sales and Marketing in June of 2024. Mike comes to AWRS with 35 years of automotive experience, and 17 years of retail automotive, Training & Development, and reinsurance, specializing in building national sales teams and driving above-average results. Mike is located in Wilmington, DE.

**Vice President of Finance: Crystal Robinson**

Crystal Robinson was appointed the VP of Finance of Alloy Wheel in November 2023. Prior to that time, she served as Controller, Assistant Controller, and Accountant at Alloy Wheel from May 2016 to November 2023. She works out of our Peachtree Corners, GA headquarters.

**Manager/Director: Brian Steinbrueck**

Mr. Steinbrueck joined the AWRS board in June 2023. He is a co-founder of Breck Partners and has over 15 years of private equity experience investing in industrial businesses. He is located in Dallas, Texas.

**Manager/Director: Brad Brenneman**

Mr. Brenneman joined the AWRS board in June 2023. He is a co-founder of Breck Partners and has over 20 years of private equity experience investing in industrial businesses. He is located in Dallas, Texas.

**ITEM 3**  
**LITIGATION****Prior Actions.**

Consent Order #S-04-154-05-C001 Washington Department of Financial Institutions, Alloy Wheel Repair Specialists, Inc., and Wheel Repair Solutions International, Inc. In August 2005, without admitting or denying the factual allegations or conclusions of law, Alloy Wheel Repair Specialists, Inc., and Wheel Repair Solutions International, Inc., entered into a Consent Order (Order No. S-04-154-05-C001) with the Washington Department of Financial Institutions, which arose from Alloy Wheel Repair Specialists, Inc., entering into franchise agreements with three Washington residents before franchise registration was filed and accepted by the Securities Division of the Department of Financial Institutions, in alleged violation of RCW 19.100.020 and RCW 19.100.080. Alloy Wheel Repair Specialists paid the Department \$500 in costs and complied with the Consent Order by agreeing to not sell franchises without the disclosures and registrations as required by RCW 19.100.020 and RCW 19.100.080.

In the Matter of Wheel Repair Solutions International, Inc., Administrative Proceeding Before the Securities Commissioner of Maryland, Case No. 2007-0198. As a result of an investigation into the franchise related activities of Wheel Repair Solutions International, Inc. (“Wheel Repair”), the Maryland Securities Commissioner (“Commissioner”) concluded that grounds existed to allege that Wheel Repair violated the registration and disclosure provisions of the Maryland Franchise Law in relation to the offer and sale of a Wheel Repair franchise. In responding to inquiries from the Maryland Securities Division in connection with Wheel Repair’s renewal application of its franchise registration, Wheel Repair disclosed that it sold a franchise in Maryland during the time it was not registered to offer and sell franchises in Maryland and that it failed to comply with the Commissioner’s requirement to defer the collection of all initial fees received from the franchisee to whom it sold the unregistered franchise. On May 14, 2007, the Commissioner and Wheel Repair, without admitting or denying any violations of the law, agreed to: immediately and permanently cease from the offer and sale of franchises in violation of the Maryland Franchise Law; complete registration of its franchise offering in Maryland; implement new compliance procedures; enroll a company officer in an approved franchise compliance training program; and offer rescission to the franchisee who was sold a franchise in Maryland while Wheel Repair was not registered with the State.

Other than these three matters, no litigation is required to be disclosed in this Item.

#### **ITEM 4** **BANKRUPTCY**

There is no bankruptcy information that must be disclosed in this Item.

#### **ITEM 5** **INITIAL FEES**

##### **Mobile Franchise**

We offer a Mobile franchise at two to three different price levels, depending on the size of the protected territory.

The Standard Level Franchise has a territory with an estimated population up to 500,000 people with additional areas available if qualified up to an estimated population of 1,000,000 people has an initial franchise fee of \$40,000, plus you will buy a Mobile Reconditioning Facility or Box Truck from us between \$35,000 and \$140,000, as well as a Start-up Kit for \$8,000 to \$12,000 and a Wheel Straightener for \$5,000 to \$8,000, making your initial payments to us between \$88,000 to \$200,000.

The Medium Market mobile franchise has a territory with an estimated population between 500,001 to 1,000,000 people. The Initial Franchise Fee for that size territory is \$75,000, plus you will buy two Mobile Reconditioning Facilities or Box Truck(s) from us for between \$70,000 and \$280,000, as well as two Start-up Kits for \$16,000 to \$24,000 and two Wheel Straighteners for \$10,000 to \$16,000, making your initial payments to us between \$171,000 and \$395,000.

The Large Market mobile franchise has a territory, which will have an estimated population above 1,000,001 people. The Initial Franchise Fee for that size territory is \$110,000, plus you will buy three Mobile Reconditioning Facilities or Box Truck(s) from us for between \$105,000 and \$420,000, as well as three Start-up Kits for \$24,000 to \$36,000 and three Wheel Straighteners for \$15,000 to \$24,000, making your initial payments to us between \$254,000 and \$590,000. Additionally, for large market mobile franchises, you are expected to add a fourth and fifth Mobile Reconditioning Facility or Express MRF Van after 1 year in business.

The Initial Franchise Fee for the mobile franchise is payable in full to AWRS upon the execution of your Franchise Agreement. AWRS will fully earn the Initial Franchise Fee upon execution of the Franchise Agreement. The Initial Franchise Fee for the mobile franchise is non-refundable under any and all circumstances. If you are in full compliance under your Franchise Agreement and enter into a Franchise Agreement for an additional territory, we reduce the Initial Franchise Fee for that territory by 10%, with the fee for that additional franchise varying with the size of the territory obtained for the mobile franchise as described above.

The Initial Franchise Fees are uniform as to all persons currently purchasing an AWRS franchise. Fees were at different levels previously. AWRS reserves the right to offer franchises to existing franchisees converting their current franchise agreement to the franchise with no Initial Franchise Fee.

As part of the Initial Franchise Fee, AWRS will provide a proprietary and confidential combination of training, initial marketing and sales training within the protected territory, and support. Aside from the units and items listed in Item 7, there are no other goods, services or equipment that you must purchase from us or our Affiliate before or at the time you open your business. We reserve the right at our sole discretion to authorize the use of a step van, cube truck or other service vehicle. AWRS will sell you the trailer, or if a service truck is authorized, supply you with a copy of design plans to build the service truck.

If you served in the United States Armed Forces and received an honorable discharge, regardless of whether or not you are a veteran, we will give you a one-time 10% discount off your initial franchise fee for the purchase of your first franchise.

## **ITEM 6**

### **OTHER FEES**

<b>(Column 1) Type of Fee</b>	<b>(Column 2) Amount</b>	<b>(Column 3) Due Date</b>	<b>(Column 4) Remarks</b>
Royalty	6% of gross revenue on all wheel repairs and wheel straightening.	Due on the 15 <sup>th</sup> of the next month; gross revenues must be reported by the 10 <sup>th</sup> of the next month. We reserve the right to require	Gross revenue for this category includes all revenue and all wheel repairs and wheel straightening, less sales taxes.

(Column 1) Type of Fee	(Column 2) Amount	(Column 3) Due Date	(Column 4) Remarks
		payment by electronic funds transfer.	
Advertising & Marketing Fund	\$100 per month (see section 3.4 of the franchise agreement)	Due on the 15th of the next month. We reserve the right to require payment by electronic funds transfer.	To date you are required to pay a \$100 advertising and marketing fund contribution. It is due at the same time as monthly royalty payment.
Transfer Fee	The greater of 10% of the purchase price, or 50% of the then current initial franchise fee.	Upon execution of the new Franchise Agreement by the buyer.	Payable when you sell your franchise, which cannot be sold without our written approval.
Territory Re-launch and technical assistance	\$500 per week plus travel expenses.	Upon the re-launch of a territory purchased by new franchisee from selling franchisee.	Payable upon the completion of the re-launch.
Renewal Fee	\$2,000	Upon execution of the Renewal Agreement.	Renewal contingent upon meeting all requirements.
Late Payment Fee	\$100, and shall bear interest from and after 10 days after their due date at the highest contract rate of interest permitted by law, not to exceed 3% above the prime rate, or (LIBOR) rate announced from time to time by JP Morgan/Chase or any other national bank we select.	As incurred.	Any payment owing 10 days after due date.
Interest	18% per annum of amount past due.	As incurred.	Due on all amounts not paid when due.
Insufficient Funds Fee	\$30	As incurred.	Anytime a check does not clear your account or an electronic funds transfer is denied.
Additional Operating & Training Assistance	\$500 (5 day)-\$1000 (10 day).	5 days prior to commencing additional training/assistance.	\$100 per day fee.

(Column 1) Type of Fee	(Column 2) Amount	(Column 3) Due Date	(Column 4) Remarks
Audit	As determined.	As incurred.	Only if audit reveals underpayment of royalties or advertising fees.
Alternative Supplier Evaluator Fee	\$500 for each item reviewed.	As incurred.	If you seek approval of a product or piece of equipment offered by a supplier, which has not been tested or approved by us, we may charge a reasonable evaluator fee.

The fees shown above are non-refundable, and they are not collected on behalf of, nor paid to, any third party. All fees are uniformly imposed. In the event that there is not a specified payment date, payment must be made no later than 5 days after receipt of the invoice from AWRS.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**  
Standard Level Franchise

(Column 1) Type of Expenditure	(Column 2) Amount	(Column 3) Method of Payment	(Column 4) When Due	(Column 5) To Whom Payment Is To Be Made
Initial Franchise Fee (See Note 1)	\$40,000	Lump Sum	Upon Signing Franchise Agreement	AWRS
Travel and Living Expenses While Training (See Note 2)	\$1,000-\$5,000 estimated	Lump Sum	During Training	Airlines, Hotels, & Restaurants
Truck (See Note 3)	\$0 - \$40,000 each	Lump Sum	At Time of Purchase	Automobile Sales
Mobile Reconditioning Facility (MRF) – Tandem Axle Trailer (See Note 4A) or  Box Truck (See Note 4B) or	\$35,000 to \$80,000 (Trailer)  \$110,000 to \$140,000 (Box Truck)	Lump Sum	At time of purchase	AWRS



(Column 1) Type of Expenditure	(Column 2) Amount	(Column 3) Method of Payment	(Column 4) When Due	(Column 5) To Whom Payment Is To Be Made
Express MRF Van (See Note 4C)	\$90,000 to \$120,000 (Express MRF Van)			
Start-up Kit, Sign and Equipment Package, per MRF (See Notes 1 & 4)	\$8,000 to \$12,000 each	Lump Sum	Upon Signing Franchise Agreement	AWRS
Wheel Straightening Equipment (See Note 4)	\$5,000 to \$8,000 each	Lump Sum	Upon Signing Franchise Agreement	AWRS
Insurance (See Note 5)	\$500-\$4,500	As incurred	At Time of Purchase	General Liability Insurance Company
Professional Fees (See Note 6)	\$2,500-\$5,000		As incurred	Attorneys & Accountants
Construction, Deposits, Rent (See Note 7)	\$0-\$5,000	Lump Sum	As Incurred	If you lease an office, this would be payable to your landlord and to utility companies
Computer Software and Hardware (See Note 8)	\$2,000 to \$4,000	Lump Sum	At time of purchase	Includes the hardware and basic Microsoft Office package
Additional Funds, 3 Months (See Note 9)	\$5,000 -\$15,000	Lump Sum	As Incurred	Employees, Misc. Supplies & Utilities
<b>Total with Trailer</b>	<b>\$99,000 to \$213,500 (excluding rent)</b>			
<b>Total with Box Truck</b>	<b>\$174,000 to 233,500 (excluding rent)</b>			
<b>Total with Express MRF Van (See Note 10)</b>	<b>\$154,000 to \$213,500 (excluding rent)</b>			

- NOTE 1: The Initial Franchise Fee is payable in full to AWRS upon the execution of your Franchise Agreement. The initial MRF must be purchased when you sign your Franchise Agreement. A Start-up Kit will be required to be purchased for all Mobile Reconditioning Facilities at an estimated cost of \$8,000-12,000 each. The Start-up kit will also include our various paints and clear coats. You will be required to purchase all of the items in the Start-up kit from us or our affiliate on an ongoing basis as needed during the term of your Franchise Agreement. A Wheel Straightening System will be required to be purchased for your initial Mobile Reconditioning Facility at an estimated cost of \$5,000-8,000 each. None of these fees or costs are refundable under any circumstances, and will not be financed by us.
- NOTE 2: The costs for training are for travel, lodging, food and incidental expenses, associated with the 2-3 week training program held at our Atlanta offices. The range of costs depends primarily on the travel costs of the people going through the training.
- NOTE 3: The expenditure for the truck is for a pick-up truck capable of carrying and housing the Mobile Reconditioning Facility. We recommend a F250 and the cost shown in the chart is from \$0, as some of our franchisees already own such a truck, to \$40,000, which is the cost of a new model, depending on the options chosen. We do not provide or offer financing to purchase a required vehicle.
- NOTE 4A: The Mobile Reconditioning Facility includes an approximately 14x7x8 ½ or a 14x7x7 ½ tandem axel trailer and/or a truck reconditioning facility. You choose either a Ford 350 or Chevrolet 3500 complete with a 16x7x8 mounted aluminum van body with a turnkey power and equipment package for the cosmetic repair of alloy wheels, including a generator, air compressor, sign kit, down draft paint booth, heating and air conditioning, and storage. If authorization is given by AWRS to purchase and outfit a Mobile Reconditioning Facility from someone other than AWRS, there is a requirement to purchase a Start-up Kit from us at a price of from \$8,000 to \$12,000, and Wheel Straightening equipment at a price from \$5,000 to \$8,000, plus you will have to purchase a sign and equipment package from us at an estimated cost of \$4,500-\$6,000. If you purchase all of your Mobile Reconditioning Facilities from us, the sign and equipment package is always included in the price. You are required to purchase and use a mobile billing and accounting system, currently established with an approved mobile billing solution, that cost is factored into the computer hardware and software costs. None of the payments described above are refundable and we do not provide financing.
- NOTE 4B: The Box Truck comes with the same Mobile Reconditioning Facility as above in Note 4A, but comes attached to an E350 or Transit 350. This option will exclude the cost of a standalone truck as Note 3 states above.
- NOTE 4C: Unlike the standard MRFs, this is a one-room unit with all the same capabilities built in a sprinter van or comparable unit. Only approved for smaller markets and add-on units.

- NOTE 5: The cost for insurance represents a one year premium for general liability coverage, which will vary in cost from state to state.
- NOTE 6: Professional fees consists primarily of legal and accounting costs involved in purchasing the franchise, establishing a legal entity, and setting up your tax and accounting systems. You are responsible for these fees.
- NOTE 7: The costs for real estate and construction will vary, as some franchisees operate the business out of their home and keep their truck and equipment at their house, in which case they have no expenses in this area. Some franchisees choose to rent an office, and others do not rent an office but rent a storage area for their truck and equipment. Any rental arrangements may include advance rental payments and security deposits, which are covered in the range of costs shown.
- NOTE 8: The computer expense is for your office computer and software, and reflects the costs to purchase the computer and related equipment and to purchase the off-the-shelf software that you will use in operating your franchised business.
- NOTE 9: You will need additional capital to support ongoing expenses such as payroll, utilities, royalty fees, and advertising fees, if these costs are not covered by sales revenue for your first 3 months of operation. New businesses often generate negative cash flow. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be 3 months. This is only an estimate and there is no guaranty that additional working capital will not be necessary during this start-up phase or after.
- NOTE 10: We relied on the experience of our nationwide franchisees since 2003 when preparing these figures. Your actual costs may vary greatly and will depend on factors such as the size and condition of your space if you have a fixed location; local economic conditions; the local market for automotive wheel repair; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These estimates do not include any estimates for debt service. These are only estimates and your costs may vary based on the actual individual costs in your area. The costs outlined in this Item 7 are not intended to be a forecast of the actual cost to you or any particular franchisee.

### **YOUR ESTIMATED INITIAL INVESTMENT**

#### Medium Market Franchise

<b>(Column 1) Type of Expenditure</b>	<b>(Column 2) Amount</b>	<b>(Column 3) Method of Payment</b>	<b>(Column 4) When Due</b>	<b>(Column 5) To Whom Payment Is To Be Made</b>
Initial Franchise Fee (See Note 1)	\$75,000	Lump Sum	Upon Signing Franchise Agreement	AWRS

<b>(Column 1) Type of Expenditure</b>	<b>(Column 2) Amount</b>	<b>(Column 3) Method of Payment</b>	<b>(Column 4) When Due</b>	<b>(Column 5) To Whom Payment Is To Be Made</b>
Travel and Living Expenses While Training (See Note 2)	\$2,000-\$5,000 estimated	As Incurred	During Training	Airlines, Hotels, & Restaurants
Truck(s) (See Note 3)	\$0 - \$80,000 for two	As Incurred	At Time of Purchase	Automobile sales
Mobile Reconditioning Facility (MRF) – Tandem Axle Trailer (See Note 4A) or  Box Truck (See Note 4B) or  Express MRF Van (See Note 4C)	\$70,000 to \$160,000 for two (Trailer)  \$220,000 to \$280,000 for two (Box Truck)  \$180,000 to \$240,000 for two (Express MRF Van)	Lump Sum	At time of Purchase	AWRS
Start-up Kit, Sign and Equipment Package, per MRF (See Notes 1 & 4)	\$16,000 to \$24,000 for two	Lump sum	Upon Signing Franchise Agreement	AWRS
Wheel Straightening System, per MRF (See Note 4)	\$10,000 to \$16,000 for two	Lump sum	Upon Signing Franchise Agreement	AWRS
Insurance (See Note 5)	\$500-\$4,500	As Incurred	At Time of Purchase	General Liability Insurance Company
Professional Fees (See Note 6)	\$2,500-\$5,000	As Incurred	As Incurred	Attorneys & Accountants
Construction, Deposits, Rent (See Note 7)	\$0-\$5,000	Lump Sum	As Incurred	If you lease an office, this would be payable to your landlord and to utility companies
Computer Software and Hardware (See Note 8)	\$2,000 to \$4,000	As Incurred	At time of purchase	Includes the hardware and basic Microsoft Office package
Additional Funds, 3 Months. (See Note 9)	\$5,000 - \$15,000	As Incurred	As Incurred	Employees, Supplies & Utilities

(Column 1) Type of Expenditure	(Column 2) Amount	(Column 3) Method of Payment	(Column 4) When Due	(Column 5) To Whom Payment Is To Be Made
<b>Total with Trailers</b>	<b>\$183,000 to \$388,500 (excluding rent)</b>			
<b>Total with Box Trucks</b>	<b>\$333,000 to 428,500 (excluding rent)</b>			
<b>Total with Express MRF Vans (See Note 10)</b>	<b>\$293,000 to \$388,500 (excluding rent)</b>			

NOTE 1: The Initial Franchise Fee is payable in full to AWRS upon the execution of your Franchise Agreement. The two initial MRFs must be purchased when you sign your Franchise Agreement. Two Start-up Kits will be required to be purchased for all Mobile Reconditioning Facilities at an estimated cost of \$8,000-12,000 each. The Start-up kits will also include our various paints and clear coats. You will be required to purchase all of the items in the Start-up kit from us or our affiliate on an ongoing basis as needed during the term of your Franchise Agreement. Two Wheel Straightening Systems will be required to be purchased for your initial Mobile Reconditioning Facilities at an estimated cost of \$5,000-8,000 each. None of these fees or costs are refundable under any circumstances, and will not be financed by us.

NOTE 2: The costs for training are for travel, lodging, food and incidental expenses, associated with the 2-3 week training program held at our Atlanta offices. The range of costs depends primarily on the travel costs of the people going through the training.

NOTE 3: The expenditure for the truck is for two pick-up trucks capable of carrying and housing the Mobile Reconditioning Facilities. We recommend F250s and the cost shown in the chart is from \$0, as some of our franchisees already own such a truck, to \$40,000 each, which is the cost of a new model, depending on the options chosen. We do not provide or offer financing to purchase a required vehicle.

NOTE 4A: The Mobile Reconditioning Facility includes an approximately 14x7x8 ½ or a 14x7x7 ½ tandem axel trailer and/or a truck reconditioning facility. You choose either a Ford 350 or Chevrolet 3500 complete with a 16x7x8 mounted aluminum van body with a turnkey power and equipment package for the cosmetic repair of alloy wheels, including a generator, air compressor, sign kit, down draft paint booth, heating and air conditioning, and storage. If authorization is given by AWRS to purchase and outfit a Mobile Reconditioning Facility from someone other than AWRS, there is a requirement to purchase a Start-up Kit from us at a price of from \$8,000 to \$12,000, and Wheel Straightening equipment at a price from \$5,000 to \$8,000, plus you will

have to purchase a sign and equipment package from us at an estimated cost of \$4,500-\$6,000. If you purchase all of your Mobile Reconditioning Facilities from us, the sign and equipment package is always included in the price. You are required to purchase and use a mobile billing and accounting system, currently established with an approved mobile billing solution, that cost is factored into the computer hardware and software costs. None of the payments described above are refundable and we do not provide financing.

NOTE 4B: The Box Truck comes with the same Mobile Reconditioning Facility as above in Note 4A, but comes attached to an E350 or Transit 350. This option will exclude the cost of a standalone truck as Note 3 states above.

NOTE 4C: Unlike the standard MRFs, this is a one-room unit with all the same capabilities built in a sprinter van or comparable unit. Only approved for smaller markets and add-on units.

NOTE 5: The cost for insurance represents a one year premium for both general liability and Garage Keepers coverage, which will vary in cost from state to state. You are responsible for these fees.

NOTE 6: Professional fees consists primarily of legal and accounting costs involved in purchasing the franchise, establishing a legal entity, and setting up your tax and accounting systems.

NOTE 7: The costs for real estate and construction will vary, as some franchisees operate the business out of their home and keep their truck and equipment at their house, in which case they have no expenses in this area. Some franchisees choose to rent an office, and others do not rent an office but rent a storage area for their truck and equipment. Any rental arrangements may include advance rental payments and security deposits, which are covered in the range of costs shown.

NOTE 8: The computer expense is for your office computer and software, and reflects the costs to purchase the computer and related equipment and to purchase the off-the-shelf software that you will use in operating your franchised business.

NOTE 9: You will need additional capital to support ongoing expenses such as payroll, utilities, royalty fees, and advertising fees, if these costs are not covered by sales revenue for your first 3 months of operation. New businesses often generate negative cash flow. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be 3 months. This is only an estimate and there is no guaranty that additional working capital will not be necessary during this start-up phase or after.

NOTE 10: We relied on the experience of our nationwide franchisees since 2003 when preparing these figures. Your actual costs may vary greatly and will depend on factors such as the size and condition of your space if you have a fixed location; local economic

conditions; the local market for automotive wheel repair; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These estimates do not include any estimates for debt service. These are only estimates and your costs may vary based on the actual individual costs in your area. The costs outlined in this Item 7 are not intended to be a forecast of the actual cost to you or any particular franchisee.

### **YOUR ESTIMATED INITIAL INVESTMENT**

#### Large Market Franchise

<b>(Column 1) Type of Expenditure</b>	<b>(Column 2) Amount</b>	<b>(Column 3) Method of Payment</b>	<b>(Column 4) When Due</b>	<b>(Column 5) To Whom Payment Is To Be Made</b>
Initial Franchise Fee (See Note 1)	\$110,000	Lump Sum	Upon Signing Franchise Agreement	AWRS
Travel and Living Expenses While Training (See Note 2)	\$2,000-\$5,000 estimated	As Incurred	During Training	Airlines, Hotels, & Restaurants
Truck(s) (See Note 3)	\$0 - \$120,000 for three	As Incurred	At Time of Purchase	Automobile sales
Mobile Reconditioning Facility (MRF) – Tandem Axle Trailer (See Note 4A) or  Box Truck (See Note 4B) or  Express MRF Van (See Note 4C)	\$105,000 to \$240,000 for three (Trailer)  \$330,000 to \$420,000 for three (Box Truck)  \$270,000 to \$360,000 for three (Express MRF Van)	Lump Sum	At time of Purchase	AWRS
Start-up Kit, Sign and Equipment Package, per MRF (See Notes 1 & 4)	\$24,000 to \$36,000 for three	Lump sum	Upon Signing Franchise Agreement	AWRS
Wheel Straightening System, per MRF (See Note 4)	\$15,000 to \$24,000 for three	Lump sum	Upon Signing Franchise Agreement	AWRS
Insurance (See Note 5)	\$500-\$4,500	As Incurred	At Time of Purchase	General Liability Insurance Company
Professional Fees (See Note 6)	\$2,500-\$5,000	As Incurred	As Incurred	Attorneys & Accountants

(Column 1) Type of Expenditure	(Column 2) Amount	(Column 3) Method of Payment	(Column 4) When Due	(Column 5) To Whom Payment Is To Be Made
Construction, Deposits, Rent (See Note 7)	\$0-\$5,000	Lump Sum	As Incurred	If you lease an office, this would be payable to your landlord and to utility companies
Computer Software and Hardware (See Note 8)	\$2,000 to \$4,000	As Incurred	At time of purchase	Includes the hardware and basic Microsoft Office package
Additional Funds, 3 Months. (See Note 9)	\$10,000 -\$30,000	As Incurred	As Incurred	Employees, Supplies & Utilities
<b>Total with Trailers</b>	<b>\$271,000 to \$578,500 (excluding rent)</b>			
<b>Total with Box Trucks</b>	<b>\$496,000 to 638,500 (excluding rent)</b>			
<b>Total with Express MRF Vans (See Note 10)</b>	<b>\$436,000 to \$578,500 (excluding rent)</b>			

NOTE 1: The Initial Franchise Fee is payable in full to AWRS upon the execution of your Franchise Agreement. The three initial MRFs must be purchased when you sign your Franchise Agreement. Three Start-up Kits will be required to be purchased for all Mobile Reconditioning Facilities at an estimated cost of \$8,000-12,000 each. The Start-up kits will also include our various paints and clear coats. You will be required to purchase all of the items in the Start-up kit from us or our affiliate on an ongoing basis as needed during the term of your Franchise Agreement. Three Wheel Straightening Systems will be required to be purchased for your initial Mobile Reconditioning Facilities at an estimated cost of \$5,000-8,000 each. None of these fees or costs are refundable under any circumstances, and will not be financed by us.

NOTE 2: The costs for training are for travel, lodging, food and incidental expenses, associated with the 2-3 week training program held at our Atlanta offices. The range of costs depends primarily on the travel costs of the people going through the training.

NOTE 3: The expenditure for the truck is for two pick-up trucks capable of carrying and housing the Mobile Reconditioning Facilities. We recommend F250s and the cost shown in the chart is from \$0, as some of our franchisees already own such a truck, to \$40,000 each,



which is the cost of a new model, depending on the options chosen. We do not provide or offer financing to purchase a required vehicle.

NOTE 4A: The Mobile Reconditioning Facility includes an approximately 14x7x8 ½ or a 14x7x7 ½ tandem axel trailer and/or a truck reconditioning facility. You choose either a Ford 350 or Chevrolet 3500 complete with a 16x7x8 mounted aluminum van body with a turnkey power and equipment package for the cosmetic repair of alloy wheels, including a generator, air compressor, sign kit, down draft paint booth, heating and air conditioning, and storage. If authorization is given by AWRS to purchase and outfit a Mobile Reconditioning Facility from someone other than AWRS, there is a requirement to purchase a Start-up Kit from us at a price of from \$8,000 to \$12,000, and Wheel Straightening equipment at a price from \$5,000 to \$8,000, plus you will have to purchase a sign and equipment package from us at an estimated cost of \$4,500-\$6,000. If you purchase all of your Mobile Reconditioning Facilities from us, the sign and equipment package is always included in the price. You are required to purchase and use a mobile billing and accounting system, currently established with an approved mobile billing solution, that cost is factored into the computer hardware and software costs. None of the payments described above are refundable and we do not provide financing.

NOTE 4B: The Box Truck comes with the same Mobile Reconditioning Facility as above in Note 4A, but comes attached to an E350 or Transit 350. This option will exclude the cost of a standalone truck as Note 3 states above.

NOTE 4C: Unlike the standard MRFs, this is a one-room unit with all the same capabilities built in a sprinter van or comparable unit. Only approved for smaller markets and add-on units.

NOTE 5: The cost for insurance represents a one year premium for both general liability and Garage Keepers coverage, which will vary in cost from state to state. You are responsible for these fees.

NOTE 6: Professional fees consists primarily of legal and accounting costs involved in purchasing the franchise, establishing a legal entity, and setting up your tax and accounting systems.

NOTE 7: The costs for real estate and construction will vary, as some franchisees operate the business out of their home and keep their truck and equipment at their house, in which case they have no expenses in this area. Some franchisees choose to rent an office, and others do not rent an office but rent a storage area for their truck and equipment. Any rental arrangements may include advance rental payments and security deposits, which are covered in the range of costs shown.

NOTE 8: The computer expense is for your office computer and software, and reflects the costs to purchase the computer and related equipment and to purchase the off-the-shelf software that you will use in operating your franchised business.

NOTE 9: You will need additional capital to support ongoing expenses such as payroll, utilities, royalty fees, and advertising fees, if these costs are not covered by sales revenue for your first 3 months of operation. New businesses often generate negative cash flow. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be 3 months. This is only an estimate and there is no guaranty that additional working capital will not be necessary during this start-up phase or after.

NOTE 10: We relied on the experience of our nationwide franchisees since 2003 when preparing these figures. Your actual costs may vary greatly and will depend on factors such as the size and condition of your space if you have a fixed location; local economic conditions; the local market for automotive wheel repair; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These estimates do not include any estimates for debt service. These are only estimates and your costs may vary based on the actual individual costs in your area. The costs outlined in this Item 7 are not intended to be a forecast of the actual cost to you or any particular franchisee.

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### **Purchases from AWRS or its Designees**

To help retain the uniformity and high standards necessary to enhance and maintain the goodwill of the System, AWRS requires that you purchase certain proprietary items and other non-proprietary but essential items, such as tools, abrasives, paints, clear coats, powder coatings, primers, and sandpaper, or any items bearing the Marks or which we consider proprietary, only from us or designated vendors or suppliers. Additionally, for a mobile operation you must purchase one wheel straightening system and one mobile reconditioning facility (“MRF”), which includes an air compressor and generator, from AWRS prior to commencing operation of your unit. You also must purchase from us the AWRS built MRF for your first fleet business. You also must purchase We may at our discretion authorize existing franchisees to purchase and outfit their own mobile reconditioning facility, step van or cube truck. This vehicle must adhere to the same design and equipment standards as is specified by AWRS. Even if the franchisee is authorized to purchase and outfit their own vehicle, they are required to purchase certain components directly from AWRS. These components include, but are not limited to, the wheel straightening system, compressor, generator, and paint booth and sign package. Other than what has been stated in this section, there are no other items that are provided by or through us for which you must purchase from us or our affiliate. We may, however, in the future, negotiate very different purchase arrangements, and we may negotiate with certain vendors to obtain more favorable pricing on various items to be used by you in the operation of your Franchise, or take advantage of certain cost synergies or economies of scale for the franchise system for which we may receive income, rebates, or promotional allowances.

Similarly, with regard to the outfitting and appearance of a remanufacturing facility, AWRS will provide the remanufacturing minimum operation requirements including the equipment and tools that AWRS contends are needed to begin the business.

## **Approved Supplies and Suppliers**

You are required to purchase supplies, inventory, advertising materials, or other products or services used for the operation of your franchise only from authorized manufacturers and other suppliers who demonstrate, to our continuing satisfaction, the ability to meet our standards and specifications for the items, possess adequate quality controls and capacity to supply your needs promptly and reliably, and have been approved in writing by us. We may approve a single supplier for any item, and may approve a supplier only as to certain items. AWRS or its affiliate may be the only approved supplier listed. In approving suppliers, we take into consideration the price and quality of the products or services, and the reliability of the supplier in getting the products or services to you in a timely manner. We may concentrate purchases with one or more suppliers to obtain the lowest price for franchisees, or any other benefit we deem, in our sole discretion, may benefit the Marks. If we later disapprove a supplier, we will notify you in writing of our disapproval. You must cease purchasing from that supplier within a reasonable time after your receipt of our notice of disapproval. A reasonable time would be thirty days, unless safety is involved, in which case the change must take place immediately. We provide you with a written list of approved suppliers and approved supplies, but we do not typically provide you with the detailed specifications that we use in evaluating particular items and suppliers. We do not provide you with any material benefits based on your purchase of particular products or services, or your use of designated or approved sources. There is no officer of the franchisor or its affiliates that owns an interest in any approved supplier.

We do not negotiate purchase agreements with suppliers, including price terms, for the benefit of franchisees, but we reserve the right to do so in the future.

You are required to maintain in force: (a) comprehensive, commercial, general, product, liability insurance in an amount not less than \$1,000,000 for each occurrence, \$2,000,000 General Aggregate, \$2,000,000 Products/Completed Operations Aggregate and \$1,000,000 Personal and Advertising Injury limits; (b) general casualty insurance, including fire and extended coverage, vandalism and malicious mischief insurance, for the replacement value of your Business and its contents; (c) Workers' Compensation and Employers' Liability Insurance as required by law, providing coverage of not less than \$500,000 for bodily injury; (d) Business Automobile Liability Insurance (including Owned, Hired Non-Owned or rental automobiles), written in the amount of not less than \$1,000,000 Combined Single Limit; (e) We recommend, but you are not required to maintain Garage Keeper's Insurance in a minimum amount of \$100,000 protecting the Franchisees, the Company and their respective employees against claims that may arise; and (f) such other insurance policies, such as business interruption insurance, as we may reasonably determine from time to time. All insurance policies shall be issued by carriers with at least a A-rating with A.M. Best (or similar rating by a comparable rating service acceptable to us), shall contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we reasonably determine from time to time, shall name us and our Affiliates as additional insureds, shall provide for 30 days' prior written notice to us of any material modification, cancellation or expiration of such policy and shall include such other provisions as we may require.

For all such insurance policies required, we shall be named as an additional insured on such policy(s).

### **Approval of Alternative Suppliers**

We may approve other suppliers of inventory, advertising material, or other products who meet the specifications set forth in our operations manual. If you would like to purchase these items from another supplier, you must request our approval in writing. Based upon the information and samples you supply us, we will evaluate the items supplied and review the quality of the items, the business reputation of the supplier, and the suppliers' ability to distribute these items to you and other Franchises in our chain on a consistent basis. Our review typically is completed in 30 days. We may charge you \$500 for our administrative costs in reviewing these alternative suppliers. We will notify you in writing of our approval or rejection of your request. If we approve the specific supplier but then later determine that the supplier does not meet our criteria as to quality, reputation, or consistency of delivery, then it can be revoked upon written notice to you.

We reserve the right to change the content of the Operations Manual both in relation to the mobile franchise operations and for the remanufacturing franchise operations. You agree to comply with each new or changed provision in the Operations Manual beginning on the 60<sup>th</sup> day (or any later date that we specify) after you have received written notice from us. Revisions to the Operations Manual are based on what we, in our sole discretion, deem to be in the best interest of the System, including the enhancement of quality and goodwill, increased efficiency, decreasing administrative burdens, or improvement to AWRS's and its franchisee's profitability. You agree that because complete and detailed uniformity under many varying conditions may not be possible or practical, we reserve the right, in our sole discretion and as we deem to be in the best interests of all concerned in any specific instance, to vary standards for any franchisee based upon the peculiarities of the particular Territory, density of population, business potential, existing business practice, or any condition we deem to be of importance to the successful operation of your Franchised Business. You are not entitled to require that we grant to you a similar variation under your Franchise Agreement.

In the fiscal year that ended on December 31, 2023, we derived \$308,697 in revenue from the sale of start-up kits, wheel straightening system, signage and equipment packages and miscellaneous supplies to our franchises, which constituted 11.99% of our total revenue of \$2,574,810. We charge a 25% mark-up to our franchises for the required purchases of the items set forth in Item 8 of this Disclosure Document. The prices charged by us for these products are competitive to the prices which a franchisee would pay for similar products purchased from a third party supplier. Other than set forth above in this paragraph, neither we nor our affiliate earn any revenues for your purchase of items from approved supplies. Neither we nor our affiliate(s) sell any of the products or equipment to others that are not part of our franchise system. We anticipate that your purchases from us of products required for the operation of your business will constitute approximately 88% of your required purchases and leases in establishing your business and 50% percent of your purchases and leases in operating your business. There is no purchasing or distribution cooperative.

## **ITEM 9**

### **FRANCHISEE'S OBLIGATIONS**

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>DISCLOSURE DOCUMENT ITEM</b>
a. Site selection and acquisition/ lease	Section 2.2	Item 7
b. Pre-opening purchases/leases	Section 4.2	Item 7
c. Site development and other pre-opening requirements	Section 4.1	Items 7 and 8
d. Initial and ongoing training	Section 5.1, 5.2	Item 11
e. Opening	Section 4.2	Item 11
f. Fees	Sections 3.1,3.2,3.3,3.4	Items 5 and 6
g. Compliance with standards and policies / Operating Manual	Section 7.5	Item 11
h. Trademarks and proprietary information	Article 10.1,10.2,10.3,10.4	Item 13
i. Restrictions on products/services offered	Section 7.1	Item 8
j. Warranty and customer service requirements	Section 7.11	Not applicable
k. Territorial development and sales quotas	Section 2.3	Item 15
l. Ongoing products/services purchases	Section 7.2	Item 16
m. Maintenance, appearance and remodeling requirements	Section 7.3,7.4	Item 9
n. Insurance	Section 7.9	Item 7
o. Advertising	Section 8.1,8.2,8.3,8.4,8.5	Item 11
p. Indemnification	Section 10.4,10.5,16.2	None
q. Owner's participation/ management staffing	Section 6.1	Items 11 and 15
r. Records/reports	Section 9.1, 9.3	Item 6
s. Inspections/Audits	Section 9.6	Items 6 and 11
t. Transfer	Section 12.1,12.2,12.3,12.4,12.5	Item 17
u. Renewal	Section 14	Item 17
v. Post-termination obligations	Section 15.1,15.2,15.3,15.4	Item 17
w. Non-competition covenants	Section 11.2,11.4	Item 17

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
x. Dispute resolution	Section 17.2,17.3,17.4	Item 17

## **ITEM 10** **FINANCING**

We do not offer direct or indirect financing. We do not guarantee your notes, leases, or other obligations.

## **ITEM 11** **FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

Except as listed below, we are not required to provide you with any assistance.

### **Pre-Opening Obligations**

Prior to opening your business, AWRS will provide the following assistance:

1. Designate your protected territory within 90 days after the Franchise Agreement date (Sections 2.2 & 2.3 of the Franchise Agreement).
2. Provide you with a proprietary information through our Operations Manual relative to products and services and information regarding your opening inventory and necessary products and equipment in the operation of your business (Section 5.4 of the Franchise Agreement).
3. Through the payment of your initial franchise fee, we will provide you with a Wheel Straightener, Mobile Reconditioning Facility (MRF), and certain signage and equipment, which will be part of the Start-Up Kit. We do not finance any fees to be paid to us and we are not aware of any financing options made available by third parties (Section 4.3 and 7.2 of the Franchise Agreement).
4. When you arrive for training, we will loan you a copy of our Operations Manual, which contains mandatory and suggested procedures and standards, as well as general information on the System. The manual is confidential and remains our property. We retain the right to modify or update this manual as it deems fit to maintain the integrity of the System or to keep up with competition. You will be responsible for compliance with all changes in policies or procedures (Article 5 of the Franchise Agreement).
5. Before you open your franchise, we will train you as described below under the “Training” heading (Section 5.1 of the Franchise Agreement).

6. With regard to the licensing of a Remanufacturing Facility, we will review the development parameters for your facility and will provide you with our Operations Manual that sets forth parameters for a Remanufacturing Facility (Section 4.1 of the Franchise Agreement).

### **Time to Open Your Business**

Franchisees typically begin operation 30 to 60 days after they sign a Franchise Agreement. The factors that affect this time are availability of training and whether the franchisee has purchased required supplies, and a trailer prior to commencing training. The lead time for the Mobile Reconditioning Facility is approximately 30-60 days. If you do not open your franchise within the time period set forth in the Franchise Agreement, we can terminate your Franchise Agreement upon notice to you (Sections 4.2 & 13.1(k) of the Franchise Agreement).

#### **Site Location – Mobile Franchise**

You can operate your franchised business out of your home, subject to local zoning and other ordinances. Should you decide to lease an office outside of your home, the office must be in your protected territory but the site need not be approved by us. You are required to open your franchised business no later than 60 days after signing your franchise agreement and we anticipate that franchisees will typically open within 30 to 60 days after signing (Section 4.2 of the Franchise Agreement).

#### **Site Location - Fixed**

You can locate the Remanufacturing Facility (fixed site location) within the territory in a place where the general public can access the location. You must provide us with a proposed location in your Territory within 90 days after the Franchise Agreement Date. We will review the location and we have the right to approve it. The site and facility must comply with the standards as set forth in the Operations Manual for Fixed Site facilities and any site selection guidelines and requirements we may provide you and is subject to our approval. You will negotiate your lease. You agree not to execute any lease or purchase agreement for, nor commit to any other binding obligation to purchase, occupy or improve, any proposed location until we have approved the location in accordance with our standard procedures. We do not generally own the premises of any of our franchisee's fixed locations, and we do not lease any of the locations to our franchisees. We approve a site for a fixed location based on the demographics in the area, zoning requirement, and the proximity to automotive dealerships, used car lots, other automotive repair facilities, and other AWRS franchisees located in the specific market. You are responsible for all construction, remodeling, or decorating of the location. If you have not selected a location that we have approved within 90 days from the date of the Franchise Agreement, then either party may terminate the Franchise Agreement, effective upon notice. If either you or we terminate this Agreement, you are not entitled to a refund of any of your initial franchise fee. You are required to open your franchised business no later than 180 days after signing your franchise agreement and we anticipate that franchisees will typically open within 90 to 180 days after signing (Sections 2.2, 2.3, 4.1 & 4.2 of the Franchise Agreement).

## **Ongoing Obligations**

During the operation of the franchised business, we will:

1. Provide you with evolving technology as we deem required (Section 5.2 of the Franchise Agreement).
2. Provide advertising through internet sites, including our website which will provide information on us, the services offered, and how to contact Franchisees (Article 8 of the Franchise Agreement).
3. We may send representatives to your territory by visiting franchised car dealerships in your Territory to make initial sales calls and/or distribute marketing materials in the first week of you commencing operating your franchised business (Section 5.3 of the Franchise Agreement).
4. We will attempt to establish national or regional accounts in your Territory. If such accounts are established you will have the right to service them (Section 7.13 of the Franchise Agreement).
5. Provide sales training to you in your Territory, including the proper use of the Method in the provision of the Services and the operation of the Business in the Territory; the effective sales and marketing of the Services; and recommendations for the effective organization and operation of the Business including recordkeeping, and other helpful hints to enhance your Business (Section 5.1 of the Franchise Agreement).

## **Computer Requirements**

We require that you utilize an iPad or similar electronic device for the operation mobile billing software required. We may also, but do not currently have any proprietary software for the operation of your franchised business, but may in the future. You will need a computer, with a modem, and will need off the shelf software for billing, bookkeeping and correspondence (Microsoft Office-Word, Excel and Power Point). We ask that you also purchase a computer with at least 8GB RAM and 500GB hard drive. We estimate your cost to purchase the hardware and software to be between \$2,000 and \$8,000. Any upgrades to the system would be optional and we estimate that upgrades would be less than \$500 per year. We do require that you have internet access to send and receive e-mails and we will supply you with an “awrswheelrepair” or other AWRS e-mail address for correspondence. You must use the AWRS email address for your business. The mobile billing software required will provide sales information from your mobile billing system. We do not have independent access to the information generated and stored in the software. You will be required to maintain the computer equipment that you use. You will need to maintain these items at your own expense which we estimate to cost between \$500 and \$1,000 per year (Sections 7.3 & 9.2 of the Franchise Agreement).

Subject to the rules, regulations, and agreements, regarding privacy, we have the right to use or disclose information from all reports, statements and electronic data transmissions from you in



such manner as we deem reasonably appropriate, and we may share this information with other franchisees in the AWRS system, provided we will not identify you by name unless required to do so by law or in connection with any legal proceeding (Section 9.4 of the Franchise Agreement).

### **Advertising**

You may develop advertising materials for your own use, at your own cost; however, we must approve the advertising materials in advance and in writing (Section 8.5 of the Franchise Agreement).

We must approve all promotional materials that you will be using for Advertising. All materials containing the Marks must comply with the specifications stated in the Manual and in accordance with Article 8 of the Franchise Agreement. If you do not receive the written disapproval of any materials submitted within 10 days from the date we received the materials, the materials are considered to be approved. We may require that you withdraw and/or discontinue the use of any promotional materials or advertising, even if previously approved, if in our judgment the materials or advertising may injure or be harmful to the System. We must make this requirement in writing, and you have 5 days after receipt of such notice to withdraw and discontinue the use of such materials or advertising, unless otherwise agreed in writing (Section 8.5 of the Franchise Agreement).

We will maintain an Internet website that describes the products and services offered by you, and provide information on how to contact our franchisees in the web visitor's geographic area. You acknowledge that neither we nor our designees undertake any obligation to ensure that any authorized franchisee benefits directly or indirectly from promotional activity or to ensure that any advertising or promotion impacts or penetrates any franchisee's Territory (Section 8.4 of the Franchise Agreement).

We may allocate your advertising contribution in any form that we believe will be in the best interest of the System, using our business judgment. Among other types of advertising we may use national, regional, or local, television, radio, internet, automotive trade-shows to promote the brand, our website, print, social media, consumer relationship marketing ("CRM"), which will include but not be limited to, local and national marketing using print, e club and other loyalty programs, and telephone and other communication vehicles that communicate with a customer on a one-to-basis, and any other form of media existing now or in the future that we believe is a viable form of advertising. We may change the decisions at any time that we believe it to be appropriate. We also may use your advertising contribution for the preparation and creation of new advertisements ("Creative"), whether made for television, radio, print, or other forms of the advertising medium. The advertising we use will be placed by outside advertising agencies, which may be national, regional, or local in scope. We do not have an in-house advertising agency, but we reserve the right to have one in the future.

We have a National Brand Awareness Fund ("NBAF") in which all franchisees must contribute \$100 per month. We are not required to make any contributions to the fund. We administer the NBAF. In any fiscal year, we may spend amounts that are more or less than the aggregate contributions of all Franchisees to the NBAF in that year, and we may fund any deficits with

contributions from future years. If we spend less than the aggregate contributions from all franchisees, then we will roll the excess monies into the advertising budget for the succeeding year (Section 8.2 of the Franchise Agreement).

Upon reasonable written request, we will provide you with an annual reconciliation and/or accounting of expenditures of the fund. The costs of such reconciliation and/or accounting will be borne by the NBAF to be paid out of the NBAF, up to 2% annually of all contributions paid to the fund by franchisees. This fee is to cover our administrative expenses to administer the fund. Financial statements of the fund will be made available upon written request from you. In 2023, we spent approximately 25% of the fund on our website and 75% of the fund on social media marketing.

We also reserve the right to require you to spend up to 2% of monthly gross revenues on local advertising, all of which must be approved in advance by us, as described above. In connection with local advertising, we can also require you to join a local advertising cooperative, if one is established in your area, and any sums contributed to such a cooperative will count against your 2% local advertising requirement. There will not be a separate advertising council. We will provide an annual accounting of expenditures of the fund (Section 8.2 of the Franchise Agreement).

While not mandatory, we recommend that you conduct grand opening or start up marketing of your business to let people know that you are opened for business. We recommend that you spend between \$5,000 and \$10,000 for grand opening advertising and that this advertising be conducted within the first 90 days of the operations of your business (Franchise Agreement 8.2).

At the present time, franchisees are not required to participate in any advertising cooperative but we may require you to at a later time (Section 8.3 of the Franchise Agreement).

We do not have any advertising council.

### **Operations Manual**

We will loan you a copy of our Operations Manuals that contains mandatory and suggested specifications, standards, and procedures relating to the development and operation of an Alloy Wheel Repair Specialists business. This manual is confidential and remains our property. You agree not to copy any part of it and to keep it current. We may modify this manual from time-to-time, and you are required to comply with those changes/modifications but such modification(s) will not alter your status and rights under the Franchise Agreement. The Operations Manual has 13 chapters and a total of 185 pages; the table of contents is attached as Exhibit J to this disclosure document (Section 5.4 of the Franchise).

### **Training**

You and at least 1 other person involved in the operations of your Business must attend and successfully complete to our satisfaction our initial training program and familiarization course on the operation of an Alloy Wheel Repair Specialists franchise before commencing operation of your franchise. There is no additional cost for the initial training, except for the AWRS Training

program required for technicians (see below) and you must pay for all incidental costs of training, including any travel, food, lodging, and living expenses incurred during the training period. If you purchase a major market franchise, you must send two people to this training program, and if you purchase a regional market franchise, you must send 2, or, at our discretion, 3 people, to this training. Our training programs for new franchisees take place whenever we have a new franchisee join the system (Section 5.1 of the Franchise Agreement).

In addition to the initial training program, all technicians must be certified through the AWRS Training program which encompasses a minimum of 5 days of training and a maximum of 10 days at our corporate headquarters or be trained by a technician that is certified through the AWRS Training. You will be charged \$100 per day per technician trained. Additional technicians may avoid having to take entry level training if they pass the entry level on-line test that may be found at [awrstechcenter.com](http://awrstechcenter.com) (Section 5.1 of the Franchise Agreement).

We offer voluntary additional and refresher training courses on at least a quarterly basis at our corporate headquarters at a cost of \$100 per day per person trained. You and your employees that attend such training, must pay for all incidental costs including any travel, food, lodging, and living expenses incurred during the training period (Section 5.1 of the Franchise Agreement).

In addition to the initial training course, you must successfully complete all reasonably required Franchisee continuing education offered by the Company or its designee from time-to-time in accordance with our operations and training manuals in order to maintain our then required certification status. There will not be any tuition expense associated with such supplemental or additional training if it is conducted at one of our corporate locations, or where we may move it from time to time. However, you and your employees that attend such supplemental training, must pay for all incidental costs including any travel, food, lodging, and living expenses incurred during the training period. If we determine that there are significant deficiencies in the operations of your Business, we may require you (or your Operating Partner as the case may be) and your managers and key employees to periodically attend and successfully complete refresher training programs and seminars for which we may charge reasonable training fees (Section 5.1 of the Franchise Agreement).

If you request supplemental or technician training separate and apart from what we generally offer in a group setting, we may agree to offer to you such supplemental or technician training, for which we have the right to charge you a supplemental training fee that can range from \$500 for a 5 day course to \$1,000 for a 10 day course (Section 5.1 of the Franchise Agreement).

All training occurs at our corporate headquarters located in Norcross, Georgia, our head trainer and staff will conduct the entire training program. Training is led by a master technician who has been one of our corporate trainers since January 2012, having previously worked as a wheel repair technician for our Atlanta franchisee since July 2009. The materials used for the training program consist of the manuals shown below in the training schedule. In order to satisfactory complete training, you must receive passing grades on the tests that we give to you during your initial training (Section 5.1 of the Franchise Agreement).

Our training program is as follows:

## MOBILE TRAINING PROGRAM

SUBJECT	HOURS OF TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
<b>Day 1 – Monday.</b> a) Safety; b) Tire and Wheel Handling; c) Wheel Cleaning Procedures; d) Lip Repair – Flat and Raised Lips; e) Filling; d) PPS system; f) Paint operation and Cleaning.	8	0	Corporate Office in Norcross, Georgia
<b>Day 2 – Tuesday.</b> a) Priming; b) Painting; c) Dark and Bright Hyper.	8	0	Corporate Office in Norcross, Georgia
<b>Day 3 – Wednesday.</b> a) Spot Repairs; b) Intro to Color Tinting; c) Color Matching.	8	0	Corporate Office in Norcross, Georgia
<b>Day 4 – Thursday.</b> a) Intro to polishing b) Intro to Machined Wheels	8	0	Corporate Office in Norcross, Georgia
<b>Day 5 – Friday.</b> a) Wheel Straightening; b) Final test.	8	0	Corporate Office in Norcross, Georgia
<b>Day 6 – Monday.</b> a) Color Change; b) Flat Black; c) CH-1; d) Any color tint; e) Matte Clear.	8	0	Corporate Office in Norcross, Georgia
<b>Day 7 – Tuesday.</b> a) Advanced Machined Wheels Full Face on Spinner; b) Advanced Polish-Full Face Repair.	8	0	Corporate Office in Norcross, Georgia
<b>Day 8 – Wednesday.</b> Advanced Wheel Straightening: (1) Multiple Bends (2) Multi Axis.	8	0	Corporate Office in Norcross, Georgia
<b>Day 9 – Thursday.</b> Field Training.	0	8	Corporate Office in Norcross, Georgia
<b>Day 10 – Friday.</b> Field Training.	0	8	Corporate Office in Norcross, Georgia
<b>Day 11 – Monday.</b> Field Training.	0	8	Corporate Office in Norcross, Georgia
<b>Day 12.</b> Field Training.	0	8	Corporate Office in Norcross, Georgia
<b>Day 13.</b> Marketing and Sales for Franchisees MRF / Start-Up Kit Delivery.	8	0	Corporate Office in Norcross, Georgia

## REMANUFACTURING TRAINING PROGRAM

SUBJECT	HOURS OF TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
<b>Day 1 – Monday.</b> a) Safety; b) Tire and Wheel Handling; c) Wheel Cleaning Procedures; d) Tire Removal and Mounting, Balancing; e) Logging; f) Sand blasting; g) Intro to Welding; h) CNC lathe.	8	0	Norcross, Georgia
<b>Day 2 – Tuesday.</b> a) Wheel Inspection; b) Paint Stripping; c) Paint Gun Operation/Cleaning; d) Powder Priming; e) Liquid Painting; f) Powder Clear; g) CNC Lathe.	8	0	Norcross, Georgia
<b>Day 3 – Wednesday.</b> a) Welding; b) Repairing the Wheel; c) Liquid Paint; d) Powder Clear; e) CNC Lathe.	8	0	Norcross, Georgia
<b>Day 4 – Thursday.</b> a) Hyper Silver; b) Flat Black and Gloss Black; c) Color Tinting; d) Color Matching; e) CNC Lathe.	8	0	Norcross, Georgia
<b>Day 5 – Friday.</b> a) Polishing; b) Straightening; c) CNC Lathe.	8	0	Norcross, Georgia
<b>Day 6 – Monday.</b> a) CNC Lathe; b) Straightening; c) Welding-Spoke and Raised Lip; d) Sand Blasting.	8	0	Norcross, Georgia
<b>Day 7 – Tuesday.</b> a) CNC lathe; b) Straightening; c) Welding; d) Powder Priming and Clear; e) Liquid painting.	8	0	Norcross, Georgia
<b>Day 8 – Wednesday.</b> a) CNC Lathe; b) Straightening; c) Welding;	8	0	Norcross, Georgia

SUBJECT	HOURS OF TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
d) Powder Priming and Clear; e) Liquid Painting.			
<b>Day 9 – Thursday.</b> a) CNC Lathe; b) Welding; c) Sand Blasting.	8	0	Norcross, Georgia
<b>Day 10 – Friday.</b> a) CNC Lathe; b) Welding; c) Tire Removal and Mounting, Balancing.	8	0	Norcross, Georgia

## **ITEM 12** **TERRITORY**

You will not receive an exclusive territory. You may face competition from outlets that we own, or from other channels of distribution, or competitive brands we control. The franchise that we grant to you is not for a specific location or one that we need to approve, as you can operate from any location within a geographic territory that we grant to you. You will receive a geographic territory (the “Territory”) agreed upon by us and you that is identified in Schedule “A” to the Franchise Agreement. As described above, we offer three levels of Territory, based on population and projected potential major accounts, with the franchise fee varying for each. We use the United States Census data for the population and we have a private data base to identify potential accounts. The Territory is typically determined by county, although a Territory may include more than one county, or a single county if it contains a large number of dealerships or other automotive facilities. The factors that influence Territory are the population, number of franchised new car dealerships, body shops, tire stores, and used car dealerships. We do not identify for you all of the potential accounts in your territory, nor are you required to service every potential account in your territory. However, if we establish national or regional accounts which have a location in your territory, we may require you to service that account, at rates set by us.

You are not permitted to operate your franchise from a temporary or permanent site outside of the Territory, unless you receive prior written approval from us. You may not advertise outside of your Territory unless you submit and receive prior written approval from us. However you may service customers located outside your territory, if such customers are located in areas geographically contiguous to the Territory and in areas that are not the territory of other franchisees’ business (See Section 2.5 of the Franchise Agreement).

We may determine that a remanufacturing facility referenced in Item 8 may be located in your protected territory. However, before we place the fixed location remanufacturing facility in your territory we will give you the right to develop and open such facility.

Your continued right to the protected territory is dependent on your achieving Minimum Annual Gross Revenue (“MAGR”) standards each year during the term of this agreement. These MAGR

standards are based on the Population (“Pops”) contained in the Territory and are increased over time by \$.10 per year as follows.

<b>Year/\$/pop</b>	
Year 1	\$0.15
Year 2	\$0.25
Year 3	\$0.35
Year 4	\$0.45
Year 5	\$0.55
Year 6	\$0.65
Year 7	\$0.75
Year 8	\$0.85
Year 9	\$0.95
Year 10	\$1.05

For example, if you have a territory with a population of 750,000, your Minimum Annual Gross Revenue requirement would be:

<b>Year/ MAGR</b>	
Year 1	112,500
Year 2	187,500
Year 3	262,500
Year 4	337,500
Year 5	412,500
Year 6	487,500
Year 7	562,500
Year 8	637,500
Year 9	712,500
Year 10	787,500

If at the time of the renewal of your Franchise, you have reached your MAGR during the initial term of your Franchise Agreement, then MAGR for each year of the renewal term shall be an annual 10% increase on your aggregate Gross Revenue reported by you to us during the then previous 12 months of the operation of your Business. If you are renewing your Franchise and you have not met the MAGR during the initial term of your Franchise Agreement and we have not terminated your territorial protection then, at our discretion, we may permit you to use the same MAGR formula to obtain MAGR over a specific period of time as we may determine during your renewal term. At such time that you do reach the contractually mandated MAGR then we may require you to further increase your aggregate Gross Revenue in the same manner as those Franchisees that reached their target MAGR during the initial term of their Franchise Agreement.

If you fail to meet these MAGR requirements during any one year, or as required during the renewal term, as the case may be, we reserve the right to a) service the Territory with a Company-owned MRF; b) ask another Authorized Franchisee from another territory to service the Territory wherein such Authorized Franchisee shall receive the revenues from the operations of such business; c) identify another party to become an Authorized Franchisee in the Territory on a non-protected basis; or d) terminate this Franchise and Trademark Agreement.

In some instances, a franchisee may be provided a franchise that it is to operate both a mobile franchise and a remanufacturing location. The MAGR minimum will apply except that we may require, in writing, a higher MAGR for the combined franchise, subject to mutual agreement upon the MAGR prior to sale of the franchise. You will be required to prepare a business plan upon the execution of the Agreement that will detail your plans to maximize sales by penetrating all of the potential market segments available within your territory, as prescribed in the Operations Manual. This business plan along with actual results will be reviewed jointly with AWRS on an annual basis to determine additional growth areas and develop subsequent plans to address these areas. This may require the addition of employees and MRF's. If you fail to grow your business in a reasonable fashion, or choose not to pursue all the available market segments, we have the option of placing a third-party in your Territory to service the Accounts, including a mobile reconditioning facility owned by us or our Predecessor. Such a third party will be allowed to service only the market segment, such as automotive body shops, tire stores, automotive dealerships, and pre-owned automotive dealerships that you have failed to service.

You have the option to purchase additional/expanded Territory, if it is available. Approval of such a request to purchase shall be at AWRS's sole discretion. The factors influencing the decision include your sales records, proximity, payment history, sales management skills, and your general performance under the Franchise Agreement.

You have the option to renew your franchise, upon completing certain requirements as set forth in the Franchise Agreements. Such requirements include an Account Review. For purposes of the Account Review, an Account shall include car dealerships and automobile dealerships, including the pre-owned sales division, the service department, and the body shop; independent collision repair centers; automobile attire and wheel retail sales stores; car washes; detail shops; and upscale automobile service centers. Should viable Accounts exist in your Territory that are not being serviced, despite requests by the customer to be serviced by you, we have the option of placing a third-party in your Territory to service the Accounts, including a mobile reconditioning facility owned by us or our Predecessor.

Currently, we do not operate or franchise any other business under a different trademark that sells goods and services similar to those you will offer and sell, but we reserve the right to do so.

The Franchise and Trademark Agreement does not provide you with any options, rights of first refusals, or similar rights to acquire additional franchises within the Protected Territory or areas contiguous to the Protected Territory.

Except as otherwise expressly provided in the Franchise and Trademark Agreement, we and our Affiliates reserve all of our respective rights and discretion with respect to the Marks, the System



and Alloy Wheel Repair Specialists anywhere in the world and the right to engage in any business whatsoever, including: (a) the right to operate, and grant to others the right to operate Alloy Wheel Repair Specialists in such territories and on such terms and conditions as we deem appropriate in our sole discretion; (b) the right to acquire, merge or consolidate with, be acquired by, operate and expand businesses (c) to offer the same or similar services that you are authorized to offer under a different trade-name either inside or outside your Territory; and (d) to offer the same or similar services that you are authorized at your franchise through other channels of distribution, including, but not limited to, internet offered services and retail sales of products associated with the Alloy Wheel Repair Specialists brand.

Any relocation of your business is permitted only under the terms of your Franchise and Trademark Agreement and it must be with our prior written consent. The proposed new Territory must be suitable for the operation of a Alloy Wheel Repair Specialist business in our discretion and the proposed new business must be in your existing Territory and it must be outside another Alloy Wheel Repair Specialists' franchisee's Territory. Any costs of relocation will be borne by you.

If for any reason we solicit or accept orders from inside your territory, we are not required to pay you for soliciting or accepting orders from inside your territory.

### **ITEM 13** **TRADEMARKS**

Pursuant to Articles 2 and 10 of the Franchise Agreement, we grant you the right to use the Marks of AWRS, and you must use such proprietary property only in the manner authorized by AWRS for the operation of your franchise.

Our Predecessor's affiliate registered the following principal Marks ("Trademarks" on the Principal Register of the U.S. Patent and Trademark Office ("USPTO")):

<b>Mark</b>	<b>Registration Number</b>	<b>Registration Date</b>	<b>Register</b>
Alloy Wheel Repair Specialists name and logo	3122475	08/01/2006	Principal
Alloy Wheel Repair Specialists mark	3232248	04/24/2007	Principal

Our affiliates have filed all required affidavits of continuous use of the trademarks. The Marks were assigned to us on November 17, 2015. There are no currently effective material determinations of the U.S. Patent and Trademark Office, Trademark Trial and Appeal Board, the Trademark Administrator of any state or any court in connection with our Marks. There are no agreements currently in effect that significantly limits our rights to use or franchise the use to franchisees of the Marks in any manner material to you. There are no current pending material litigation, pending infringement, opposition, or cancellation proceedings involving the Marks.

In July 2016, as a result of a transaction involving our affiliate, Alloy Remanufacturing, LLC, to purchase certain assets of Elite Rim Repair LLC, we granted to one of the individually owned

businesses operated by Elite Rim Repair known as Elite Wheels of Albany Inc., a non-exclusive limited license to use our Marks in the operation of its wheel repair business, but only at its location in Mechanicville, NY, and the Albany, NY metropolitan statistical area. At this time, we do not have any franchises that operate an Alloy Wheel Repair Specialists business in this part of the New York state.

You must operate only as “Alloy Wheel Repair Specialists” the words standing alone, or such other Marks as we may prescribe from time to time. You may not add any words before or after the Marks or use the Marks with words that reflect your name, your company name, or any other information. You may not use the Marks as part of any Internet domain name or maintain any other website utilizing the Marks. You shall operate under and prominently display the names and Marks in the operation of your Franchised Business, as we may prescribe from time to time. You shall use no commercial trade name, service mark, or other commercial symbol, including associated logos, which do not satisfy our established criteria. In the event we deem it advisable, you shall file for and maintain a “certificate of trade name” in the country or other appropriate jurisdiction in which your Territory is located.

Your rights to use the Marks are derived solely from your Franchise Agreement and are limited to the operation of your franchise under your Franchise Agreement and all applicable standards, specifications, and operating procedures AWRs requires during the term of this Franchise Agreement. Any unauthorized use of the Marks or the Operations Manual is a breach of your Franchise Agreement and an infringement of AWRs’s rights in and to the Marks. Your use of the Marks, System and Operations Manual and any goodwill established by your use inures to our exclusive benefit. The Franchise Agreement does not confer any goodwill or other interest in the Marks or System to you, other than the right to operate your franchise in compliance with the Franchise Agreement. All provisions of the Franchise Agreement applicable to the Marks and System will apply to any other trademarks, service marks, commercial symbols, designs, artwork, and logos that we adopt, use, authorize, and subfranchise to you to use during the Term.

From time to time, we may elect to discontinue the use of certain names and marks and to commence the use of new names and marks. You shall pay all expenses incurred in connection with discontinuing the use of existing names and marks on or within your Franchised Business, and commencing the use of new names and marks therein.

You must notify us immediately if you become aware of any infringement of, or challenge to, our rights to the Marks. You will communicate on this subject only with us and/or our attorneys. We have the sole right to take any action we deem appropriate, and we have the exclusive right to control any litigation or administrative proceeding concerning the Marks. In all events, we shall have sole discretion to take such action as we deem appropriate, including the exclusive control of any litigation or any trademark office or other necessary proceeding arising out of any such infringement, challenge or claim relating to any of the names and Marks, including but not limited to the right to compromise, settle, or otherwise resolve the claim, and determine whether to appeal a final determination of the claim. We do, however, have the obligation in the Franchise Agreement to defend and indemnify you from any claim asserted against you arising out of your proper use of the Proprietary Marks (Section 10.5 of the Franchise Agreement). You will execute all

instruments and documents, render assistance, and do all things that, in our opinion, are necessary and advisable to protect and maintain our interests in the Marks.

In the event that you have purchased a Remanufacturing Franchisee (also known as a Fixed Site operation) you must comply with our restrictions regarding the use of our marks and logos, and must abide by the same terms regarding the marks and logos as referenced above in this section.

#### **ITEM 14**

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We do not own any rights to any active patents.

We do not own any rights in or franchises to any copyrights that are material to the franchise but claim copyright protection on certain written and video materials. The Operations Manual and other material made available to you contain confidential and proprietary information including our trade secrets. We possess and will develop and acquire certain confidential, proprietary information, and trade secrets consisting of the following categories of information, methods, techniques, procedures, and knowledge that we and our franchisees have developed (the “Confidential Information”) including: (i) methods, techniques, tools, specifications, standards, policies, procedures, information, concepts, systems, and knowledge of the experience in our development and operation of the franchise; (ii) marketing and promotional programs; (iii) knowledge of suppliers and specifications of certain materials or software to be used in franchise; and (iv) knowledge of our customer lists, operating results and financial performance.

We will disclose to you all of the Confidential Information required for the operation of your franchise during the Initial Training, and in the Operations Manual, as well as an accompaniment to the guidance and assistance that We will furnish to you during the term of Your Franchise Agreement. You may disclose the Confidential Information that we will provide to you and the information that you learn during the operation of your franchise only to the extent that is reasonable to operate your franchise.

All persons and employees with access to the Operations Manual or to any other Confidential Information must first sign our Nondisclosure and Confidentiality Agreement. Nothing contained in the Franchise Agreement will be construed to prohibit you from using the Confidential Information in the operation of your franchise under your Franchise Agreement, with our written permission.

You must notify us immediately if you become aware of any infringement of, or challenge to, our rights to our common law copyrights. You will communicate on this subject only with us and/or our attorneys. We have the sole right to take any action we deem appropriate, and we have the exclusive right to control any litigation or administrative proceeding concerning these copyrights. In all events, we shall have sole discretion to take such action as we deem appropriate, including the exclusive control of any litigation or any patent office or other necessary proceeding arising out of any such infringement, challenge or claim relating to any of these copyrights, including but not limited to the right to compromise, settle, or otherwise resolve the claim, and determine whether to appeal a final determination of the claim. We do, however, have the obligation in the

Franchise Agreement to defend and indemnify you from any claim asserted against you arising out of your proper use of the Copyrights and confidential information (Section 10.5 of the Franchise Agreement). You will execute all instruments and documents, render assistance, and do all things that, in our opinion, are necessary and advisable to protect and maintain our interests in the copyrights.

**ITEM 15**  
**OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION**  
**OF THE FRANCHISE BUSINESS**

You are required to either personally devote your full time and attention to your franchised business or to hire a full-time manager or have an operating partner who will complete our required training programs. We will require you and all of your other owners of a corporate franchisee that you set up to execute a guaranty, attached as Schedule C to the franchise agreement, and will by virtue of that document, become personally obligated under the non-compete and non-disclosure provisions of the Franchise Agreement. We may require that your on-premises, or active supervisor of the franchised business own a minority equity interest (at least 10%) in the franchised business or in any entity owning the franchised business. Unless your spouse is an owner of the franchise, she or he will not be required to sign the personal guarantee.

You may choose to hire an additional person as an employee or independent contractor to aid in the operation of the franchised business. You must also follow all Federal and State laws regarding the hiring of employees and or independent contractors as defined in the Fair Labor Standards Act (FLSA). Prior to doing so, however, you should conduct a background check of your employees using the form referenced in your Operations Manual. You must ensure that each such individual executes the standard Employee Nondisclosure/Nonsolicitation/Noncompetition and Confidentiality Agreement which we have included in the Operations Manual, prior to commencing employment, as well as prior to viewing any demonstration of the products used or the technique utilized, in order to protect the confidential information that you receive from us and to protect against your employee from soliciting the customers obtaining business from your franchise.

**ITEM 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must sell or offer for sale only the products and services that meet our uniform standards of quality and quantity, as we expressly approve for sale in the Operations Manual(s) or otherwise in writing. We have the unlimited right to change at any time and without your consent the products and services that you may offer and sell through your franchise. While we encourage you to sell all of the products and services that we authorize, you are not required to do so.

You shall primarily service customers within your Territory. You may service customers located outside the Territory, if such customers are located in areas geographically contiguous to the Territory and in the areas that are not the Territory of other Franchisee's business open Territory.

**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**

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 2.1	10 year term.
b. Renewal or extension of the term	Section 14	If you are in good standing and compliance with your Franchise Agreement and all other agreements with us or any of our affiliates, upon expiration of your original Franchise Agreement, you will have the right to renew your franchise for another 10-year term by signing the then current Franchise Agreement. This means that you may be asked to sign an agreement with terms and conditions that are materially different from those in your original agreement.
c. Requirements for you to renew or extend	Section 14	You agree to give us 240 days written notice of your decision to renew your franchise, pay the renewal fee, remodel, sign a release, and sign our then current Franchise Agreement. When renewing, you may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by You	Not Applicable	Not Applicable.
e. Termination by Us without cause	Not Applicable	Not Applicable.
f. Termination by Us with cause	Section 13.1,13.2	We can terminate for the reasons set forth in sections 13.1 and 13.2
g. "Cause" defined – curable defaults	Section 13.1,13.2	In addition to our right to terminate pursuant to other provisions of this Agreement and under applicable law, we have the right to terminate this Agreement, effective upon delivery of notice of termination to you, if you or any of your Owners or Affiliates: (a) offer or sell any products or services from your Business that are not Authorized Products and Services and fail to discontinue such practice within 30 days after a formal notice of default is delivered to you; or (b) Failure to pay amounts due to us, or failure to provide services, not cured within 30 days after notice, or breach of any other provision of agreement, not cured within 30 days after notice.
h. "Cause" defined – non-curable defaults	Section 13.1, 13.2	If you or any of your Owners or Affiliates fail, on 2 or more separate occasions within any period of 12 consecutive months, to make payment of any amount due us or any of our Affiliates, when due, or otherwise fail to comply with this Agreement (including the

Provision	Section in Franchise Agreement	Summary
		Operations Manual), which failures are brought to your attention by delivery of formal notices of default, regardless whether such defaults are timely cured.
i. Your obligations on termination/non-renewal	Section 15.1	De-identification; all amounts owing become due; return of Confidential Information
j. Assignment of contract by Us	Section 12.8	We can assign at our discretion.
k. “Transfer” by You – definition	Section 12.1	Our approval is required.
l. Our approval of transfer by You	Section 12.2	Our approval is required.
m. Conditions for Our approval of transfer	Section 12.2	Purchaser must meet all requirements; fee.
n. Our right of first refusal to acquire Your business	Section 12.6	We have right of first opportunity to match any offer to purchase your business.
o. Our option to purchase Your business	Section 12.6,12.7	We can purchase your business upon the termination or expiration and non-renewal of your franchise.
p. Your death or disability	Section 12.5	Upon your death or permanent disability, or the death or permanent disability of your Operating Partner, the executor, administrator or other personal representative of such person must transfer his interest in this Agreement or his interest in Franchisee to a third party approved by us in accordance with all of the applicable provisions of Article 12 within a reasonable period of time, not to exceed 12 months from the date of death or permanent disability.
q. Non-competition covenants during the term of the franchise	Section 11.2	You cannot own any legal or beneficial interest in, manage, operate or consult with: (1) any Competitive Business located anywhere; or (2) any entity located anywhere which grants franchises, or other rights to others to operate any Competitive Business; or divert or attempt to divert any business or customer of any Alloy Wheel Specialists business to any competitor or do anything injurious or prejudicial to the goodwill associated with the Marks or the System.
r. Non-competition covenants after the franchise is terminated or expires	Section 11.4	For a period of 1 year after the expiration or termination of this Agreement, for any reason, including your transfer or sale of your Business you will not employ or seek to employ any person who is or within the preceding six months has been an employee of the Company or of any of the Company’s franchisees, either directly, or indirectly for itself or through, on behalf of, or in conjunction with any person.  For a period of 2 years, starting on the effective date of termination or expiration of this Agreement for any reason, including transfer or sale of your Business, neither you nor any of your Owners may directly or indirectly (such as through corporations or other entities owned or controlled by you or your Owners), own a legal or beneficial interest in, manage, operate

Provision	Section in Franchise Agreement	Summary
		or consult with: (a) any Competitive Business located at the Premises if you operate a Remanufacturing Facility; (b) any Competitive Business located in your Territory or any zip code where your Business served customers during the term of the Agreement.
s. Modification of the agreement	Section 17.12	Any amendment must be agreed upon by a super-majority.
t. Integration/merger clause	Section 17.11	Only the terms of the Franchise Agreement, Operations Manual, and other related written agreements are binding (subject to State and Federal laws). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 17.2	Requires Arbitration of Claims except injunctive relief (subject to applicable state law).
v. Choice of forum	17.2	Georgia (subject to applicable state law)
w. Choice of law	17.1	Georgia law applies generally, except for applicable franchise laws of other states (subject to applicable state law).

## **ITEM 18**

### **PUBLIC FIGURES**

AWRS does not use any public figure to promote its franchise. No public figure is involved in the management of AWRS.

## **ITEM 19**

### **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Tables A, B, C, and D. are based on the sales of all Alloy franchisees in the system as of December 31, 2023.

Table A reflects the sales of Alloy franchised facilities broken out by mobile sales and remanufacturing sales, which are outsourced to a third party. The table breaks down sales by population located within a franchisee's market area.

Table B reflects the sales of Alloy franchised facilities broken out by mobile sales and remanufacturing sales- which are provided on the franchisee's business premises. The table breaks down sales by population located within a franchisee's market area.

Table C reflects the average, and median sales for all franchisees operating their businesses, but where they outsource their remanufacturing business. This table also breaks down sales into thirds (top, middle, and lowest). The table also breaks down these results by population greater and less than 1,000,000 persons or less than 1,000,000 persons.

Table D presents the same information as Table C, but the results reflect only those franchisees that provide remanufacturing services at the franchisee's facility.

Most franchisees that open their Alloy Wheel facilities will opt to outsource their remanufacturing business, but other franchisees may opt to conduct the remanufacturing business in their shop either at the commencement of their operations or at a later date.

Table E reflects the profit and loss statement for our company owned facility in Chicago, Illinois for 2023, which we have operated for 20 years. We do not collect information from our franchisees to be able to construct profit and loss statements for the franchised locations.

The table's left column displays gross revenues for mobile sales only. This column also includes operating costs and the gross margins generated from these sales. The middle column breaks down gross revenues and expenses by truck. It is estimated that you each truck that you use in your business has a capacity to generate \$200,000 in annual sales. Revenues above that threshold would require that you obtain an additional truck for each \$200,000 of business that can be generated from your facility.

Some outlets have generated sales in these amounts. Your individual results may differ. There is no assurance that your outlet will generate the sales reported on these tables.

**Table A**

Population	Mobile Sales 2023	Reman Sales 2023	Total 2023
1,814,957	\$1,285,143	\$237,003	\$1,522,146
3,060,353	\$1,428,940	\$0	\$1,428,940
1,746,758	\$1,058,817	\$0	\$1,058,817
1,345,169	\$799,368	\$167,051	\$966,419
1,159,237	\$736,596	\$170,756	\$907,352
1,203,342	\$668,917	\$217,447	\$886,364
1,212,018	\$492,033	\$318,399	\$810,432
2,173,804	\$86,350	\$638,660	\$725,010
616,740	\$609,729	\$15,705	\$625,435
1,895,690	\$527,623	\$17,576	\$545,199
1,415,410	\$499,985	\$0	\$499,985
765,471	\$484,889	\$0	\$484,889



Population	Mobile Sales 2023	Reman Sales 2023	Total 2023
979,682	\$481,446	\$0	\$481,446
882,702	\$416,262	\$21,914	\$438,176
433,943	\$364,115	\$27,700	\$391,815
2,415,135	\$356,662	\$2,580	\$359,242
1,310,314	\$260,855	\$49,342	\$310,197
1,247,868	\$304,755	\$4,750	\$309,505
1,368,723	\$287,739	\$0	\$287,739
1,242,914	\$282,735	\$0	\$282,735
1,110,172	\$245,468	\$20,505	\$265,973
685,321	\$150,395	\$113,567	\$263,961
616,928	\$244,821	\$17,570	\$262,391
368,085	\$236,405	\$0	\$236,405
2,809,372	\$208,874	\$24,215	\$233,089
271,791	\$220,400	\$0	\$220,400
679,687	\$215,598	\$3,695	\$219,293
574,807	\$183,735	\$29,730	\$213,465
1,634,560	\$208,707	\$0	\$208,707
1,184,966	\$188,655	\$0	\$188,655
1,409,327	\$187,270	\$155	\$187,425
532,273	\$177,305	\$0	\$177,305
2,408,751	\$156,820	\$10,595	\$167,415
896,907	\$86,045	\$48,755	\$134,800
682,018	\$119,890	\$6,511	\$126,401
394,056	\$86,862	\$9,580	\$96,442
3,353,949	\$84,085	\$0	\$84,085
1,115,458	\$57,920	\$0	\$57,920
	\$14,492,212	\$2,173,761	\$16,665,973

**Table B**

Population	Mobile Sales 2023	Reman Sales 2023	Total 2023
6,360,354	\$685,238	\$3,121,503	\$3,806,741
4,592,167	\$2,535,466	\$0	\$2,535,466
2,159,188	\$1,546,303	\$915,098	\$2,461,401
3,011,848	\$1,154,033	\$1,003,255	\$2,157,288
4,048,716	\$859,301	\$1,087,716	\$1,947,018
3,217,801	\$782,615	\$629,388	\$1,412,003
3,085,583	\$455,806	\$762,636	\$1,218,442
2,408,711	\$314,536	\$381,373	\$695,909
4,406,962	\$290,561	\$206,487	\$497,048
3,044,854	\$188,669	\$263,272	\$451,941

Population	Mobile Sales 2023	Reman Sales 2023	Total 2023
2,240,281	\$200,456	\$106,596	\$307,052
1,664,916	\$935,052	\$732,542	\$1,667,594
1,899,984	\$832,050	\$678,957	\$1,511,007
1,554,348	\$1,119,089	\$84,312	\$1,203,401
1,505,117	\$1,084,477	\$0	\$1,084,477
845,599	\$366,696	\$684,581	\$1,051,277
1,475,213	\$232,866	\$708,544	\$941,410
1,672,299	\$333,638	\$600,807	\$934,445
1,402,416	\$214,014	\$719,816	\$933,830
799,284	\$923,678	\$0	\$923,678
1,119,794	\$866,698	\$1,200	\$867,898
1,067,721	\$794,007	\$0	\$794,007
1,800,000	\$293,028	\$339,063	\$632,091
1,457,761	\$366,200	\$250,746	\$616,946
444,895	\$292,847	\$288,172	\$581,019
1,038,476	\$316,059	\$196,257	\$512,316
1,241,475	\$282,988	\$199,377	\$482,365
1,757,055	\$345,353	\$43,227	\$388,580
	\$18,611,725	\$14,004,924	\$32,616,649

**Table C**

Remanufacturing outsourced

Sales 2023	Total	> 1 million pop.	< 1 million pop.
System Average	\$438,578	\$534,493	\$291,508
System Median	\$287,739	\$310,197	\$236,405
Top third avg	\$841,726	\$1,038,185	\$484,352
Middle third avg	\$297,048	\$370,657	\$240,490
Bottom third avg	\$155,159	\$174,159	\$149,683

**Table D**

Remanufacturing operations are done on the shop premises.

Sales 2023	Total	> 2 million pop.	< 2 million pop.
System Average	\$1,164,880	\$1,590,028	\$889,785

		> 2 million pop.	< 2 million pop.
Sales 2023	Total		
System Median	\$934,445	\$1,412,003	\$923,678
Top third avg	\$1,992,036	\$2,740,224	\$1,243,194
Middle third avg	\$914,103	\$1,525,821	\$890,772
Bottom third avg	\$496,595	\$487,987	\$535,553

**Table E**

**Profit and Loss Statement**

Mobile Repair Revenue	\$1,127,313	\$187,885		
Materials	38,526	6,421	3.4%	
Tech Labor	359,648	59,941	31.9%	
Benefits	35,384	5,897	3.1%	
Fuel	30,950	5,158	2.7%	
Registration, R&M	9,828	1,638	0.9%	
Marketing Fee	1,200	1,200	0.6%	flat fee, not de
Royalty (6%)	67,639	11,273	6.0%	
Gross Margin	\$584,139	\$96,356	\$1.3%	
Workers' comp insurance is included. Other insurances are not included.				

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1**  
**System-wide Outlet Summary**  
**For Years Ending 2021 2022and 2023**

(Column 1) Outlet Type	(Column 2) Year	(Column 3) Outlets at the Start of the Year	(Column 4) Outlets at the End of the Year	(Column 5) Net Change
Franchised	2021	96	88	-8
	2022	88	82	-6
	2023	82	78	-4

(Column 1) Outlet Type	(Column 2) Year	(Column 3) Outlets at the Start of the Year	(Column 4) Outlets at the End of the Year	(Column 5) Net Change
Company Owned	2021	13	14	+1
	2022	14	14	0
	2023	14	12	-2
<b>Total Outlets</b>	<b>2021</b>	<b>109</b>	<b>102</b>	<b>-7</b>
	<b>2022</b>	<b>102</b>	<b>96</b>	<b>-6</b>
	<b>2023</b>	<b>96</b>	<b>90</b>	<b>-6</b>

**TABLE NO. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For Fiscal Years ending 2021, 2022, and 2023**

(Column 1) State	(Column 2) Year	(Column 3) Number of Transfers
Colorado	2021	0
	2022	0
	2023	1
Nebraska	2021	0
	2022	1
	2023	0
Ohio	2021	1
	2022	0
	2023	0
Tennessee	2021	1
	2022	0
	2023	0
Hawaii	2021	0
	2022	0
	2023	1
	<b>2020</b>	<b>2</b>
<b>Totals</b>	<b>2021</b>	<b>1</b>
	<b>2022</b>	<b>2</b>
	<b>2023</b>	<b>2</b>

**TABLE NO. 3**  
**Status of Franchised Units**  
**For Fiscal Years ending 2021, 2022 and 2023**

(Col. 1) State	(Col.2) Year	(Col. 3) Outlets at Start of Year	(Col. 4) Outlets Opened	(Col. 5) Terminations	(Col. 6) Non- Renewals	(Col. 7) Reacquired by Franchisor	(Col. 8) Ceased Operations - Other Reasons	(Col. 9) Outlets at End of Year
Alabama	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5

(Col. 1) State	(Col.2) Year	(Col. 3) Outlets at Start of Year	(Col. 4) Outlets Opened	(Col. 5) Terminations	(Col. 6) Non- Renewals	(Col. 7) Reacquired by Franchisor	(Col. 8) Ceased Operations - Other Reasons	(Col. 9) Outlets at End of Year
Arizona	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Arkansas	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
California	2021	6	0	0	0	0	1	5
	2022	5	0	0	0	0	1	4
	2023	4	0	0	0	0	0	4
Colorado	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Connecticut	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
District of Columbia	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Florida	2021	7	0	0	0	0	2	5
	2022	5	0	0	0	3	0	2
	2023	2	0	0	0	0	0	2
Georgia	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Hawaii	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Idaho	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Illinois	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	1	3
Indiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Iowa	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Kansas	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

(Col. 1) State	(Col.2) Year	(Col. 3) Outlets at Start of Year	(Col. 4) Outlets Opened	(Col. 5) Terminations	(Col. 6) Non- Renewals	(Col. 7) Reacquired by Franchisor	(Col. 8) Ceased Operations - Other Reasons	(Col. 9) Outlets at End of Year
Kentucky	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Louisiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Maine	2021	0	0	0	0	0	0	0
	2022	1	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Maryland	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Massachusetts	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	1	1
Michigan	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Minnesota	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Mississippi	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Missouri	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nebraska	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Nevada	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
New Hampshire	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New Jersey	2021	6	0	0	0	0	1	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
New Mexico	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

(Col. 1) State	(Col.2) Year	(Col. 3) Outlets at Start of Year	(Col. 4) Outlets Opened	(Col. 5) Terminations	(Col. 6) Non- Renewals	(Col. 7) Reacquired by Franchisor	(Col. 8) Ceased Operations - Other Reasons	(Col. 9) Outlets at End of Year
New York	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	1	1	0
North Carolina	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Ohio	2021	4	0	0	0	0	1	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Oklahoma	2021	2	0	1	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
Oregon	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Pennsylvania	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	1	5
	2023	5	0	0	0	0	1	4
Puerto Rico	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Rhode Island	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
South Carolina	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	1	3
	2023	3	0	0	0	0	0	3
South Dakota	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Tennessee	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Texas	2021	4	0	0	0	0	1	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Utah	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Virginia	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2

(Col. 1) State	(Col.2) Year	(Col. 3) Outlets at Start of Year	(Col. 4) Outlets Opened	(Col. 5) Terminations	(Col. 6) Non- Renewals	(Col. 7) Reacquired by Franchisor	(Col. 8) Ceased Operations - Other Reasons	(Col. 9) Outlets at End of Year
Washington	2021	2	0	0	0	0	1	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
West Virginia	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Wisconsin	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
<b>Totals</b>	<b>2021</b>	<b>96</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>88</b>
	<b>2022</b>	<b>88</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>82</b>
	<b>2023</b>	<b>82</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>78</b>

**TABLE NO. 4**  
**Status of Company-Owned Outlets**  
**For Fiscal Years Ending 2021, 2022 and 2023**

(Col. 1) State	(Col. 2) Year	(Col. 3) Outlets at Start of Year	(Col. 4) Outlets Opened	(Col. 5) Outlets Reacquired from Franchisees	(Col. 6) Outlets Closed	(Col. 7) Outlets sold to Franchisees	(Col. 8) Outlets at End of Year
Connecticut	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Florida	2021	1	0	1	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	1	0	1
Georgia	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Illinois	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Indiana	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Louisiana	2021	1	0	1	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Maryland	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Missouri	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2



(Col. 1) State	(Col. 2) Year	(Col. 3) Outlets at Start of Year	(Col. 4) Outlets Opened	(Col. 5) Outlets Reacquired from Franchisees	(Col. 6) Outlets Closed	(Col. 7) Outlets sold to Franchisees	(Col. 8) Outlets at End of Year
New Jersey	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	1	0	1
Nevada	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
New York	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
<b>Totals</b>	<b>2021</b>	<b>13</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>14</b>
	<b>2022</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14</b>
	<b>2023</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>12</b>

**TABLE NO. 5**  
**Projected Openings as of December 31, 2014**

(Column 1) State	(Column 2) Franchise Agreements Signed But Outlet Not Opened	(Column 3) Projected New Franchised Outlets in the Next Fiscal Year	(Column 4) Projected New Company-Owned Outlets in the Next Fiscal Year
New Jersey	0	0	1
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>

The names of all franchisees and the addresses and telephone numbers of the franchises as of December 31, 2023 are listed on **Exhibit L** to this Disclosure Document. A list of the names and last known home addresses and telephone numbers of every franchisee whose franchise was terminated or canceled, or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the fiscal year ended December 31, 2023 or who has not communicated with us within 10 weeks of the date of this Disclosure Document, is also attached hereto as **Exhibit L**. If you buy this franchise, you contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have not signed any confidentiality clauses with any current or former franchisees which would in any way restrict their ability to speak with you openly about their experience with Alloy Wheel Repair Specialists, Inc.

There are no trademark specific franchisee organizations associated with the franchise system, nor are there any independent franchisee organizations that have asked to be included in this disclosure document.

## **ITEM 21**

### **FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit M are the audited financial statements for 2021 and 2022 and 2023. For fiscal year 2022 we are unable to produce audited financial statements

because the prior owners of the company did not cause an audit for fiscal year to be conducted, and the present managers of the company are not in a position to certify the results for fiscal year 2022. Instead, for fiscal year 2022 we are submitting our unaudited financial statements, which are prepared in accordance with GAAP.

## **ITEM 22** **CONTRACTS**

The following contracts are attached as exhibits to this disclosure document:

- EXHIBIT E. Franchise and Trademark Agreement, Schedules A through C (including Owners' Personal Guaranty).
- EXHIBIT F. Franchise Application.
- EXHIBIT G. Confidentiality/Nondisclosure Agreement.
- EXHIBIT H. Addendum of Lease and Collateral Assignment of Lease.
- EXHIBIT K. Renewal/Resale Mutual Release.
- EXHIBIT N. Release of Telephone Number & Transfer of Telephone Service.

## **ITEM 23** **RECEIPTS**

You will find two copies of a detachable receipt in **Exhibit O** at the very end of this disclosure document. Please sign and date both acknowledging receipt of this disclosure and return one of them to us for our files.

**EXHIBIT A**  
**STATE REGULATORY AUTHORITIES**

**CALIFORNIA:**

Commissioner of Business Oversight  
Department of Business Oversight  
320 West 4th St., Ste. 750  
Los Angeles, California 90013  
(213) 576-7500 or Toll Free: (866) 275-2677  
AGENT: Commissioner of Business Oversight  
Department of Business Oversight  
320 West 4th Street, Ste. 750  
Los Angeles, CA 90013

**HAWAII:**

Commissioner of Securities of the State of  
Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, HI 96813  
Telephone: (808) 586-2722  
AGENT: Commissioner of Securities of the  
State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division; Securities  
Compliance Branch  
335 Merchant St., Rm 203  
Honolulu, Hawaii 96813

**ILLINOIS:**

Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706  
Telephone: (217) 782-4465  
AGENT: Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706

**INDIANA:**

Securities Commissioner  
Franchise Section, Indiana Securities Division  
Secretary of State  
302 West Washington St., RM E-111  
Indianapolis, IN 46204  
Telephone: (317) 232-6681  
AGENT: Indiana Secretary of State  
Indiana Securities Division  
302 West Washington Street, Room E111  
Indianapolis, IN 46204

**MARYLAND:**

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, MD 21202  
Telephone: (410) 576-6360  
AGENT: Maryland Securities Commissioner  
Office of the Attorney General  
200 St. Paul Place  
Baltimore, MD 21202-2020

**MICHIGAN:**

Securities Director  
Office of Financial & Insurance Regulation  
525 West Allegan, 1<sup>st</sup> Floor Constitution Hall  
Lansing, MI 48909  
Telephone: (517) 241-6345  
AGENT: Department of Licensing and  
Regulatory Affairs  
Corporations, Securities and Commercial  
Licensing Bureau  
2501 Woodlake Circle  
Okemos, MI 48864

**MINNESOTA:**

Commissioner of Commerce  
Minnesota Department of Commerce  
Securities Unit  
85 7th Place East, Suite 280  
St. Paul, MN 55101-2198  
Telephone: (651) 539-1600  
AGENT: Commissioner of Commerce  
Minnesota Department of Commerce  
Securities Unit  
85 7th Place East, Suite 280  
Saint Paul, MN 55101

**NEW YORK:**

New York State Department of Law  
120 Broadway, 23rd Floor  
New York, New York 10271-0332  
Telephone: (212) 416-8200  
AGENT: New York Secretary of State  
One Commerce Plaza  
99 Washington Avenue  
Albany, NY 12231

**NORTH DAKOTA:**

North Dakota Securities Department  
Fifth Floor State Capitol, Dept. 414  
600 East Boulevard  
Bismarck, ND 58505-0510  
Telephone: (701) 328-2910  
AGENT: North Dakota Securities  
Commissioner  
600 East Boulevard  
State Capitol, 5th Floor  
Bismarck, ND 58505-0510

**RHODE ISLAND:**

Division of Securities  
233 Richmond Street, Suite 232  
Providence, RI 02903  
Telephone: (401) 222-3048  
AGENT: Department of Business Regulation  
1511 Pontiac Avenue  
John O. Pastore Complex Bldg. 69-1  
Cranston, RI 02920-4407

**SOUTH DAKOTA:**

Department of Labor and Regulation  
Division of Insurance - Securities Regulation  
124 S. Euclid Avenue, Suite 104  
Pierre, SD 57501  
Telephone: (605) 773-3563  
AGENT: Director of the Division of Securities  
124 South Euclid Avenue, Suite 104  
Pierre, SD 57501

**TEXAS:**

Secretary of State  
P.O. Box 12697  
Austin, TX 78711-2697  
Telephone: (512) 463-5701  
AGENT: Securities Commissioner  
State Securities Board  
208 East 10th Street, 5th Floor  
P.O. Box 13167  
Austin, TX 78701

**VIRGINIA:**

State Corporation Commission  
Division of Securities and Retail Franchising  
1300 East Main Street, 9<sup>th</sup> Floor  
Richmond, Virginia 23219  
Telephone: (804) 371-9733  
AGENT: Clerk of the State Corporation  
Commission  
1300 E. Main St., 1st Floor  
Richmond, VA 23219

**WASHINGTON:**

Department of Financial Institutions  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
Telephone: (360) 902-8760  
AGENT: Department of Financial Institutions  
Securities Division  
150 Israel Rd, SW  
Tumwater, WA 98507-9033

**WISCONSIN:**

Franchise Office  
Wisconsin Securities Commission  
P.O. Box 1768  
Madison, WI 53701  
Telephone: (608) 266-3364  
AGENT: Attn: Administrator  
Department of Financial Institutions  
Division of Securities  
201 W. Washington Avenue, Suite 300  
P.O. Box 1768  
Madison, WI 53701-1768

**EXHIBIT B**  
**STATE ADDENDUMS TO DISCLOSURE DOCUMENT AS**  
**REQUIRED BY STATUTORY AND REGULATORY PROVISIONS**

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**CALIFORNIA**

**OUR WEBSITE ([www.awrswheelrepair.com](http://www.awrswheelrepair.com)) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT/CORPORATIONS AND ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.dbo.ca.gov](http://www.dbo.ca.gov).**

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

The following shall be added to the Cover Sheet:

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF BUSINESS OVERSIGHT NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

Item 17 shall be amended to include the following language:

1. California Business and Professional Code Sections 2000 through 20043 provide rights of the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
2. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et seq.*).
3. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
4. The franchise agreement contains a liquidated damages clause. Under California Civil Code section 1671, certain liquidated damages clauses are unenforceable.
5. The franchise agreement requires binding arbitration. The arbitration will occur in Atlanta, Georgia with the costs being borne by the losing party.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code section 1281,

and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

6. The franchise agreement requires application of the laws of Georgia. This provision may not be enforceable under California law.

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## **HAWAII**

AMENDMENTS RELATING TO STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF HAWAII AND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT.

**THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

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## **ILLINOIS**

AMENDMENTS RELATING TO STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF ILLINOIS AND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT.

The following language shall be added to Item 17:

Pursuant to Section 19 of the Illinois Franchise Disclosure Act of 1987, we may not terminate a franchise of a franchised business located in the State of Illinois prior to the expiration of its term except for “good cause” as provided below:

“Good cause” shall include, but not be limited to, the failure of the franchisee to comply with any lawful provisions of the franchise or other agreement and to cure such default after being given notice thereof and a reasonable opportunity to cure such default, which in no event need be more than 30 days, or

“Good cause” shall include, but without the requirement of notice and an opportunity to cure, situations in which the franchisee (1) makes an assignment for the benefit of creditors or a similar disposition of the assets of the franchise business, (2) voluntarily abandons the franchise business, (3) is convicted of a felony or other crime which substantially impairs the good will associated with our trademark, service mark, trade name or commercial symbol, or (4) repeatedly fails to comply with the lawful provisions of the franchise or other agreement.

Pursuant to Section 20 of the Illinois Franchise Disclosure Act of 1987, We may not refuse to renew a franchise of a franchised business located in the State of Illinois without compensating the franchisee either by repurchase or by other means for the diminution in the value of the franchised business caused by the expiration of the franchise where:

(a) the franchisee is barred by the franchise agreement (or by the refusal of the franchisor at least 6 months prior to the expiration date of the franchise to waive any portion of the franchise agreement which prohibits the franchisee) from continuing to conduct substantially the same business under another trademark, service mark, trade name or commercial symbol in the same area subsequent to the expiration of the franchise, or (b) the franchisee has not been sent notice of the franchisor’s intent not to renew the franchise at least 6 months prior to the expiration date or any extension thereof of the franchise.

Pursuant to Section 41 of the Illinois Franchise Disclosure Act of 1987, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act of 1987 or any other law of the State of Illinois is void; however, this shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Illinois Franchise Disclosure Act of 1987, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

Items 17(v) and 17(w) shall be amended as follows: Pursuant to 14 Ill. Adm. Code 200.608 and as described in Section 4 of Illinois Franchise Disclosure Act of 1987, a franchise agreement shall not require a franchisee to litigate any cause of action, with the exception of arbitration proceedings, arising under the franchise agreement or the Illinois Franchise Disclosure Act of 1987 outside of

the State of Illinois, nor shall a franchise agreement provide for a choice of law provision for any state other than Illinois.

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## **INDIANA**

### **AMENDMENTS RELATING TO STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF INDIANA AND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT.**

The following language shall be added to Items 17(c) and 17(m):

The release will not relieve any person from liability to be imposed by the Indiana Deceptive Franchise Practices Act, IC 23-2-2.7.

The following language shall be added to Item 17(r):

The time and geographic scope of the covenant not to compete shall not be greater than allowed by IC 23-2-2.7-1(9).

Item 23 shall be amended as follows:

We must provide this disclosure document to you at least 10 days prior to the execution by you of a binding franchise or other agreement, or at least 10 days prior to the receipt of any consideration, whichever first occurs.

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## **IOWA**

### **AMENDMENTS RELATING TO STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF IOWA AND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT.**

Item 17(b) shall be amended as follows:

We shall not refuse to renew a franchise unless both of the following apply:

- a. You have been notified of our intent not to renew at least six months prior to the expiration date or any extension of the franchise agreement.
- b. Any of the following circumstances exist:
  - (i) Good cause exists, provided that our refusal to renew is not arbitrary or capricious. For purposes of this subsection, “good cause” means cause based on a legitimate business reason.



- (ii) We and you agree not to renew the franchise.
- (iii) We completely withdraw from directly or indirectly distributing our products or services in the geographic market served by you, provided that upon expiration of the franchise, we agree not to seek to enforce any of your covenants not to compete with us or our franchisees.

Item 17(v) shall be amended as follows:

- a. A provision in a franchise agreement restricting jurisdiction to a forum outside this state is void with respect to a claim otherwise enforceable under Section 537A.10 of the Iowa Code.
- b. A civil action or proceeding arising out of a franchise may be commenced wherever jurisdiction over the parties or subject matter exists, even if the agreement limits actions or proceedings to a designated jurisdiction.
- c. Venue for a civil action commenced under this chapter shall be determined in accordance with Chapter 616 of the Iowa Code, Place of Bringing Actions.

Item 17(w) shall be amended as follows:

A condition, stipulation, or provision requiring the application of the law of another state in lieu of Section 537A.10 of the Iowa Code is void.

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### **MARYLAND**

#### **AMENDMENTS RELATING TO STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF MARYLAND AND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT.**

The following language shall be added to Item 17:

Any claim arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise. Also, pursuant to COMAR 02.02.08.16L, any general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

You are advised that a provision in the Franchise Agreement that provides for automatic termination of your franchise if you file for protection under any section of the federal bankruptcy law may not be enforceable under that law (11 U.S.C. Section 101 et seq.)

The following language shall be added to Item 17 sections “c” and “m”:

Pursuant to COMAR 02.02.08.06L the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The following language shall be added to Item 17 section “v”:

Pursuant to Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law, and notwithstanding anything herein to the contrary, we irrevocably consent to be sued in the State of Maryland by the franchisee for any claims or causes of action relating to or arising out of the franchise agreement.

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### **MICHIGAN**

AMENDMENTS RELATING TO STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF MICHIGAN AND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT.

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this Act. This shall not preclude a franchisee, after entering into a franchise agreement from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to expiration of its term except for good cause. Good cause shall include failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity which in no event shall be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee’s inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor in the conduct of the franchise business are not subject to compensation. This subsection applies only if (i) the term of the franchise was less than five years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six months advanced notice of franchisor’s intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside the state. This shall not preclude the franchisees from entering into an agreement at the time of arbitration to conduct arbitration at a location outside this state.

(g) A provision in which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subsection does not prevent a franchisor from exercising a right of first refusal to purchase a franchise. Good cause shall include but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor any items that are not uniquely identified with the franchisor. This subsection does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bonafide third party willing and able to purchase those assets, nor does this subsection prohibit a provision that grants a franchisor the right to acquire the assets of the franchise for the market or appraised value of such asset if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision that permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

Item 23 shall be amended as follows:

We must provide this disclosure document to you at least 10 business days before the execution by you of any binding franchise or other agreement or at least 10 business days before the receipt of any consideration, whichever occurs first.

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## **MINNESOTA**

### **AMENDMENTS RELATING TO STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF MINNESOTA AND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT.**

The following language shall be added to Item 11, Item 17(c) and 17(m):

We will not require a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota statutes 1973 supplement, § 80C.01 to 80C.22; except as part of the voluntary settlement of disputes.

The following language shall be added to Item 13:

Pursuant to Minn. Stat. Sec. 80C.12, Subd. 1(g), we will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

The following language shall be added to Item 17 of the disclosure document, and in instances where this language of the addendum is in conflict with Item 17, the language of the addendum shall control:

In the State of Minnesota, (a) no person (us) may terminate or cancel a franchise without good cause and without first having given written notice setting forth all the reasons for such termination or cancellation to the Franchisee at least 90 days in advance of such termination or cancellation, and the recipient of the notice fails to correct the reasons stated for termination or cancellation in the notice within 60 days of receipt of the notice; except that the notice shall be effective immediately upon receipt where the alleged grounds are:

- (1) Voluntary abandonment of the franchise relationship by the Franchisee; or
- (2) The conviction of the Franchisee in a court of competent jurisdiction of an offense directly related to the business conducted pursuant to the franchise; or
- (3) Failure to cure a default under the Franchise Agreement which materially impairs a goodwill associated with the Franchisor's tradename, trademark, service mark, logo type or other commercial symbol after the Franchisee has received written notice to cure at least 24 hours in advance thereof.

Franchisor shall give Franchisee 180 days' notice for non-renewal of the Franchise Agreement.

No person may terminate or cancel a franchise except for good cause. "Good cause" means failure by the franchisee to substantially comply with the material and reasonable franchise requirements imposed by the franchisor including, but not limited to:

- (1) the bankruptcy or insolvency of the franchisee;
- (2) assignment for the benefit of creditors or similar disposition of the assets of the franchise business;
- (3) voluntary abandonment of the franchise business;
- (4) conviction or a plea of guilty or no contest to a charge of violating any law relating to the franchise business; or
- (5) any act by or conduct of the franchisee which materially impairs the goodwill associated with the franchisor's trademark, tradename, service mark, logotype or other commercial symbol.

The following language shall be included on the Cover Page and in Item 17:

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, and AWRS is prohibited from requiring a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this part shall not bar an exclusive arbitration clause, pursuant to Minn. Rule 2860.4400J.

Item 23 of the disclosure document shall be amended as follows:

We must provide this disclosure document to you at least 7 days prior to the execution by you of any franchise or other agreement, or at least 7 days prior to the payment of any consideration by you, whichever occurs first.

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### **NEW YORK**

AMENDMENTS RELATING TO STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF NEW YORK AND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT.

The following language shall be added to the Cover Page:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT C OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE

DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23<sup>RD</sup> FLOOR, NEW YORK, N.Y. 10271

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE DEPARTMENT OF LAW. THE DEPARTMENT MAY REQUIRE THAT THE APPLICANT SET FORTH IN ITS PROSPECTUS POTENTIALLY ADVERSE INFORMATION IN DESIGNATED POSITIONS AND IN A TYPE SIZE ACCEPTABLE TO THE DEPARTMENT.

The last paragraph in Item 3 is amended to read as follows:

Except as provided above, we, our predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: a violation of franchise, antifraud, or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought

by a public agency or department, including, without limitation, actions affecting a franchise as a real estate broker or sales agent.

The last paragraph of Item 4 should be amended to read as follows:

Neither we, our affiliates, predecessor, officers, or general partner, during the 10-year period immediately before the date of the Disclosure document has: (a) filed a debtor (or had filed against it) a petition to start an action under the US Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as debtor (or had filed against it) a petition to start an action under the US Bankruptcy code or that obtained a discharge of its debts under the US Bankruptcy Code during or within one year after the officer or general partner held this position in the company or partnership.

The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

The following language shall be added to Item 17:

This table lists certain important provisions of the franchise and related agreements pertaining to the renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this disclosure document.

The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend**,” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

The following is added to the end of the “Summary” section of Item 17(j), titled “**Assignment of contract by franchisor**”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

The following language shall be added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of Law**”:

THE FOREGOING CHOICE OF LAW SHOULD NOT BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON THE FRANCHISOR OR UPON THE FRANCHISEE BY ARTICLE 33 OF THE GENERAL BUSINESS LAW OF THE STATE OF NEW YORK.

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### **NORTH DAKOTA**

AMENDMENTS RELATING TO STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF NORTH DAKOTA AND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT.

Item 10 and Item 17(u) shall be amended to the extent that we shall not require the franchisee to consent to the waiver of a trial by jury, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.

Item 17(c) shall be amended by deleting the reference to “Sign Release.”

Item 17(i) shall be amended to the extent that we shall not require the franchisee to consent to termination penalties or liquidated damages pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.

Item 17(m) shall be amended by deleting the reference to “and general release.”

Item 17(v) and 17(w) shall be amended to the extent that such law does not conflict with Section 51-19-09 of the North Dakota Franchise Investment Law. Item 17(v) shall be further amended to the extent that we will not require the franchisee to consent to the jurisdiction of courts outside of North Dakota. Item 17(w) shall be further amended to the extent that we will not require the franchisee to waive his or her rights under North Dakota Law, and the franchise and related agreements and all issues arising from or relating to the franchise and related agreements will be governed by and construed under the laws of the State of North Dakota.

Pursuant to Section 51-19-09 of the North Dakota Franchise Investment law, Item 17(u) shall be amended to provide for the site of arbitration to be agreeable to all parties.

Item 23 shall be amended as follows:

We must provide this disclosure document to you at least 7 days prior to the execution by you of any binding franchise or other agreement, or at least 7 days prior to the receipt of any consideration, whichever occurs first.



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## **RHODE ISLAND**

AMENDMENTS RELATING TO STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF RHODE ISLAND AND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT.

Items 17(v) and 17(w) shall be amended to read:

§19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

Item 23 shall be amended as follows:

We must provide a copy of this disclosure document to you at the earlier of:

- (a) Your first personal business meeting with us which is held for the purpose of discussing the sale or possible sale of a franchise; or
- (b) 10 business days prior to the execution of an agreement or payment of any consideration relating to the franchise relationship.

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## **SOUTH DAKOTA**

AMENDMENTS RELATING TO STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF SOUTH DAKOTA AND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT.

Item 23 shall be amended as follows:

We must provide this disclosure document to you at least 10 business days prior to the execution by you of any binding agreement or at least 10 business days prior to the direct or indirect receipt of a franchise fee by us from you, whichever first occurs.

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## **UTAH**

AMENDMENTS RELATING TO STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF UTAH AND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT.

The following language shall be added to the Cover Page:

### **Information for Purchase of a Marketing Plan:**

To protect you, the State Division of Consumer Protection has required your seller to give you this information. *The State Division of Consumer Protection has not verified this information as to its accuracy.* The notice may contain additional precautions deemed necessary and pertinent. The seller, in lieu of the information requested by Section 13-15-4, may file with the commission and provide to prospective purchasers certified disclosure documents authorized for use by the Federal Trade Commission pursuant to title 16, chapter I, subchapter D, Trade Regulation Rules, Part 436, "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures".

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### **VIRGINIA**

#### **AMENDMENTS RELATING TO STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF VIRGINIA AND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT.**

The following language shall be added to Item 17:

Any franchise may be declared void by the franchisee at his option by sending a written declaration of that fact and the reasons therefor to the franchisor by registered or certified mail if:

(a) The franchisor's offer to grant a franchise was unlawful, as provided in §13.1-560 or §13.1-563 of the Virginia Code, provided that the franchisee send such written declaration within seventy-two hours after discovery thereof but not more than ninety days after execution of the franchise;

(b) The franchisee was not afforded the opportunity to negotiate with the franchisor on all provisions within the franchise, except that such negotiations shall not result in the impairment of the uniform image and quality standards of the franchise, provided that the franchisee send such written declaration within thirty days after execution of the franchise; or

(c) The franchisee was not furnished a copy of the franchise agreement and disclosure documents at least seventy-two hours prior to execution of the franchise, provided that the franchisee send such written declaration within thirty days after execution of the franchise.

If the seller fails to deliver the product, products, equipment or supplies necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify the seller in writing of your termination of the contract.

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## **WASHINGTON**

AMENDMENTS RELATING TO STATUTORY AND REGULATORY PROVISIONS AND REQUIREMENTS OF THE STATE OF WASHINGTON AND APPLICABLE TO THE FRANCHISE DISCLOSURE DOCUMENT.

### **Changes to the Franchise Agreement:**

It is unlawful for any franchisor to alter unilaterally and materially the terms and conditions of the basic franchise agreement or any related agreements attached to the disclosure document without furnishing the prospective franchisee with a copy of each revised agreement at least seven calendar days before the prospective franchisee signs the revised agreement. Changes to an agreement that arise out of negotiations initiated by the prospective franchisee do not trigger this seven calendar day period.

**EXHIBIT C**  
**STATE AMENDMENTS TO FRANCHISE AGREEMENT**

**AMENDMENT TO FRANCHISE AND TRADEMARK AGREEMENT**  
**REQUIRED BY THE STATE OF CALIFORNIA**

Articles 3, Section 3.2, entitled Royalty Fees, shall be amended to include the following language at the end of this section: Notwithstanding the language in this section, the highest interest rate allowed by California law is 10% per annum.

Article 11, Section(s) 11.2 entitled Franchisee's In-Term Covenants and Section 11.4 entitled Franchisee's Post-Term Covenants respectively, contain covenants not to compete which extend beyond the termination of the franchise. These provisions may not be enforceable under California Law. Therefore, these sections are hereby modified to the extent necessary to be consistent with California Business and Professions Code Sec. 16600.

Article 13, Section 13.1, entitled Termination Upon Notice, provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*).

Article 17, Section 17.1, entitled Governing Law, requires application of the laws of George. This provision may not be enforceable under California law.

Article 17, Section 17.2, entitled Arbitration, requires binding arbitration. The arbitration will occur in the city where we then have our principal place of business with the costs being borne by the party who does not prevail in any arbitration proceeding. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

DATED: \_\_\_\_\_

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

ATTEST:

\_\_\_\_\_

AS INDIVIDUALS:

AS A CORPORATION:

\_\_\_\_\_  
Franchisee

Alloy Wheel Franchise, LLC

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

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

**AMENDMENT TO FRANCHISE AND TRADEMARK AGREEMENT**  
**REQUIRED BY THE STATE OF ILLINOIS**

Article 13 entitled Termination of Agreement, shall be amended as follows: Pursuant to Section 19 of the Illinois Franchise Disclosure Act of 1987, Franchisor may not terminate a franchise of a franchised business located in the State of Illinois prior to the expiration of its term except for “good cause” as provided below:

“Good cause” shall include, but not be limited to, the failure of the franchisee to comply with any lawful provisions of the franchise or other agreement and to cure such default after being given notice thereof and a reasonable opportunity to cure such default, which in no event need be more than 30 days, or

“Good cause” shall include, but without the requirement of notice and an opportunity to cure, situations in which the franchisee (1) makes an assignment for the benefit of creditors or a similar disposition of the assets of the franchise business, (2) voluntarily abandons the franchise business, (3) is convicted of a felony or other crime which substantially impairs the good will associated with our trademark, service mark, trade name or commercial symbol, or (4) repeatedly fails to comply with the lawful provisions of the franchise or other agreement.

Article 14 entitled Renewal Rights, shall be amended as follows: Notwithstanding the foregoing, pursuant to Section 20 of the Illinois Franchise Disclosure Act of 1987, Franchisor may not refuse to renew a franchise of a franchised business located in the State of Illinois without compensating the franchisee either by repurchase or by other means for the diminution in the value of the franchised business caused by the expiration of the franchise where:

(a) the franchisee is barred by the franchise agreement (or by the refusal of the franchisor at least 6 months prior to the expiration date of the franchise to waive any portion of the franchise agreement which prohibits the franchisee) from continuing to conduct substantially the same business under another trademark, service mark, trade name or commercial symbol in the same area subsequent to the expiration of the franchise, or (b) the franchisee has not been sent notice of the franchisor’s intent not to renew the franchise at least 6 months prior to the expiration date or any extension thereof of the franchise.

Article 17 entitled Miscellaneous, shall be amended as follows: Notwithstanding the foregoing, pursuant to 14 Ill. Adm. Code 200.608 and as described in Section 4 of Illinois Franchise Disclosure Act of 1987, a franchise agreement shall not require a franchisee to litigate any cause of action, with the exception of arbitration proceedings, arising under the franchise agreement or the Illinois Franchise Disclosure Act of 1987 outside of the State of Illinois, nor shall a franchise agreement provide for a choice of law provision for any state other than Illinois. Also, Pursuant to Section 41 of the Illinois Franchise Disclosure Act of 1987, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act of 1987 or any other law of the State of Illinois is void; however, this shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Illinois Franchise

Disclosure Act of 1987, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

DATED: \_\_\_\_\_

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

ATTEST:

\_\_\_\_\_

AS INDIVIDUALS:

AS A CORPORATION:

\_\_\_\_\_  
Franchisee

Alloy Wheel Franchise, LLC

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

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

**AMENDMENT TO FRANCHISE AND TRADEMARK AGREEMENT**  
**REQUIRED BY THE STATE OF INDIANA**

The following language shall be added to Article 14 entitled Renewal Rights and Article 12, Section 12.2 entitled Conditions For Approval:

The release will not relieve any person from liability to be imposed by the Indiana Deceptive Franchise Practices Act, IC 23-2-2.7.

The following language shall be added to Article 11, Section 11.4 entitled Franchisee's Post-Term Covenants:

The time and geographic scope of the covenant not to compete shall not be greater than allowed by IC 23-2-2.7-1(9).

DATED: \_\_\_\_\_

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

ATTEST:

\_\_\_\_\_

AS INDIVIDUALS:

AS A CORPORATION:

\_\_\_\_\_  
Franchisee

Alloy Wheel Franchise, LLC

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

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

**AMENDMENT TO FRANCHISE AND TRADEMARK AGREEMENT**  
**REQUIRED BY THE STATE OF IOWA**

Article 14 entitled Renewal Rights, shall be amended as follows:

Notwithstanding the foregoing, we shall not refuse to renew a franchise unless both of the following apply:

1. You have been notified of our intent not to renew at least 6 months prior to the expiration date or any extension of the franchise agreement.
2. Any of the following circumstances exist:
  - (iv) Good cause exists, provided that our refusal to renew is not arbitrary or capricious. For purposes of this subsection, “good cause” means cause based on a legitimate business reason.
  - (v) We and you agree not to renew the franchise.
  - (vi) We completely withdraw from directly or indirectly distributing our products or services in the geographic market served by you, provided that upon expiration of the franchise, we agree not to seek to enforce any of your covenants not to compete with us or our franchisees.

Article 17, Section 17.1 entitled Governing Law, shall be amended as follows:

1. A provision in a franchise agreement restricting jurisdiction to a forum outside this state is void with respect to a claim otherwise enforceable under Section 537A.10 of the Iowa Code.
2. A civil action or proceeding arising out of a franchise may be commenced wherever jurisdiction over the parties or subject matter exists, even if the agreement limits actions or proceedings to a designated jurisdiction.
3. Venue for a civil action commenced under this chapter shall be determined in accordance with Chapter 616 of the Iowa Code, Place of Bringing Actions.
4. A condition, stipulation, or provision requiring the application of the law of another state in lieu of Section 537A.10 of the Iowa Code is void.

DATED: \_\_\_\_\_

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

ATTEST:  
\_\_\_\_\_



AS INDIVIDUALS:

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

AS A CORPORATION:

Alloy Wheel Franchise, LLC

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

**MARYLAND AMENDMENT TO FRANCHISE AND TRADEMARK AGREEMENT,**  
**RENEWAL FRANCHISE AND TRADEMARK AGREEMENT OR**  
**RESALE FRANCHISE AND TRADEMARK AGREEMENT**

Article 1, Section 1.2 entitled Acknowledgments, shall be amended to include the following at the end:

Nothing contained in this section is intended nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Article 12, Section 12.2(h), entitled Conditions for Approval (Consent of Alloy Wheel Repair Specialists to Voluntary Transfer), shall be amended to include the following at the end:

Notwithstanding the foregoing, pursuant to COMAR 02.02.08.16L, the general release required as a condition of the sale, assignment and/or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Article 14, entitled Renewal Rights, shall be amended to this section:

Notwithstanding the foregoing, pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Article 17, Section 17.1, entitled Governing Law, shall be amended to include the following at the end:

Notwithstanding the foregoing, any claim arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Article 17, Section 17.5, entitled Venue, shall be amended to add the following:

Notwithstanding the foregoing, pursuant to Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law, and notwithstanding the language contained in section 17.4 of the Franchise and Trademark Agreement, the Franchisor irrevocably consents to be sued in the State of Maryland by the Franchisee for any claims or causes of action relating to or arising out of the Franchise and Trademark Agreement.

DATED: \_\_\_\_\_

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

ATTEST:

\_\_\_\_\_

AS INDIVIDUALS:

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

AS A CORPORATION:

Alloy Wheel Franchise, LLC

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

**AMENDMENT TO FRANCHISE AND TRADEMARK AGREEMENT**  
**REQUIRED BY THE STATE OF MINNESOTA**

The following language shall be added to Article 2, Section 2.2 entitled Selection of Location for New Remanufacturing Facility, Article 4, Section 4.1 entitled Purchase or Lease of Premises, Articles 12, Section 12.2 entitled Conditions for Approval, and Articles 14 entitled Renewal Rights:

The release referred to in this section shall not relieve any person from liability imposed by Minnesota statute 1973 supplement, § 80C.01 to 80C.22. However, the parties are free to enter into voluntary settlements of disputes.

The following language shall be added to Article 13, Section 13.1 entitled Termination Upon Notice, and in instances where this language is in conflict with Section 13.1, the language of the Amendment shall control:

Notwithstanding anything stated to the contrary, Minnesota law provides Franchisees with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement. Where the provisions of the Minnesota Statute conflict with the provisions contained in the UC Franchise and trademark Agreement, Minnesota Law shall control.

The following language shall be included in Article 17, Section 17.1 entitled Governing Law, and Article 17, Section 17.5 entitled Venue:

Notwithstanding anything stated to the contrary, Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, and Franchisor is prohibited from requiring the Franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this part shall not bar an exclusive arbitration clause, pursuant to Minn. Rule 2860.4400J.

Article 17, Section 17.3 entitled Preliminary Injunctive Relief shall be amended to read as follows:

We may seek to obtain at any time in any court of competent jurisdiction any declaratory or injunctive relief, including temporary restraining orders and preliminary injunctions, against conduct or threatened conduct for which no adequate remedy at law may be available or which may cause us irreparable harm.

DATED: \_\_\_\_\_

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

AS INDIVIDUALS:

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

AS A CORPORATION:

Alloy Wheel Franchise, LLC

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

**AMENDMENT TO FRANCHISE AND TRADEMARK AGREEMENT**  
**REQUIRED BY THE STATE OF NORTH DAKOTA**

The following sections of the Franchise Agreement are hereby amended pursuant to the provisions of Section 51-19-09 of the North Dakota Franchise Investment Law:

1. Article 11, Section 11.4 entitled Franchisee's Post-Term Covenants, of the Franchise and Trademark Agreement shall be amended to include the following language:

“Covenants not to compete such as those outlined in this Section are generally considered unenforceable in the State of North Dakota. The restrictive covenants contained in this section are subject to section 9-08-06, N.D.C.C.”

2. Article 14 entitled Renewal Rights, shall be amended to the extent that Franchisor shall not require the Franchisee to sign a general release upon renewal of the Franchise Agreement.

3. Article 16, Section 16.2 entitled Indemnification, Article 17, Section(s) 17.2 entitled Arbitration and Section 17.7 entitled Limitations on Legal Claims, shall be amended to the extent that Franchisor shall not require the Franchisee to consent to termination penalties or liquidated damages.

4. Article 17, Section 17.1 entitled Government Law, shall be amended to the extent that Franchisor will not require the Franchisee to waive his or her rights under North Dakota Law, and this Franchise Agreement and all issues arising from or relating to this Franchise Agreement will be governed by and construed under the laws of the State of North Dakota.

5. Article 17, Section(s) 17.2 entitled Governing Law, and Section 17.7 entitled Arbitration, shall be amended to include the following language:

“Arbitration shall be at a site of arbitration agreeable to all parties.”

6. Article 17, Section 17.5 entitled Venue, shall be amended to the extent that Franchisor will not require the Franchisee to consent to the jurisdiction of courts outside of North Dakota.

7. Articles 17, Section 17.7 entitled Limitations on Legal Claims, shall be amended to the extent that Franchisor will not require the Franchisee to consent to a waiver of exemplary and punitive damages, nor shall the Franchisor require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

DATED: \_\_\_\_\_

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

ATTEST:

\_\_\_\_\_

AS INDIVIDUALS:

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

AS A CORPORATION:

Alloy Wheel Franchise, LLC

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

**AMENDMENT TO FRANCHISE AND TRADEMARK AGREEMENT**  
**REQUIRED BY THE STATE OF RHODE ISLAND**

Pursuant to Section 19-28.1-14 of the Rhode Island Franchise Investment Act, Article 17, Section(s) 17.1 entitled Governing Law, and Section 17.5 entitled Venue, shall be amended to include the following language:

Notwithstanding anything stated to the foregoing, a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.

DATED: \_\_\_\_\_

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

ATTEST:

\_\_\_\_\_

AS INDIVIDUALS:

AS A CORPORATION:

\_\_\_\_\_  
Franchisee

Alloy Wheel Franchise, LLC

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

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee



**AMENDMENT TO FRANCHISE AND TRADEMARK AGREEMENT**  
**REQUIRED BY THE STATE OF SOUTH DAKOTA**

The Franchisor and Franchisee agree to the following amendments to that one certain Alloy Wheel Repair Specialists Franchise and Trademark Agreement executed on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_:

1. Article 11, Section 11.4 entitled Franchisee's Post-Term Covenants, is hereby amended to include the following language:

Notwithstanding anything stated to the foregoing, covenants not to compete upon termination or expiration of the Franchise and Trademark Agreement are generally unenforceable in the State of South Dakota.

2. Article 13, Section 13.2 entitled Termination After Opportunity To Cure, shall be amended to include the following language:

Before the termination of this Agreement due to your breach of the Agreement, failure to meet performance and quality standards, or failure to make royalty payments, we will afford you 30 days written notice with an opportunity to cure said default.

3. Article 17, Section 17.1 entitled Governing Law, shall be amended to include the following language:

Notwithstanding anything stated to the contrary, the law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota; but as to contractual and all other matters, this Agreement and all provisions of this instrument will be and remain subject to the application, construction, enforcement and interpretation under the governing law of South Carolina.

4. Article 17, Section 17.2 entitled Arbitration, shall be amended to include the following language:

Notwithstanding anything stated to the contrary, in the event that either party shall make demand for arbitration, such arbitration shall be conducted in a mutually agreed upon site in accordance with Section 11 of the Commercial Arbitration Rules of the American Arbitration Association.

5. Article 17, Section 17.5 entitled Venue, shall be added to this section:

Notwithstanding anything stated to the contrary, any provision which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue in a forum outside of South Dakota is void with respect to any cause of action which is otherwise enforceable in South Dakota.

6. Article 17, Section 17.7 entitled Limitations On Legal Claims, shall be amended to include the following language:

Notwithstanding anything stated to the contrary, pursuant to SDCL 37-5B, any condition, stipulation or provisions purporting to waive compliance with any provisions of this chapter or any rule or order thereunder is void. Any acknowledgment provision, disclaimer or integration clause or provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate this chapter or a rule or order under this chapter.

Any provision that provides that the parties' waive their rights to claim, punitive, exemplary, incidental, indirect, or consequential damages or any provision that provides that parties' waive their right to a jury trial may not be enforceable under South Dakota law.

DATED: \_\_\_\_\_

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

ATTEST:

\_\_\_\_\_

AS INDIVIDUALS:

AS A CORPORATION:

\_\_\_\_\_  
Franchisee

Alloy Wheel Franchise, LLC

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

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Franchisee

## **WASHINGTON FRANCHISE AGREEMENT ADDENDUM**

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Alloy Wheel Repair Specialists  
FRANCHISOR NAME

\_\_\_\_\_  
PROSPECTIVE FRANCHISEE

**EXHIBIT D**  
**FRANCHISOR'S AGENTS FOR SERVICE OF PROCESS**

<p><b><u>California</u></b>  Commissioner of Dept. of Business Oversight  320 West 4<sup>th</sup> St., Ste. 750  Los Angeles, CA 90013  (213) 576-7500 or  Toll Free: (866) 275-2677</p> <p>Commissioner of Dept. of Business Oversight  One Sansome Street, Ste. 600  San Francisco, CA 94104  (415) 972-8565  Agent: California Commissioner of Dept. of Business Oversight</p> <p><b><u>Florida</u></b>  Florida Dept. of Agriculture &amp; Consumer Services  Division of Consumer Services  2005 Apalachee Parkway  Tallahassee, FL 32399-6500  (850) 410-3800</p> <p><b><u>Hawaii</u></b>  Commissioner of Securities  Department of Commerce and  Consumer Affairs  Business Registration Division  335 Merchant Street, Room 203  Honolulu, HI 96813  (808) 586-2744  Agent: Commissioner of Securities of the Dept. of  Commerce and Consumer Affairs</p> <p><b><u>Illinois</u></b>  Office of Attorney General  500 S. Second Street  Springfield, IL 62706  Agent: Illinois Attorney General  (217) 782-4465</p> <p><b><u>Indiana</u></b>  Secretary of State  302 W. Washington St., Rm E-111  Indianapolis, IN 46204  (317) 234-8009  Agent: Indiana Secretary of State</p> <p><b><u>Maryland</u></b>  Maryland Securities Commissioner  Office of the Attorney General  200 St. Paul Place, 20th Floor  Baltimore, MD 21202  (410) 576-6360</p>	<p><b><u>Michigan</u></b>  Consumer Protection Division  Corporations and Securities Bureau of the Dept. of  Commerce  670 Law Building  Lansing, MI 48913  (517) 373-7177</p> <p><b><u>Minnesota</u></b>  Commissioner of Commerce  Minnesota Dept. of Commerce  Securities Unit  85 7<sup>th</sup> Place East, Ste. 280  St. Paul, MN 55101-2198  (651) 539-1600</p> <p><b><u>New York</u></b>  New York Department of State  Division of Corporations  Customer Service Counter-6<sup>th</sup> FL  99 Washington Avenue  Albany, NY 12231  (518) 473-2492  Agent: New York Dept. of State</p> <p><b><u>North Carolina</u></b>  Department of Secretary of State  PO Box 29622  Raleigh, NC 27626-0622</p> <p><b><u>North Dakota</u></b>  Securities Commissioner  600 E. Boulevard, 5<sup>th</sup> Floor  Bismarck, ND 58505-0510  (701) 328-2910  Agent: North Dakota Securities Commissioner</p> <p><b><u>Rhode Island</u></b>  Director of Department of Business Regulations  Division of Securities  1511 Pontiac Avenue  Cranston, RI 02920  (401) 462-9500</p> <p><b><u>South Dakota</u></b>  Director of Division of Insurance  Securities Regulation  Dept. of Labor &amp; Regulation  124 S. Euclid Ave., Ste. 104  Pierre, SD 57501  (605) 773-3563  Agent: Director of Division Securities</p>
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<p><b><u>Texas</u></b>  Secretary of State  P.O. Box 12887  Austin, TX 78711</p> <p><b><u>Virginia</u></b>  Clerk of State Corporation  Commission of Virginia  1300 E. Main St.  Richmond, VA 23219  (804) 371-9051  Agent: Clerk of the State Corporation Commission  1300 E Main St., 1<sup>st</sup>. FL  Richmond, VA 23219  (804) 371-9733</p>	<p><b><u>Washington</u></b>  Washington Dept. of Financial Institutions  Securities Division  150 Israel Road SW  Tumwater, WA 98501  Agent: Department of Financial Institutions</p> <p><b><u>Wisconsin</u></b>  Office of Commissioner of Securities  Dept. of Financial Institutions  Division of Securities  345 W. Washington Ave., 4<sup>th</sup> FL  PO Box 1768  Madison, WI 53701-1768  (608) 266-8559  Agent: Commissioner of Securities</p>
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\*\* If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process, which may not be required by the applicable franchise laws. There may also be additional agents appointed in some of the states listed.

**THE ALLOY WHEEL REPAIR SPECIALISTS**  
**FRANCHISE AND TRADEMARK AGREEMENT**

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FRANCHISEE

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FRANCHISE NUMBER

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## **SCHEDULES TO FRANCHISE AND TRADEMARK AGREEMENT**

**Schedule A Term and Market Area**

**Schedule B Disclosure of Ownership Interests**

**Schedule C Owners' Personal Guaranty**

## **FRANCHISE AND TRADEMARK AGREEMENT**

THIS AGREEMENT between Alloy Wheel Franchise, LLC., a Delaware limited liability company with its principal place of business located at 3100 Medlock Bridge Road, Suite 305, Norcross, Georgia, and that does business under the name Alloy Wheel Repair Specialists, and franchises others to operate Alloy Wheel Repair Specialists franchises, (collectively referred to as “Franchisor”, “we”, or, “us”, or “Alloy Wheel Repair Specialists”) and \_\_\_\_\_ (“Franchisee” or “you”), a(n) \_\_\_\_\_, whose principal address \_\_\_\_\_, is made and entered into as of the date appearing below our signature line at the end of this Agreement (the “Agreement Date”).

### **ARTICLE 1** **INTRODUCTION AND DEFINITIONS**

#### **1.1 Restoration and Repairing of Alloy wheel Services**

We have developed a marketing and service system; and we are the owner of a unique proprietary method (collectively the “Method” or “System”) for repairing, restoring, replacing, and remanufacturing alloy wheels and providing the services as hereinafter defined under the name and style “Alloy Wheel Repair Specialists.”

We have developed and packaged certain components (the “System Components”) including air tools, abrasives, chemical tints, airbrushes, grinders, fillers, air-guns, a mobile wheel straightener and other materials sufficient to facilitate the provision of Wheel Repair Services (“Services”) from a Mobile Reconditioning Facility “MRF”) and also from Remanufacturing Facilities;

#### **1.2 Acknowledgments**

You and we acknowledge our shared commitment to the common goals of enhancing customer goodwill toward the Marks, to strengthening the business of Alloy Wheel Repair Specialists and to expanding the chain of Alloy Wheel Repair Specialists. You and we further acknowledge that the success of achieving these common goals is dependent on us and you working together in a spirit of mutual respect and cooperation.

The provisions of this Agreement are based on the guiding principles that: (a) we should respect your interest in the going-concern value of your Business; and (b) you should respect our ownership of the System, including the Marks, trade secrets, confidential information that we designate and the associated goodwill, and our rights to determine the nature and quality of the products and services sold under the Marks, to control the manner in which the Marks are used, to enforce System standards and to manage the System. You understand the terms of this Agreement and accept them as being reasonably necessary for us to maintain the uniformity of our high quality standards at all Alloy Wheel Repair Specialists facilities and to protect the goodwill of the Marks and the integrity of the System.

### 1.3 Definitions

The terms listed below have the meanings which follow them or have the meanings which are set out in the referenced Section and include the plural as well as the singular. Other terms are defined elsewhere in this Agreement in the context in which they arise.

- 1) “Affiliate” - Any person or entity that directly or indirectly owns or controls the referenced party that is directly or indirectly owned or controlled by the referenced party, or that is under common control with the referenced party.
- 2) “Agreement Date” - See Preamble.
- 3) “Annual Administrative Expense” - See Section 8.2.
- 4) “Authorized Franchisee”- means any person who has been authorized by the Company to carry on the business and to provide the Services and to use the Method, the System, the Marks in connection therewith, including the Company.
- 5) “Authorized Franchise”- means the Business of providing the Services using the Method, the System, the Marks, and the name by an Authorized Franchisee.
- 6) “Authorized Products and Services” - See Section 7.1.
- 7) “Alloy Wheel Specialists Franchisees” - See Section 1.1.
- 8) “Business” means the operation of an Alloy Wheel Repair Specialists facility either as a mobile business or as a remanufacturing facility at a fixed location.
- 9) “Company” means the Franchisor.
- 10) “CPI” - The index number in the table relating to “Consumer Price Index - United States City Average, All Items, for Urban Wage Earners and Clerical Workers” as presently published in the “Monthly Labor Review” of the Bureau of Labor Statistics for the United States Department of Labor (the “Bureau”). In the event the Bureau ceases publishing the Consumer Price Index or materially changes the methods of its computation or other features of it, we may substitute comparable statistics on the purchasing power of the consumer dollar published by the Bureau, another governmental agency or a responsible financial periodical or recognized authority to be chosen by us.
- 11) “Competitive Business” - See Section 11.2.
- 12) “Confidential Information” - See Section 11.1.
- 13) “Facility” that we grant others the right to operate, and which offer and sell the Authorized Products and Services using the Marks and the System.
- 14) “Fixed Location” A facility such as a warehouse or store front where wheels are sold and repaired.
- 15) “Former Open Territory Customers”- See Section 2.4
- 16) “Franchised Business”- means the operation of a Alloy Wheel Repair Specialists business.

- 17) “Franchisee” or “you” - See Preamble.
- 18) “Franchisor” or “we” - See Preamble.
- 19) “Gross Revenues” - See Section 3.3.
- 20) “Immediate Family” - Spouse, parents, brothers, sisters and children, whether natural or adopted.
- 21) “Market Area” - The MSA, PMSA, NECMA, county, parish or other corresponding geographical area used by the U.S. Census Bureau and as described in Schedule A, attached hereto and incorporated herein by reference.
- 22) “Marks” - Our current and future trademarks, service marks, logos, copyrights, and trade dress, including the mark “the trademarks of the Company, whether owned or franchised, whether registered, applied for or under consideration for application in any jurisdiction, and which are authorize our Approved Franchisees to use.
- 23) “Method” means proprietary procedures and methods and the marketing used to conduct the Business as set forth from time to time by us in accordance with its manuals.
- 24) “Mobile Reconditioning Facility or “MRF” means a trailer-style vehicle or a truck style workshop on wheel in which Wheel Repair Services are rendered.
- 25) “Operating Partner” - See Section 6.2.
- 26) “Operations Manual” - See Section 5.4.
- 27) “Open Territory”- See Section 2.4
- 28) “Opening Date” - See Section 4.2.
- 29) “Owner” - See Section 6.1.
- 30) “Population” or “Pops”- refers to the data provided by the US Census Bureau for the year 2010. This does not apply to estimates and interpolations for interim periods.
- 31) “Preferred Supplier” - A supplier of equipment, furnishings, parts, supplies or other products who we have approved and whose equipment, parts, furnishings, supplies or products we use in training programs and the Operations Manual to demonstrate and teach techniques in performing services associated with Authorized Products and Services.
- 32) “Premises” - The location of your Alloy Wheel Repair Specialists business.
- 33) “Products”- means all inventory, equipment, materials, and supplies reasonably required to provide the Services in the Territory including without limitation, the System components and all additions thereto and substitutions made by the Company from time to time and all air tools, abrasives, fillers, paints, and clear-coats.
- 34) “Remanufacturing Facility” means a facility that at a minimum has a CNC Lathe and powder paint coating technologies which fully refinishes or restores alloy wheels by utilizing production processes and equipment that could fully strip wheels to bare metal and then repairs, reconditions OEM wheels, refurbishes rebuilds or replaces the

wheel in a manner similarly used to manufacture wheels. The Facility services both commercial businesses and retail customers.

- 35) “Renewal Franchise Agreement”- means your renewal agreement as referred to in Article 14 of the Franchise and Trademark Agreement.
- 36) “National Brand Awareness Fund” (“NBAF”) - See Section 3.4.
- 37) “System” - The business methods, systems, designs and arrangements for developing and operating that include the Marks; the Confidential Information; standards and specifications for equipment; service standards; training and assistance; advertising and promotional programs; and certain operations and business standards and policies.
- 38) “System Components”- See Section 1.1
- 39) “Term” - See Section 2.1.
- 40) “Territory”- See Section 2.3
- 41) “Transfer the Franchise” - See Section 12.1.
- 42) “Your Facility” - See Section 2.1.

## **ARTICLE 2**

### **GRANT OF RIGHTS**

#### **2.1 Grant of Franchise/Reservation of Rights**

Subject to the terms and conditions of this Agreement, we grant you the right, and you assume the obligation, to operate either a Mobile Reconditioning Facility or a Remanufacturing Facility (“your Facility”) within the Territory or at the Premises, as the case may be, and to use the System solely in connection therewith, for a term expiring on the expiration date set forth in Schedule A or otherwise expiring on the 10<sup>th</sup> anniversary of the Opening Date (the “Term”). You are required to conduct all of your business specifically within the Territory granted to you, unless otherwise specified in this Agreement, and the conduct of your business must be in compliance with the terms of this Agreement.

Except as otherwise expressly provided in this Agreement, we and our Affiliates reserve all of our respective rights and discretion with respect to the Marks, the System, your Business, and your Facility anywhere in the world and the right to engage in any business whatsoever, including: (a) the right to operate, and grant to others the right to operate or establish others to operate a Mobile Reconditioning Facility (“MRF”) or a Remanufacturing Facility at such locations or in such territories, and on such terms and conditions as we deem appropriate, that are outside the Territory set forth in this Agreement; (b) the right to establish a MRF or a Remanufacturing Facility within the Territory; provided that we will not grant or establish a Fixed Location in the Territory without first giving you the right to match the terms by which we would erect or cause to be erected the particular fixed location or offer the same to the third party. Under this section (b) you will have 60 days-notice from the date we notify you of such Fixed Location to exercise this option under terms and conditions that we may require from time-to-time; (c) the right to operate, and grant to others the right to operate not using the Alloy Wheel Repair Specialists name at such locations or in such Territories as the case may be, and on such terms and conditions as we deem

appropriate; (d) the right by us to buy or sell wheels, wheel parts and accessories within the Territory by other of our franchisees or by us through centralized ordering using toll free telephone, email or internet websites; (e) the right to acquire, merge or consolidate with, be acquired by, operate and expand businesses; and (f) to offer the same or similar products and/or services that you are authorized at your Facility or in your Territory through other channels of distribution, including, but not limited to internet offered services.

## 2.2 Selection of Location for New Remanufacturing Facility

If by this Agreement you intend to operate a Remanufacturing Facility then you must provide us with a proposed location in your Territory within 90 days after the Agreement Date. Your proposed location must conform to any site selection guidelines and requirements we may provide you and is subject to our approval. You agree to submit to us all information about the proposed location that we request, including a complete site analysis report. We have no obligation to consider a proposed location until we receive all requested information. You agree not to execute any lease or purchase agreement for, nor commit to any other binding obligation to purchase, occupy or improve, any proposed location until we have approved the location in accordance with our standard procedures. In approving or disapproving any proposed location, we will consider the factors we deem relevant, including general location, neighborhood, the commercial automotive business in your Territory, and the distance from your proposed customers. We will have no liability whatsoever to you or anyone else for disapproving a proposed location. Upon approval of a proposed location, the location will be identified in Schedule B and Schedule B will be signed by both parties and attached to this Agreement. Once Schedule B has been completed and signed, the location identified in Schedule B will be deemed the "Premises."

If you and we are unable to mutually agree on a location for your Remanufacturing Facility within 90 days after the Agreement Date, either party may terminate this Agreement, effective upon notice. However, if either you or we terminate this Agreement at that time you are not entitled to any refund of your initial franchise fee you have paid hereunder.

Neither any site selection guidelines we may provide you or requirements, nor our approval of the Premises, nor any information we may impart to you about the Premises, constitutes a warranty or representation of any kind, express or implied that your Business will be profitable or successful. Our approval of the Premises merely signifies that we authorize you to operate a Remanufacturing Facility at that site. You are solely responsible for the selection of an appropriate site for your Remanufacturing Facility.

## 2.3 Your Territorial Protection

The territory granted to you shall be defined in Schedule 2 of this Agreement ("Territory"). During the term of your Agreement you shall have a protected right to operate an Alloy Wheel Repair Specialists business in your Territory, subject to the terms and conditions set forth in this Agreement. You may not, unless otherwise stated in this Agreement, solicit for services offered by the System, or sell any Products or Services to any person located outside the Territory excluding the sale of wheels, wheel parts and accessories through centralized ordering using toll free telephone, e mail or internet websites.



## 2.4 Development of your Territory

You are expected to develop your Territory. In order to maintain the protected right for your Territory, you must meet certain Minimum Annual Gross Revenue (“MAGR”). These MAGR requirements are based on the population contained in your Territory and will increase each year based on the formula chart set forth below.

Territory Population

Year/\$/pop	
Year 1	\$0.15
Year 2	\$0.25
Year 3	\$0.35
Year 4	\$0.45
Year 5	\$0.55
Year 6	\$0.65
Year 7	\$0.75
Year 8	\$0.85
Year 9	\$0.95
Year 10	\$1.05

For example, if you have a territory with a population of 750,000, your Minimum Annual Gross Revenue requirement would be:

Year/ MAGR	
Year 1	112,500
Year 2	187,500
Year 3	262,500
Year 4	337,500
Year 5	412,500
Year 6	487,500
Year 7	562,500
Year 8	637,500

Year 9	712,500
Year 10	787,500

If you have signed this Agreement as your renewal Franchise Agreement, and you have reached your MAGR during the initial term of your Franchise Agreement, then then MAGR for each year of the renewal term shall be an annual 10% increase your aggregate Gross Revenue reported by you to us during the then previous 12 months of the operation of your Business. If you are renewing your Franchise and you have not met the MAGR during the initial term of your Franchise Agreement and we have not terminated your territorial exclusivity then, at our discretion, we may permit you to use the same MAGR formula to obtain MAGR over a specific period of time as we may determine during your renewal term. At such time that you do reach the contractually mandated MAGR then we may require you to further increase your aggregate Gross Revenue in the same manner as those Franchisees that reached their target MAGR during the initial term of their Franchise Agreement.

If you fail to meet these MAGR requirements during any 1 year, or as required during the renewal term, as the case may be, we reserve the right to a) service the Territory with a Company-owned MRF; b) ask another Authorized Franchisee from another territory to service the Territory-wherein such Authorized Franchisee shall receive the revenues from the operations of such business; c) identify another party to become an Authorized Franchisee in the Territory on a non-protected basis; or d) terminate this Franchise and Trademark Agreement.

The MAGR is not a guaranty of performance. There is no assurance that any franchisee will attain the MAGR' set forth in the Franchise Agreement.

## 2.5 Your Customers

You shall primarily service customers located within the Territory. You may service customers located outside the Territory, if such customers are located in areas geographically contiguous to the Territory and in the areas that are not the territory of other franchisees' Business (an "Open Territory"), and subject to the terms of this Section 2.5.

As provided in this Section 2.5 you also may service for a period of time Former Open Territory Customers defined below located in the territory of another franchisee's Business.

For purposes of this Agreement "Former Open Territory Customers" are customers who, on the Effective Date of this Agreement are located in an Open Territory and (i) paid for Alloy Wheel Repair Specialist services during all or any part of the 24 months prior to the previously Open Territory becoming part of the territory of another franchisee's Business and (ii) appear, by name and address, on a written list received by Franchisor from Franchisee within 30 days of the Franchisee becoming aware (by notice from Franchisor or otherwise) that previously Open Territory has become part of the territory of another franchisee's Franchised Business. If and only if conditions (i) and (ii) are satisfied, Franchisee may continue to service Former Open Territory Customers of a period not to exceed 24 months after date that a previously Open Territory becomes part of the territory of another franchisee's Business. At the conclusion of the 24-month period,

Franchisee must turn Former Open Territory Customers over to the franchisee in whose territory the customer is located.

## 2.6 Your Right to Associate with other Alloy Wheel Repair Specialists Franchisees

We agree not to prohibit or restrict you from lawfully associating with other Alloy Wheel Specialists Franchisees, nor from forming, joining or participating in the lawful activities of any independent association of those Franchisees. Notwithstanding the foregoing, our exercise and enforcement of rights under this Agreement or under applicable law will not, by itself, constitute a breach of this Section 2.4. You are not required to be a member or participate in the activities of any independent association of Alloy Wheel Repair Specialists Franchisees. In addition, your right to participate in any lawful association of Alloy Wheel Repair Specialists Franchisees does not obligate us to recognize or otherwise interact with such association under any circumstances unless we believe at our sole discretion that it is in the best interests of the Franchise System to do so.

## 2.7 Relocation of your Remanufacturing Facility

If your lease or sublease for the Premises terminates prior to its expiration for reasons other than a default thereunder by you or expires without you being able to obtain a renewal of the lease or sublease, then you may relocate your Facility in accordance with this Section 2.7, subject to our approval. Any such relocation shall be at your sole expense. The relocation of your Facility is subject to all of the provisions of Section 2.2, Section 2.3, Section 3.3, Section 4.1, Section 4.2, Section 4.3 and Section 4.4 as if you were establishing a new Remanufacturing Facility, provided, however: (a) your rights under Section 2.3 terminate effective immediately upon closing of the old Premises and become operative again only when the new Premises are approved by us; (b) your Remanufacturing Facility at the new Premises must open within 12 months after the date of closing of the old Premises; (c) your initial franchise fee is not refundable; and (d) you agree to reimburse us for all of our costs and expense incurred in connection with your relocation.

# **ARTICLE 3** **FEES**

## 3.1 Initial Franchise Fee

The amount of the Initial Franchise Fee shall be \_\_\_\_\_, which amount corresponds with either Mobile Franchise (a), (b), (c), (d) or the Remanufacturing Operation Facility Franchise (a), (b), (c) below. For whatever size franchise you purchase the initial franchise fee and the other costs referenced above must be paid to us at the time that you sign your Franchise and Trademark Agreement. The initial franchise fee is fully earned by us on the Agreement Date and is non-refundable.

### Mobile Franchise

- (a) The Standard Level Franchise has a territory with an estimated population up to 500,000 people with additional areas available if qualified up to an estimated population of 1,000,000 people has an initial franchise fee of \$40,000, plus you will buy a Mobile Reconditioning Facility or Box Truck from us between \$35,000 and

\$140,000, as well as a Start-up Kit for \$8,000 to \$12,000 and a Wheel Straightener for \$5,000 to \$8,000, making your initial payments to us between \$88,000 to \$200,000.

- (b) The Medium Market mobile franchise has a territory with an estimated population between 500,001 to 1,000,000 people. The Initial Franchise Fee for that size territory is \$75,000, plus you will buy two Mobile Reconditioning Facilities or Box Truck(s) from us for between \$70,000 and \$280,000, as well as two Start-up Kits for \$16,000 to \$24,000 and two Wheel Straighteners for \$10,000 to \$16,000, making your initial payments to us between \$171,000 and \$395,000.
- (c) The Large Market mobile franchise has a territory, which will have an estimated population above 1,000,001 people. The Initial Franchise Fee for that size territory is \$110,000, plus you will buy three Mobile Reconditioning Facilities or Box Truck(s) from us for between \$105,000 and \$420,000, as well as three Start-up Kits for \$24,000 to \$36,000 and three Wheel Straighteners for \$15,000 to \$24,000, making your initial payments to us between \$254,000 and \$590,000. Additionally, for large market mobile franchises, you are expected to add a fourth and fifth Mobile Reconditioning Facility or Express MRF Van after 1 year in business.

#### Remanufacturing Operation Facility Franchise

- (a) If you purchase a Mini Remanufacturing Facility Franchise that has a size between 2,000- 4,000 sq. ft., the initial franchise fee is between \$40,000-\$110,000, plus you will buy Wheel Straightening & Remanufacturing equipment from us for between \$115,000 to \$140,000, making your initial payments to us and our affiliates between \$155,000 and \$250,000.
- (b) If you purchase a Medium Remanufacturing Facility Franchise that has a size between 4,000 - 8,000 sq. ft., the initial franchise fee is between \$40,000-\$110,000, plus you will buy Wheel Straightening & Remanufacturing equipment from us for between \$250,000 to \$275,000, making your initial payments to us and our affiliates between \$290,000 and \$385,000.
- (c) If you purchase a Full Size Remanufacturing Facility Franchise that has a size between 6,000 - 10,000 sq. ft., the initial franchise fee is between \$40,000-\$110,000, plus you will buy Wheel Straightening & Remanufacturing equipment from us for between \$420,000 to \$445,000, making your initial payments to us and our affiliates between \$460,000 and \$555,000.

### 3.2 Royalty Fees

- (a) You agree to pay us such that we receive on or before the 15<sup>th</sup> day of each calendar month following the completion of the business conducted for the immediately preceding month a royalty in the amount of 6% of the Gross Revenues in connection with all repairs, services, or parts provided by Franchisee, except that the royalties for the following services shall be:

1. Wheels repaired at a franchisee's Remanufacturing Facility shall be subject to a 6% Royalty starting on the Remanufacturing Facility's opening month; and
  2. Sales of Wheels procured from or repaired by a third party, including without limitation a Company or other franchisee owned or operated Remanufacturing Facility and/or a Powder-Coating shall be subject to a 6% Royalty.
- (b) If you fail to report revenues from your operations the royalty on all un-reported income will be 10% of such sales. Additionally, from time-to-time we may authorize additional products and/or services that may be sold at your business that may or may not fit the current definition of Authorized Products and Services.

### 3.3 Royalty Fee Administration

Notwithstanding anything to the contrary contained in Section 3.2:

- (a) the royalty fee will be 10% of all Gross Revenues, if you fail to provide us required information using computer systems in accordance with Section 9.2;
- (b) the royalty fee will be 10% of all unreported Gross Revenues, including those uncovered by an audit conducted pursuant to Section 9.6; and
- (c) we have the right to establish the amount of the royalty fee for any new products or services that become part of the Authorized Products and Services after the Agreement Date.

"Gross Revenues" are all the revenues derived from or in connection with the operation of your Alloy Wheel Repair Specialists business, whether from sales for cash, credit, barter or exchange, or gift certificates, and irrespective of their collection, including charges for Authorized Products and Services and applicable proceeds from any business interruption insurance for your business, but excluding:

- (a) sales taxes, use taxes, gross receipts taxes, and other similar taxes added to the sale price, collected from the customer and remitted to the appropriate tax authorities; and
- (b) cash or credit refunds for transactions included in Gross Revenues. "Gross Revenues" also include revenues derived from any products or services sold and/or performed from or in connection with your business that are not Authorized Products and Services, without such inclusion in this definition or the related collection of royalty fees constituting an acknowledgment or admission by us that such products or services are Authorized Products and Services or constituting in any manner a waiver of our right to assert that any such sale breaches this Agreement or otherwise violates our rights.

### 3.4 Contributions to the National Brand Awareness Fund

You agree to contribute \$100.00 per month payable to the National Brand Awareness Fund ("NBAF"). You acknowledge and agree that we may enforce your obligation to contribute to the NBAF. Notwithstanding the foregoing: (a) we may time-to-time increase the percentage amount of your contributions to the NBAF. Your contributions to the NBAF are due and payable monthly together with the royalty fees due under Section 3.2.

### 3.5 Late Payments

All amounts which you owe us or any of our Affiliates, including NBAF contributions that are not paid when due, will be subject to a late charge of \$100, and shall bear interest from and after 10 days after their due date at the highest contract rate of interest permitted by law, not to exceed 3% above the prime rate, or (LIBOR) rate announced from time to time by JP Morgan/Chase or any other national bank we select. In addition, we have the right to assess service charges for any checks that are returned for insufficient funds and late charges if permitted by applicable law. Notwithstanding the imposition of interest or charges, your failure to pay all amounts, when due, constitutes grounds for termination of this Agreement as provided in Article 13.

### 3.6 Method of Payment

All initial franchise fees, royalty fees, advertising contributions and any other payments hereunder shall be paid using those methods of payment we may require from time to time, including electronic debit/credit transfer of funds. You agree to sign such documents, pay such bank fees and do such things as we deem necessary to facilitate electronic transfers of funds or other methods of payment. You also agree to send us the documentation required in Section 9.3. No restrictive endorsement on any check or in any letter or other communication accompanying any payment will bind us, and our acceptance of any such payment will not constitute an accord and satisfaction.

### 3.7 Application of Payments

We may apply any of your payments to us to any of your past due indebtedness for royalty fees, advertising contributions, purchases of products or supplies or any other past due indebtedness to us or any of our Affiliates, notwithstanding any contrary designation by you, provided that any payments that are designated as advertising contributions will be applied first to any currently due or past due advertising contributions. You agree that all such payments will be made as and when due without any setoff, deduction or prior demand therefor.

## **ARTICLE 4** **DEVELOPMENT OF YOUR BUSINESS**

### 4.1 Purchase or Lease of Premises

If your franchise is to be a fixed location Remanufacturing Facility, you agree to lease, sublease or purchase the Premises within 3 months after the Agreement Date. We have the right to approve the terms of any lease, sublease or purchase contract for the Premises, which approval will not be unreasonably withheld. You agree to deliver a copy of such lease, sublease or purchase

contract to us for our approval before you sign it. You agree that any lease or sublease for the Premises shall be, in form and substance satisfactory to us:

- (a) provide for notice to us of your default under the lease or sublease and an opportunity for us to cure such default;
- (b) require the lessor or sub-lessor to disclose to us, on our request, sales and other information furnished by you;
- (c) give us the right on any termination or expiration of this Agreement to assume the lease or sublease or to enter into a further sublease for a period of not less than 12 months and not more than 18 months (the "Interim Sublease"), without the lessor's or sub-lessor's consent;
- (d) give us the right to enter the Premises to make any modifications to your facility to protect our rights to the Marks;
- (e) provide that the lessor and/or sub-lessor relinquish to us, on any such termination or expiration of this Agreement, any lien or other ownership interest, whether by operation of law or otherwise, in and to any tangible property that embodies any of the Marks;
- (f) give us the right to assign the lease or sublease to a successor Franchisee, in which event the Interim Sublease (if any) shall terminate and be of no further force or effect; and
- (g) include an acknowledgment by the lessor and/or sub-lessor that we have no liability or obligation whatsoever under the lease or sublease until and unless we assume the lease or sublease on termination or expiration of this Agreement or enter into the Interim Sublease.

You may not execute a lease, sublease or purchase contract for the Premises or any modification, amendment, or assignment thereof before we have approved it. Our approval of the lease, sublease or purchase contract does not constitute a warranty or representation of any kind, express or implied, as to its fairness or suitability or as to your ability to comply with its terms. We do not, by virtue of approving the lease, sublease or purchase contract, assume any liability or responsibility to you or to any third parties. You agree to deliver a copy of the fully signed lease, sublease or purchase contract to us within 5 days after its execution.

If for any reason you fail to lease or purchase the Premises within 3 months after the Agreement Date, we may terminate this Agreement, effective upon delivery of notice thereof. In the event of such termination you will not receive any refund of your initial franchise fee or other amounts paid to us at the time of the Agreement Date.

#### 4.2 Development and Opening of Your Business

You are solely responsible for developing and operating your Business and for all associated expenses. If your Business is a Remanufacturing facility we will review your location,

but you are responsible for its build out and you must ensure that it meets the appropriate legal requirements (including the Americans with Disabilities Act and the Occupation Safety and Health Act) and any lease requirements and restrictions. You agree to open your Remanufacturing Facility on or before the expiration of 180 days from the Agreement Date. If your Business will be a Mobile franchise, then you must be offering our approved services for sale no later than 60 days from the Agreement Date. If the Business will be a Remanufacturing facility then you must be opened for business no later than 180 days from the Agreement Date, unless your failure to open such facility is due to reasons beyond your control (such as acts of God, unavoidable delays in obtaining zoning permits or unavoidable construction delays), we agree to grant a reasonable extension of time for you to open your Remanufacturing Facility.

#### 4.3 Equipment, Fixtures and Signs

You agree that all equipment, fixtures, furnishings, and signs that you purchase or lease for your Business shall be of the types, brands and models that meet our standards and specifications, and we may require you to purchase these items directly from us. At the current time, you must purchase directly from us the wheel straightening system, compressor, generator, paint booth and sign package that you will use in your business. We may require you to purchase other equipment and/or sign packages directly from us. You agree that all fixtures, furniture, and equipment that you purchase or lease for your Remanufacturing Facility shall be of the types, brands and models that we reasonably determine meet industry standards as to quality, performance and safety. Other than the items we require you to purchase directly from us, you may purchase or lease such other equipment, fixtures, furnishings, and signs from any suppliers.

You must purchase from us 1 Mobile Reconditioning Facility, 1 Start-Up Kit, and 1 Wheel Straightener. These purchases must be made at the time that you sign your Franchise Agreement and are referred to in Article 3.1 of this Agreement. You must continue to purchase all supplies related to your business from us or a preferred vendor of our choosing. In the event there are additional supplies that are not made available, you must submit a formal request to have them made available. All MRF's and remanufacturing equipment must be purchased from us or in collaboration with us through an approved supplier of our choosing.

#### 4.4 Ownership of Telephone Listings

You will list your Franchised Business in the Yellow Pages or comparable telephone directory, which shall include an internet accessible or "on-line" directory ("Yellow Pages") applicable to the Territory. You agree that such listing must occur as soon as possible after signing this Agreement; provided, however Franchisee shall not market the Franchised Business in any Yellow Pages, including an internet accessible or "on-line" directory, if the purpose, intent, or effect of such marketing is to reach customers who reside outside the Territory. If Franchisee operates the Franchised Business in a marketing area that is shared by Franchisor's other franchisees, Franchisee and all other franchisees shall use a common toll- free telephone number in their advertising or marketing materials. You agree to pay all telephone company charges for such telephone numbers and to reimburse us if we have to pay any such charges. You agree not to place any restrictive codes on the telephone numbers for your Business without our consent. You agree not to terminate any such telephone numbers during the Term or do anything else that may



directly or indirectly impede our ability to transfer or use those numbers upon any termination or expiration (without renewal) of this Agreement.

All telephone numbers and directory listings for your Business are our property, and we have the right to transfer, terminate such telephone numbers and directory listings only on termination or expiration (without renewal) of this Agreement. We may as we deem necessary amend your telephone listing or put it on a remote call forwarding or other answering device. If we take any action pursuant to this Section 4.4, the telephone company and all listing agencies may accept this Agreement as conclusive evidence of our exclusive rights to such telephone numbers and directory listings and as conclusive evidence of our authority to direct their amendment, termination or transfer, without any liability to you.

In addition, you agree to sign such release and transfer documents as we may require to authorize us to obtain the telephone numbers of your Business upon any termination or expiration (without renewal) of this Agreement. If, during the Term, the telephone numbers for your Business should be transferred to someone other than us, you will cooperate with us to ensure that they are returned to us.

## **ARTICLE 5**

### **TRAINING AND GUIDANCE**

#### **5.1 Training Programs**

If you and at least 1 other person involved in the operations of your Business have not previously attended and successfully completed our initial training program, then within 45 days after the Agreement Date, you and at least 1 other person involved in the operations of your Business must attend and complete our initial training program on the operation of an Alloy Wheel Repair Specialists franchise at such time(s) and place(s) as we designate. We will not charge you a tuition fee for attending such training, but you are responsible to pay all of your incidental costs of training, including travel, food, lodging and living expenses during the training period. If you purchase a major market franchise, you must send 2 people to this training program, and if you purchase a regional market franchise, you must send 2, or, at our discretion, 3 people, to training.

In addition to the initial training course you must complete all reasonably required Franchisee continuing education offered by the Company or its designee from time-to-time in accordance with our operations and training manuals in order to maintain our then required certification status. There will not be any tuition expense associated with such supplemental or additional training if it is conducted at one of our corporate locations, or where we may move it from time to-time. However, you and your employees that attend such supplemental training must bear their own costs for travel, food, lodging, and living expenses.

All technicians must be certified through the WRSI Training program which encompasses a minimum of 5 days of training and a maximum of 10 days of training or be trained by a technician that is certified through the WRSI Training. The Franchisee is responsible for supplying any on-going technician training and supplementing the initial Technician Training where less than the full 10 day training program is conducted.

Technicians are required to complete an abbreviated training program consisting of a minimum of 5 days at our corporate headquarters. You will be charged \$100 per day per Technician trained.

If you request supplemental or technician training separate and apart from what we generally offer in a group setting, we may agree to offer to you such supplemental or technician training, for which we have the right to charge you a supplemental training fee that can range from \$500 for a 5 day course to \$1,000 for a 10 day course.

Under no circumstances will the Franchisee provide training or issue a complete training certificate to its employees, unless Franchisee has first passed training and been issued the certification required by the Company to permit Franchisee's training of its own employees.

If we determine that there are significant deficiencies in the operations of your Business, we may require you (or your Operating Partner as the case may be) and your managers and key employees to attend and successfully complete periodic or additional training programs for which we may charge reasonable training fees.

Except as otherwise provided in this Section 5.1, you will be responsible for all expenses you incur in connection with attending all training programs, including compensation, travel, lodging, meals, and incidental expenses and meals.

## 5.2 On-Going Guidance

We will furnish you on-going guidance with respect to the System, including improvements and changes to it. Such guidance, at our discretion, will be furnished in the form of the Operations Manual, bulletins and other written or electronic communications, consultations by telephone or in person at our offices or at your Business, and by any other means of communications. You acknowledge and agree that various means of communication (e.g., electronic communication) may require you to incur expenses for communication technology, including hardware, software and access fees.

## 5.3 Periodic Visits

We reserve the right to conduct inspections of your Business to evaluate your operations and compliance with the System when and as frequently as we deem appropriate.

## 5.4 Operations Manual

We will loan you 1 copy of the Operations Manual during the Term. "Operations Manual" means our confidential operations manual, as amended from time to time, that may consist of 1 or more written manuals (including training manuals), containing our mandatory and suggested standards, specifications and operating procedures relating to the development and operation of an Alloy Wheel Repair Specialists business and other information relating to your obligations under this Agreement. "Operations Manual" also includes alternative or supplemental means of communicating such information by other media which specifically reference that they are to be considered to be part of the Operations Manual, including bulletins, e-mails, videotapes, audio

tapes, compact discs, computer diskettes and CD Roms. You agree to keep your copy of the Operations Manual current. If there is a dispute relating to the contents of the Operations Manual, our master copy will be controlling whether kept on paper or electronically. The Operations Manual contains Confidential Information, and you agree not to copy any part of it. We may change the Operations Manual from time-to-time, and you are required to comply with those changes; but those changes will not affect your royalty and/or advertising rate, or your Territory provided for in this Agreement.

## **ARTICLE 6**

### **YOUR ORGANIZATION AND MANAGEMENT**

#### 6.1 Disclosure of Ownership Interests

You and each Owner (as defined below) represent, warrant and agree that Schedule C, attached hereto and incorporated herein by reference, is current, complete and accurate. You agree to promptly update Schedule C so that Schedule C (as so revised and signed by you) is at all times current, complete and accurate. Each person who is or becomes an Owner must execute an Owner's Personal Guaranty, in the form of Schedule D, attached hereto and incorporated herein by reference, undertaking to be bound jointly and severally by the terms of this Agreement. Each Owner must be an individual acting in his personal capacity, unless we waive this requirement.

The term "Owner" is defined as a person or entity that has a 10% or more direct or indirect legal or beneficial ownership interest in you, if you are a business corporation, partnership, limited liability company or other legal entity.

#### 6.2 Management of Business

We require you (or your Operating Partner, as defined below) to actively participate in, and exert your best efforts to, the management of your Business. You agree that your Business at all times shall be managed by you (or your Operating Partner) or a manager who has satisfactorily completed our training program.

If you are, or at any time during the Term become, a business corporation, partnership, limited liability company or other legal entity, you agree to designate as the "Operating Partner" an individual approved by us who:

- (a) owns and controls not less than 10% of your equity and voting rights;
- (b) has completed our training program to our satisfaction; and
- (c) has the power and authority to bind you in all dealings with us, unless you designate in writing another Owner reasonably acceptable to us who has the power and authority to so bind you.

## **ARTICLE 7**

### **OPERATING STANDARDS**

## 7.1 Authorized Products and Services

You agree that your Business will offer only those services we authorize you to offer and sell to the public from time to time pursuant to the Operations Manual (“Authorized Products and Services”). You agree to offer for sale, and to exert your best efforts to aggressively market and sell, all Authorized Products and Services.

We have the right to add or delete Authorized Products and Services (including those identified in Section 3.2), and to conditionally approve Authorized Services. You acknowledge and agree that additional Authorized Products and Services may require you to incur additional costs for equipment, inventory, additional personnel, personnel training, and leasehold improvements.

Your Alloy Wheel Repair Specialists business may not be used for any purpose other than the operation of an Alloy Wheel Repair Specialists Business in compliance with this Agreement. You agree that your manager and employees will offer courteous and efficient service in accordance with our standards.

## 7.2 Product, Equipment and Supplies

You acknowledge that the reputation and goodwill of an Alloy Wheel Specialists business is based at least in part on the offering of high-quality services. Therefore, you agree that your Business will use only equipment, inventory, and supplies that conform to our specifications and standards as to quality, performance, and safety and/or are purchased from suppliers (which may include us and/or our Affiliates) we approve. We may be the designated supplier of certain, equipment, fixtures, furnishings, and inventory, including but not limited to tools, abrasives, paints, clear coats and primers, which will be sold to you at reasonable prices. Additionally, for a mobile operation you must purchase 1 wheel straightening system, one wheel straightener, and 1 mobile reconditioning facility, which includes an air compressor and generator, from us. at the time you sign this Agreement. You must continue to purchase all supplies related to your business from us or a preferred vendor of our choosing. In the event there are additional supplies that are not made available, you must submit a formal request to have them made available. All MRF's and remanufacturing equipment must be purchased from us or in collaboration with us through an approved supplier of our choosing. We and our Affiliates may be suppliers of any other items, including, forms, signs, and point of sales system. If we require you to purchase any such other items exclusively from us, while we will try to provide you with volume based discounts, you understand that, any such items may earn a profit from such sale(s). All sales of Product or inventory by the Company to the Franchisee shall be made in accordance with the prices, charges, discounts, allowances, rebates, refunds and other terms of sale established by the Company in its sole discretion from time to time, provided that such prices shall represent the fair market value of the Product in the Territory, competitive with the prices charges by other local suppliers.

If you propose to order on a regular basis any equipment, inventory or supplies from any supplier who is not then approved by us, you must first submit to us sufficient information, specifications and samples concerning the supplier so that we can decide whether the supplier meets our approved supplier criteria. We may charge you a \$500 evaluation fee to evaluate a

product or piece of equipment that has not yet been approved by us. If we do not disapprove such supplier within 30 days after we have received all requested information, then such supplier shall be deemed approved. We may prescribe procedures for the submission of requests for approval and impose obligations on suppliers that we may require to be incorporated in written agreements. You must pay our costs for reviewing these other proposed items, which will be not greater than \$500 per item to be reviewed.

We may accept and solicit rebates from any approved supplier of equipment, furnishings, signs, or other supplies based on the amount of your purchases from such supplier. We may solicit and accept other benefits from suppliers, such as promotional allowance. In addition, we may solicit and accept royalty fees and other payments from suppliers for authorization to use the Marks.

### 7.3 Maintenance and Repair of Equipment

You agree to use, operate and maintain all equipment and fixtures in a careful and proper manner in accordance with all applicable laws and regulations, all manufacturers' guidelines and our standards and operating procedures. You agree to undertake all required inspections and, to the extent required by applicable law, post appropriate certificates of inspection or other evidence of governmental approval. You agree to maintain and/or install all safety features as originally installed and as required by applicable safety codes and regulations and to not alter any safety features. You agree to periodically repair and, if reasonably necessary, replace any worn-out or obsolete equipment or fixtures.

### 7.4 Condition of Mobile Unit, Transport Van, or Remanufacturing Facility Upgrades

You agree to maintain the condition and appearance of your truck, van, or Premises as the case may be so that it is clean and attractive, and up-to-date. If at any time the general state of repair, appearance or cleanliness of your facility or your truck or mobile van, or its fixtures, equipment, furnishings or signs, does not meet our standards, we may notify you of the action you must take to correct such deficiency. If, within 10 days after receiving such notice, you fail or refuse to initiate and continue with due diligence a bona fide program to complete such required repair or maintenance, we have the right (in addition to our rights under Article 13), but not the obligation, to enter the Premises and perform such repair or maintenance on your behalf and at your expense. You must promptly reimburse us for the expenses we incur in performing such repair or maintenance.

You agree to periodically upgrade and/or remodel your facilities as we may reasonably require. You may not make any alterations to your facility, nor any replacements, relocations or alterations of fixtures, equipment or signs that do not meet our then current standards and specifications. In addition, we may require you to upgrade your computer or Point-Of-Sale System, which upgrade will be in addition to the dollar limitation stated in this paragraph.

### 7.5 Specifications and Standards

You acknowledge that each and every aspect of the operation of your Business is important to us and is subject to our specifications and standards. You agree to comply with all mandatory

specifications, standards and operating procedures and other obligations that are contained in the Operations Manual relating to the development and operation of an Alloy Wheel Specialists business, including:

- (a) all aspects (other than prices) of Authorized Services offered by your customer and the manner in which they are promoted and sold;
- (b) sales procedures and customer satisfaction;
- (c) advertising and promotional programs;
- (d) appearance and dress of employees;
- (e) safety, appearance, cleanliness and standards of service and operation of your Business;
- (f) days and hours of operation; and
- (g) accounting and recordkeeping systems and forms. Mandatory specifications, standards and operating procedures and other obligations set forth in the Operations Manual constitute provisions of this Agreement.

You are not permitted to sell an MRF(s) outside of Company's franchise network. Company has first right of refusal to purchase the MRF(s) and the equipment therein at the 5 year depreciation value from the date of purchase minus any costs to repair non-functioning items, procurements costs and freight.

#### 7.6 Changes to Specifications and Standards

We may modify the Operations Manual to reflect changes in standards, specifications and operating procedures and other obligations, but no changes to the Operations Manual will change the royalty and/or advertising contribution you are required to pay pursuant to this Agreement; nor will such change(s) change the Protected Territory granted to you in the Agreement.

#### 7.7 Compliance With Laws

You agree to maintain in force in your name all required franchises, permits and certificates relating to your Business. You agree to operate your Business in full compliance with all applicable laws, ordinances and regulations, including the Occupational Safety and Health Act and the Americans with Disabilities Act, and necessary certifications to offer the type of services being offered at your Business and to take reasonably prompt action to cure any deficiencies. You agree to notify us in writing within 5 days after the commencement of any legal or administrative action, the issuance of any order of any court, agency or other governmental instrumentality, or the delivery of any notice of violation or alleged violation of any law, ordinance or regulation that may adversely affect the operation of your Business or your financial condition. You agree to adhere to our standards of honesty, integrity, fair dealing and ethical conduct in all dealings with your customers.

## 7.8 Personnel

You agree that your Business at all times will be staffed by a sufficient number of competent and properly trained and certified employees. You are responsible for hiring all employees of your Business and you are exclusively responsible for the terms of their employment, including their compensation and training. You are solely responsible for all employment decisions for your Business, including those related to hiring, firing, remuneration, personnel policies, benefits, record keeping, supervision and discipline, and regardless of whether you received advice from us on these subjects (unless such advice from us is a mandatory standard set forth in the Operations Manual).

You may not recruit or hire any person who is then (or was within the immediately preceding 30 days) employed by any Business operated by us, our Affiliates or another Alloy Wheel Repair Specialists Franchisee, without obtaining the employer's consent, which consent may be withheld for any or no reason. We agree not to recruit or hire any person who is then (or was within the immediately preceding 30 days) employed by you at your Business without obtaining your consent, which consent may be withheld for any or no reason. Failure to comply with this provision may result in the termination of your Franchise Agreement with us, but we are not required to do so or to terminate another Franchisee's Franchise Agreement if it violates such provision as to your employee(s).

## 7.9 Insurance

You agree to maintain in force:

- (a) comprehensive, commercial, general, product, liability insurance in an amount not less than \$1,000,000 for each occurrence, \$2,000,000 General Aggregate, \$2,000,000 Products/Completed Operations Aggregate and \$1,000,000 Personal and Advertising Injury limits;
- (b) general casualty insurance, including fire and extended coverage, vandalism and malicious mischief insurance, for the replacement value of your Business and its contents;
- (c) Workers' Compensation and Employers' Liability Insurance as required by law, providing coverage of not less than \$500,000 for bodily injury;
- (d) Business Automobile Liability Insurance (including Owned, Hired Non-Owned or rental automobiles), written in the amount of not less than \$1,000,000 Combined Single Limit;
- (e) We recommend, but you are not required to maintain Garage Keeper's Insurance in a minimum amount of \$100,000 protecting the Franchisees, the Company and their respective employees against claims that may arise; and
- (f) such other insurance policies, such as business interruption insurance, as we may reasonably determine from time to time. All insurance policies shall be issued by

carriers with at least an A- rating with A.M. Best (or a similar rating by a comparable rating service acceptable to us), shall contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we reasonably determine from time to time, shall name us and our Affiliates as additional insureds, shall provide for 30 days' prior written notice to us of any material modification, cancellation or expiration of such policy and shall include such other provisions as we may require.

For all such insurance policies required we shall be named as an additional insured on such policy(s).

You shall furnish us with such evidence of insurance coverage and payment of premiums as we require. If you fail or refuse to maintain any required insurance coverage, or to furnish satisfactory evidence thereof, we, at our option and in addition to our other rights and remedies hereunder, may obtain such insurance coverage on your behalf. If we do so, you agree to fully cooperate with us in our effort to obtain such insurance policies and agree to pay us any costs and premiums we incur. Your obligation to maintain insurance coverage is not diminished in any manner by reason of any separate insurance we may choose to maintain, nor does it relieve you of your obligations under Section 16.02. Our approval of the insurance you obtain shall not constitute a representation or warranty as to the adequacy of the limits of coverage of such insurance.

Franchisee shall obtain from each of its insurers a waiver of subrogation on Commercial General Liability, Business Automobile and Workers Compensation in favor of Franchisor with respect to Losses arising out of or in connection with the work or service to be performed by Franchisee. The Franchisee hereby waives any and all rights of recovery which they have against the Franchisor and their respective officers, directors, agents, employees and assigns in connection with any losses covered by insurance provided hereunder. Franchisee's obligation to provide the required insurance and endorsements will not be waived by Franchisee's failure to provide the Certificate of Insurance or endorsements, Franchisor's acceptance of a Certificate of Insurance or endorsement showing coverage varying from the required coverage or Contractor's direction to a subcontractor to begin the Work.

#### 7.10 Conformity to the our Price Program

We strongly recommend that you conform to any price program that we may recommend in the offering of the Authorized Products and Services. You acknowledge that the foregoing pricing commitment is necessary to maintain the marketing concept of Alloy Wheel Repair Specialists and does not, in any manner, mandate or attempt to mandate the retail prices you charge customers, but subject to the requirements set forth in any national sales program(s) described in Section 7.13 of this Agreement. You agree not to enter into any agreement, understanding or arrangement, or engage in any concerted practice, with other Alloy Wheel Specialists Franchisees or others relating to the prices at which Authorized Products and Services that are offered or sold by you or any other Franchisees in the System.

#### 7.11 Customer Warranties

Unless we mandate any customer guaranty, you will not issue any customer guaranty at your Business that is either good at your Business or any other franchisee's business. Unless the



Company manufactured or modified a Product sold to the Franchisee hereunder, the Company shall have no warranty responsibility whatsoever for Products and the Franchisee shall only have recourse against the original supplier or manufacturer of the Product. To the extent that we determine that it is in the best interest of the System to offer a guaranty, you agree to comply with all policies and procedures on guaranty programs set forth in the Operations Manual. You agree that all guarantees offered by you as an independent contractor and not as our agent.

WE MAKE NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY OR SUITABILITY OF ANY PRODUCTS SOLD OR SERVICES OFFERED BY YOU. You have no authority to make any kind of representation to others on our behalf. You agree not to make or give to any customer any guaranty or representation to any customer relating to your Authorized Products and Services without our prior written approval.

Your obligations and liabilities under this Section 7.11 shall survive any termination or expiration of this Agreement.

#### 7.12 Customer Complaints

You agree to promptly address all customer complaints in accordance with the procedures contained in the Operations Manual. If you are unable or unwilling to resolve a customer complaint within 30 days and it becomes necessary for us to reimburse a customer in settlement of his or her complaint about the service or products offer at your Business, you agree to promptly reimburse us for amounts expended on account of any such complaint. Your obligations and liabilities under this Section 7.12 shall survive any termination or expiration of this Agreement.

#### 7.13 National Program

We may present Franchisee opportunities to participate in one or more programs to provide wheel repair services or products, to third parties having at least 8 different locations or vehicle manufacturer brands, whether in the same or multiple states (each such program is hereinafter referred to as a “National Program”). Unless Franchisee opts out of a National Program, Franchisee will comply with the National Program Guidelines. If Franchisee opts out of any National Program, Company and others designated by Company may provide wheel repair services, inspection services and products, using Company’s marks, within Franchisee Territory, to third parties participating in these National Programs and Franchisee will have no claim against Company, its designees, or any third parties arising from or out of this Franchise Agreement or the National Program. Franchisee will have 15 days after Company provides written notification to Franchisee of a National Program, to deliver to Company Franchisee’s written decision to opt out or opt in. Notwithstanding the foregoing, even if you opt-out of any national programs you are still required to participate and comply with the AWRS claims program under the terms and conditions that we mandate from time-to-time, and you will be required to pay us an administration fee of between \$5 and \$25 on the terms and when we so require the payment of such fee.

#### 7.14 Purchase of Product and Supplies.

To the extent that the Franchisee shall purchase products/ and or supplies from the Franchisor or its affiliates during the term of the Franchise Agreement the Franchisee shall submit such orders to the Franchisor or its affiliates in accordance with the procedures established by the Franchisor from time-to- time, and using forms provided by the Franchisor or its affiliates.

The Franchisee shall pay all amounts owing to the Franchisor or its affiliates for such product and/or supply purchases within 15 days of the date of the invoice sent by the Franchisor or its affiliate. The Franchisor or its affiliates reserves the right to require payment in full prior to or upon delivery of any subsequent product or supply order. The Franchisee acknowledges and agrees that all amounts owing to the franchisor or its affiliate from System Components to outfit the initial or subsequent Mobile Reconditioning Facility shall be paid in full upon or prior to delivery.

If you purchase products and/or supplies from us or one of our affiliates we are not required to sell or ship you such products and/or supplies if you are in default in any way with the terms and conditions of this Agreement or any other contractual arrangement that you have with us or our affiliate(s) relating to this franchise or any other franchise that you have with us or any of our affiliates. By way of example only, if you are delinquent in the payment of your royalties and/or advertising contributions we are not required to accept, process, or ship your order for products and/or services notwithstanding that you may be current in your payments for such products and/or services.

## **ARTICLE 8**

### **MARKETING AND ADVERTISING**

#### **8.1 Marketing and Advertising Programs**

Recognizing the value of advertising, and the importance of the standardization of advertising to enhance the goodwill associated with the Marks, to promote the sale of Authorized Products and Services, and to develop and maintain a favorable public image of Alloy Wheel, you agree that we have the right to determine, conduct and administer all national, regional, local and other marketing, advertising, promotions, market research and other related activities for the System as may be instituted from time to time, including advertising and marketing funded by the NBAF, and the right to direct all such advertising and marketing with sole authority and discretion (exercised in accordance with the terms, and subject to the conditions, contained in this Article 8) over all aspects thereof, including concepts, materials, media, nature, type, scope, frequency, place, form, copy, layout and content.

#### **8.2 National Brand Awareness Fund Account**

We agree to administer the NBAF for the creation, development and implementation of marketing, advertising and related programs and materials to enhance the goodwill associated with the Marks, to promote the sale of any or all Authorized Products and Services and to develop and maintain a favorable public image of Alloy Wheel Repair Specialists. We will have sole discretion over all aspects of the materials and programs funded by NBAF, including concepts, materials, media, nature, type, scope, frequency, place, form, copy, layout and context.

We may use funds from the NBAF to pay for all costs and expenses associated with such programs and materials, including the costs of preparing, producing and distributing marketing, advertising and related programs and materials, employing advertising agencies and media buying agencies, supporting market research activities, administering the NBAF and all other related costs and expenses. Although the NBAF is intended to enhance the goodwill associated with the Marks, to promote the sale of any or all Authorized Services and to develop and maintain a favorable public image of System for the benefit of all franchisees of the System, we cannot assure you that any particular franchisee, or that a franchisee in any particular local market area, will benefit directly or pro-rata from any marketing, advertising or related program.

Your contributions to the NBAF will be held and disbursed by us in a separate bank account other than our general operating account to hold and disburse funds in the NBAF in accordance with this agreement.

We may allocate your advertising contribution in any form that we believe will be in the best interest of the System, using our business judgment. Among other types of advertising we may use national, regional, or local, television, radio, internet, automotive trade-shows to promote the brand, our website, print, social media, consumer relationship marketing (“CRM”), which will include but not be limited to, local and national marketing using print, e-club and other loyalty programs, and telephone and other communication vehicles that communicate with a customer on a one-to-basis, and any other form of media existing now or in the future that we believe is a viable form of advertising. We may change the decisions at any time that we believe it to be appropriate. We also may use your advertising contribution for the preparation and creation of new advertisements (“Creative”), whether made for television, radio, print, or other forms of the advertising medium.

The term “Creative” includes the costs associated with creating, developing and/or distributing national or general advertising, marketing, promotions, social media, public relations and market research programs and related activities, including costs relating to preparing television, radio, newspaper, point-of-sales and other media programs, electronic Yellow Pages, social media, and materials (such as Web Sites for the Internet) and all related fees, charges and commissions, including fees charged by national spokespersons and commissions charged for creative works. As part of the Creative portion of the NBAF, we may furnish you with marketing, advertising and promotional materials at cost, plus any related administrative, shipping, handling and storage charges. The term “National Advertising” includes all costs associated with placing and purchasing national media advertising (e.g., national television, print media, social media, and electronic media) and related activities and associated fees and commissions, including commissions charged by media buying companies, internet services, and any other advertising medium that charges and fees or costs for its use. The term “Local Advertising” includes all costs associated with the development of regional and local advertising and promotional programs and related activities and associated fees and commissions, including commissions charged by advertising agencies and media buying companies. To the extent any costs can be allocated to more than one of the above categories or to the extent that any costs appropriately charged to the NBAF do not fall within a particular category, we may, in our sole discretion, allocate such costs to one or more of such categories.

In addition to your contribution to the NBAF and advertising cooperative costs, we reserve the right to require you to spend up to 2% of your gross sales to conduct advertising local to your specific market. In addition we recommend that you conduct grand opening or start up marketing of your business to let people know that you are opened for business. We recommend that you spend between \$5,000 and \$10,000 for grand opening advertising and that this advertising be conducted within the first 90 days of the operations of your business.

We may dedicate someone or some persons to conduct retail marketing in our office, and undertake certain services in administering the advertising and other programs funded by the NBAF. Subject to the provisions stated in Section 3.4, we are entitled to be paid each year from the NBAF for such services in an amount equal to 2% of all contributions by all Franchisees to the NBAF (“the Annual Administrative Expense”). We may pay ourselves the Annual Administrative Expense in advance in quarterly installments each year. We will allocate the Annual Administrative Expense and the costs relating to the annual audit of the revenues and expenses of the NBAF proportionately among all of the allocations that we may make from the NBAF, although we are not required to maintain separate accounts for these various forms of advertising. If we establish or develop any regional or other local advertising cooperatives we may allocate the fees referenced in this paragraph among these Regional Advertising Co-ops as we determine, in our sole discretion, to be in the best interests of the System.

The NBAF will be accounted for separately from our other funds and will not, except for the recovery of our administrative expenses in conjunction with the creation, placement, and distribution of advertising, be used to defray any of our general operating expenses. Any advertising agency commissions and discounts granted to us or any of our Affiliates for media purchases from the NBAF will be contributed to the NBAF or netted against the invoice for such purchases.

All disbursements from the NBAF shall be made first from income and then from contributions. We may compromise any claim for past due contributions to the NBAF from any Franchisee, provided any compromise of contributions to the NBAF shall be proportionate to any contemporaneous compromise of other amounts such Franchisee owes us and our Affiliates, and we have the right to charge a proportionate amount of the collection costs against contributions we recover. In any fiscal year, we may spend amounts that are more or less than the aggregate contributions of all Franchisees to the NBAF in that year, and we may fund any deficits with contributions from future years. The NBAF may borrow from us (on commercially reasonable terms and rates) or other lenders to cover deficits or cause the NBAF to invest any surplus for future use. We will cause to be prepared an annual reconciliation of the revenues and expenses incurred by the NBAF and will furnish you a copy upon your written request. The costs of such reconciliations shall be charged against the NBAF. Except as otherwise expressly provided in this Section 8.2, we assume no direct or indirect liability or obligation with respect to the maintenance, direction or administration of the NBAF. We do not act as trustee or in any other fiduciary capacity with respect to the NBAF.

### 8.3 Regional Advertising Co-op

We may establish or require you with the other franchisees in your advertising market to establish a regional advertising cooperative (“Regional Advertising Cooperative”). We may determine the boundaries of the Regional Advertising Co-op and may modify the boundaries at any time effective upon written notice to you. We may require that 1 Regional Advertising Co-op merge with another Regional Advertising Co-op servicing an adjacent advertising market or we may subdivide a Regional Advertising Co-op into smaller groupings. If established, Franchisee must direct its local Advertising expenses to the Regional Advertising Co-op. We will provide each Regional Advertising Co-op with standard governing rules that the members of the Regional Advertising Co-op may modify with prior approval from us. Members may not modify certain rules, like voting rights, Franchisor’s rights to approve all advertising in advance, or Franchisee’s maximum obligation for contribution to the Regional Advertising Co-op. The members of each Regional Advertising Co-op will elect their own leadership and each Regional Advertising Co-op is responsible for its own administrative expenses. The Regional Co-op must assign any rights in the materials that it creates to us without compensation so that we and other franchisees may use the same materials. Each Regional Advertising Co-op must prepare monthly and annual financial statements, which need not be audited and make them available to all Regional Advertising Co-op members and to us. We may dissolve a Regional Advertising Co-op but only if we decide to dissolve all Regional Advertising Co-ops at the same time. No Regional Advertising Co-ops exist at this time.

#### 8.4 Franchisee Web Site

We will maintain an internet website that describes the products and services offered by the System. We will maintain that website as long we believe that this form of advertising and marketing is in the best interests of the System. We will authorize you to use our website in connection with your Business, subject to our terms and conditions of use. At all times we shall own the website and you must use it only as we specify. You agree to obtain our prior written consent and follow our standards and specifications in using any website, Splash page, linking, framing, or other presence on the Internet through any Website, social networking site or otherwise in connection with the operation of the Business, including without limitation Facebook, LinkedIn, Plaxo, Twitter, and You Tube. You will not use the Mark or any portion thereof in any domain name on the Internet other than as provided or approved by us. You agree to submit to us for prior approval, true and correct printouts of all Web site pages, materials and content you propose to use on your Web site associated with your Business. You agree to provide all hyperlinks or other links that we may reasonably require. All modifications to your Web site are subject to our prior approval. You may not post on the website any material (including text, video clips, photographs, images and sound bites) in which any third party has any direct or indirect ownership interest. You agree to obtain our prior written approval for any Internet domain name and/or home page address.

#### 8.5 Approval of Advertising Content

You agree to submit to us, for our prior approval, samples of all advertising and promotional materials not prepared by us and which vary from our standard advertising and promotional materials. You may not use any advertising or promotional materials that we have not approved or that we have disapproved. All of your advertising and promotion shall comply with all applicable laws, shall be completely factual and shall conform to the highest standards of ethical

advertising. You agree to refrain from any business or advertising practice which may be injurious to our business, to the business of other Franchisees or to the goodwill associated with the Marks.

## 8.6 Uniforms

You agree that your company will comply with the standard company guidelines from Uniforms. They are to be worn by you any company representative & all technician.

# **ARTICLE 9** **REPORTS AND INSPECTIONS**

## 9.1 Records

You agree to prepare and maintain for 10 years complete and accurate books, records (including invoices and records relating to your Gross Revenues) and accounts (using our standard chart of accounts that we may specify in the Operations Manual for your Business, copies of your sales tax returns, bank statements, and such portions of your state and federal income tax returns as relate to your Business. All such books and records shall be kept at the Premises or at your residence, unless we otherwise approve. Alternatively, you may keep such books and records at the premises of the accountant who maintains your financial records and/or prepares your tax returns, provided you notify us in advance and such accountant agrees to give us unrestricted access to such books and records. You agree to cause such accountant to fully cooperate with us in connection with any review or audit of such books and records.

You may not commingle any of your funds derived from the operation of your Business with any other funds. If you commingle any of the funds derived from the operation of your Business with other funds, such as your personal funds, then, in addition to our other rights hereunder and under applicable law, we will have the right to review and photocopy all of the records and accounts relating to such other funds, including your personal records and accounts.

## 9.2 Computer System

We require you to purchase or lease, at your expense, such computer hardware, mobile electronic billing systems, and required dedicated cable, modems, Independent Service Provider (“ISP”) services, printers, and other computer-related accessories or peripheral equipment as we may specify from time to time. At our option we may require you to purchase or supply you with special computer software that you are to use in the operation of your Business. In addition, we require you to use certain computer equipment we may require from time-to-time for management information functions, such as recording and reporting Gross Revenues. You may use any computer hardware you consider to be appropriate, provided it meets our specifications and provided further that it functions properly with the computer software we require. You agree not to use any software in the operation of your Business that we have not approved.

Your computer also must include the required components for any national program, and/or gift card/loyalty program in which you are required to participate as we may implement from time to time.

You agree to transmit electronically to us such data from your computer system as we, in our sole discretion, deem desirable, with the cost of such telephonic transmission to be borne by you.

You agree, at your expense, to keep your computer systems in good condition and to promptly install such additions, changes, modifications, substitutions or replacements to software, telephone and power lines, and other data transmission facilities as we direct to ensure full operational efficiency and optimum communication capability between and among computer systems. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, you agree to use computer software that complies with our specifications, which may require you to purchase computer software from us. In conjunction with the use of the software, we may require you to sign a software franchise and maintenance agreement and to pay such monthly maintenance fees that are required by the terms of such computer franchise or agreement. At this time we do not require you to sign a software franchise agreement with us or a third party and we or such third party does not require that you pay to us or to such provider a software franchise fee, but we reserve the right to do so.

### 9.3 Periodic Reports

You agree to furnish us:

- (a) no later than the 15<sup>th</sup> of each and every calendar month during the term of this Agreement a report of Gross Revenues for the immediately preceding month;
- (b) no later than the 15th day of each month during the first 6 months of the operation of your Business, an income statement and statement of cash flow for your Business for the preceding month and for the year-to-date and a balance sheet as of the end of such month;
- (c) within 120 days after the end of each calendar year, a year-end balance sheet and income statement and statement of cash flow of your Business for such year, reflecting all year-end adjustments and accruals, provided we will not unreasonably withhold our consent to a request for an extension of time to provide such statements; and
- (d) such other information as we may require from time to time, including reports on marketing activities, cost of goods sold and labor costs, sales and your income tax statements (provided, however, that if you are an individual, only the parts of income tax statements that disclose information about your Business need be furnished). You agree that the information in each such report and financial statement shall be complete and accurate.

### 9.4 Use of Customer Information

Subject to the rules, regulations, and agreements, regarding privacy, we have the right to use or disclose information from all reports, statements and electronic data transmissions from you in such manner as we deem reasonably appropriate, provided we will not identify you by name unless required to do so by law or in connection with any legal proceeding.

## 9.5 Inspections

We and our agents have the right at any time during business hours and without prior notice to:

- (a) inspect your Business;
- (b) observe, photograph, audio-tape and/or video tape the operations of your Business; and
- (c) interview personnel and customers of your Business, provided we will not interfere unduly with the operation of your Business. You agree to cooperate fully with such activities.

## 9.6 Audits

We have the right at any time during business hours to inspect, photocopy and audit the books, records, bank statements, tax returns and documents relating to the development, ownership, lease, occupancy or operation of your Business for the sole purpose of determining your compliance with the provisions of this Agreement. We agree to provide you reasonable prior notice (which in no event shall be more than 30 days) of any such audit unless we have justification for not providing prior notice, in which case no prior notice need be given. You must cooperate fully with our representatives and independent accountants conducting such audits. If any audit discloses an understatement of Gross Revenues, we agree to provide you with a copy of the audit report, and you agree to pay us, within 7 days after receipt of the audit report, the royalties and other fees due on the amount of such understatement, plus interest (as provided in Section 3.5) from the date originally due until the date of payment. Our acceptance of any such payment does not constitute a waiver of any rights, including our rights under Article 13, an estoppel or an election of remedies.

In addition, you agree to pay us the costs of any audits performed as a result of:

- (a) your failure to submit statements of Gross Revenues;
- (b) your failure to maintain books and records or computer systems as required by Section 9.1 and Section 9.2;
- (c) your reporting Gross Revenues for any period of 12 consecutive months that are more than 5% below your actual Gross Revenues for such period, as determined by any such audit; or
- (d) your failure to produce all of your books and records as required by us or our authorized agents within 15 days after we request any such items. Such audit costs include the fees and costs of any independent accountants and per diem fees and travel and related costs of our employees.

## **ARTICLE 10** **TRADEMARKS**



#### 10.1 Ownership of the Marks

You acknowledge that the Marks are valid and that we or our affiliate own the Marks. Your right to use the Marks is derived solely from this Agreement and is limited to conducting business pursuant to and in compliance with this Agreement. Your unauthorized use of any of the Marks constitutes a breach of this Agreement and an infringement of our rights to the Marks. This Agreement does not confer on you any goodwill or other interests in the Marks. Your use of the Marks and any goodwill established thereby inures to our exclusive benefit. All provisions of this Agreement applicable to the Marks apply to any additional or substitute trademarks, service marks and trade dress we authorize you to use. You may not at any time during or after the Term contest, or assist any other person in contesting, the validity or ownership of any of the Marks.

#### 10.2 Use of the Marks

You agree to use the Marks as the sole identification of your Business, provided you identify yourself as the independent owner in the manner we prescribe. You agree to use the Marks as we prescribe in connection with the sale of Authorized Products and Services. You may not use any Mark (or any abbreviation, modification or colorable imitation) as part of any corporate or legal business name or in any other manner (including as an electronic media identifier, such as websites, web pages or domain names) not expressly authorized by us in writing.

#### 10.3 Discontinuance of Use of Marks

If we determine it is advisable at any time for us and/or you to modify or discontinue use of any Mark and/or use 1 or more additional or substitute trademarks, service marks or trade dress, you agree to comply with our directions within a reasonable time after notice. We will have no liability or obligation to you whatsoever with respect to any such required modification or discontinuance of any Mark, or the promotion of a substitute trademark, service mark or trade dress, that is a result of our determination of a risk of conflicting rights with others.

#### 10.4 Notification of Infringements and Claims

You agree to notify us immediately of any apparent infringement of or challenge to your use of any Mark, or any claim by another person of any rights in any Mark. You may not communicate with any person, other than us, our counsel and your counsel, in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate and will have the right to control exclusively any litigation or U.S. Patent and Trademark Office proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. You must sign any and all documents, render such assistance and do such things as may be advisable in the opinion of our counsel to protect our interests in any litigation or U.S. Patent and Trademark Office proceeding or otherwise to protect our interests in the Marks.

#### 10.5 Indemnification of Franchisee

We agree to indemnify you against, and to reimburse you for, all damages for which you are held liable in any action for trademark infringement arising out of your authorized use of any Mark pursuant to and in compliance with this Agreement and, except as provided herein, for all

costs you reasonably incur in defending any such claim brought against you, provided you have timely notified us of such claim and provided further that you and your Owners are in compliance with this Agreement and all other agreements entered into with us or any of our Affiliates. We, at our sole discretion, are entitled to prosecute, defend and/or settle any such action arising out of your use of any Mark, and if we undertake to prosecute, defend and/or settle any such matter, we have no obligation to indemnify or reimburse you for any fees or disbursements of any legal counsel retained by you.

## **ARTICLE 11**

### **RESTRICTIVE COVENANTS**

#### **11.1 Confidential Information**

We own proprietary and confidential information (“Confidential Information”) relating to the development and operation of the System, including: (1) technical information and expertise relating to Authorized Services and the equipment used in connection therewith; (2) site selection criteria for placement of the Remanufacturing facility; (3) sales, marketing and advertising programs and techniques for the System; (4) knowledge of operating results and financial performance of Business, the System, or the business of any franchisee, other than your Business and other Alloy Wheel Specialists business that you own; (5) comprehensive methods of operating the Business, including pricing information, teaching techniques, supply and inventory mix, and (6) computer software programs.

We agree to disclose relevant parts of the Confidential Information to you solely for your use in the operation of your Business. The Confidential Information is proprietary and includes what we believe to be trade secrets. During the Term and thereafter:

- (a) you may not use the Confidential Information in any other business or capacity (and you acknowledge that such use is an unfair method of competition);
- (b) you agree to maintain the confidentiality of the Confidential Information;
- (c) you may not make unauthorized copies of any portion of the Confidential Information disclosed in written, electronic or other form; and
- (d) you agree to implement all reasonable procedures we prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including the use of nondisclosure agreements with your officers, directors, and managers and the delivery of such agreements to us. Your restrictions on disclosure and use of Confidential Information does not apply to information or techniques which are or become generally known in the automotive aftermarket industry (other than through your own disclosure), provided you obtain our prior written consent to such disclosure or use. We agree to consent to such disclosure or use if we believe such information is in the public domain.

#### **11.2 Franchisee’s In-Term Covenants**

During the Term, neither you nor any of your Owners may:

- a) directly or indirectly (such as through corporations or other entities owned or controlled by you or your Owners) own any legal or beneficial interest in, manage, operate or consult with: (1) any Competitive Business located anywhere; or (2) any entity located anywhere which grants franchises, licenses or other rights to others to operate any Competitive Business; or
- b) divert or attempt to divert any business or customer of any Alloy Wheel Specialists business to any competitor or do anything injurious or prejudicial to the goodwill associated with the Marks or the System.

The term “Competitive Business” is defined as any enterprise (other than an Alloy Wheel Repair Specialists business operated under a franchise agreement with us) that offers or sells any of the Authorized Products and Services. Notwithstanding anything to the contrary contained in this Agreement, you are not restricted from: (a) owning shares of a class of securities of a Competitive Business that are listed on a stock exchange or traded on the over-the-counter market and that represent less than 5% of that class of securities; or (b) owning and operating an enterprise (i) that offers and sells products and services which we consider to be Authorized Products and Services, (ii) that you own and operate prior to the date that such product or service is designated as an Authorized Product or Service (even if such designation is on a test basis), and (iii) that you fully disclose to us in writing before the date such product or service is designated an Authorized Product or Service.

### 11.3 Information Exchange

The value of the System is maximized by our evaluating and, if we deem appropriate, incorporating into the System innovations suggested by our Franchisees. If such innovations from other Alloy Wheel Repair Specialists Franchisees are incorporated in the System, you will be entitled to use them as part of the System. You agree to a reciprocal obligation and to disclose to us all ideas, concepts, methods, techniques and products relating to the development, marketing and/or operation of a Alloy Wheel Repair Specialists business that you conceive or develop, other than patentable inventions. If we adopt any of them as part of the System, you agree to grant us a perpetual, royalty-free, world-wide franchise to incorporate same into the System and to use, and subfranchise the use, of same in connection with Business. You agree to execute documents and do such other things as we may reasonably request for you to secure intellectual property rights in such ideas, concepts, methods, techniques or products.

### 11.4 Franchisee’s Post-Term Covenants

For a period of 1 year after the expiration or termination of this Agreement, for any reason, including your transfer or sale of your Business you will not employ or seek to employ any person who is or within the preceding 6 months has been an employee of the Company or of any of the Company’s franchisees, either directly, or indirectly for itself or through, on behalf of, or in conjunction with any person.

For a period of 2 years, starting on the effective date of termination or expiration of this Agreement for any reason, including transfer or sale of your Business, neither you nor any of your Owners may directly or indirectly (such as through corporations or other entities owned or controlled by you or your Owners), own a legal or beneficial interest in, manage, operate or consult with:

- (a) any Competitive Business located at the Premises if you operate a Remanufacturing Facility;
- (b) any Competitive Business located in your Territory or any zip code where your Business served customers during the term of the Agreement;
- (c) at the time of the termination or expiration of this Agreement any Competitive Business located in the territory of any other Alloy Wheel Repair Specialists or any zip code where such business served customers during the term of their respective Franchise Agreements(s);
- (d) divert, or attempt to divert any customer serviced by the Franchised Business operated by you, or any other franchisee in the Alloy Wheel Repair Specialists business at the time that your Agreement is terminated or expires for any reason;
- (e) induce or attempt to induce any such customer(s) described herein to modify their behavior in a way that would result in a reduction of the business such customer may do with the Franchised Business or any successor business using the Franchisors' Franchised marks,
- (f) induce, or attempt to induce any customer of Franchisor or its affiliates, including franchisees to modify their behavior in a way that would result in a reduction of the business such customer may do with the Franchisor or its affiliate; or
- (g) any entity which grants franchises, licenses or other rights to others to operate any Competitive Business.

You and each of your Owners acknowledge that we have a protectable legal interest in the System and that these non-competition covenants contained in Section 11.2 and Section 11.4 are necessary elements to their protection and are an integral part of this Agreement. The Franchisee's Post-Term Covenants shall be tolled, and it shall be extended by 1 day for each day that the Franchisee does not comply with the Post-Term Covenants contained in this section 11.4.

## **ARTICLE 12**

### **TRANSFER OF AGREEMENT**

#### **12.1 Transfer by You Subject to Our Approval**

You and/or your Owners may Transfer the Franchise (as defined below) subject to our approval and subject to your complying with all of the applicable provisions of this Article 12. You agree to submit to us all information we require in order to determine whether to approve a

proposed Transfer of the Franchise, and we agree to notify you of our approval or disapproval within a reasonable period of time, not to exceed 10 business days, after we have received all requested information relating to the proposed Transfer of the Franchise.

The term “Transfer the Franchise” or “Transfer of the Franchise” means the voluntary or involuntary, direct or indirect, sale, assignment, transfer, pledge, grant of a security interest in, or other disposition of this Agreement, any right or obligation under this Agreement, or any form of ownership interest in Franchisee or the assets, revenues or income of your Business, including: (1) any issuance or redemption of a legal or beneficial ownership interest in the capital stock of Franchisee; (2) any merger or consolidation of Franchisee, whether or not Franchisee is the surviving corporation; (3) any transfer as a result of a divorce, insolvency or dissolution proceeding or otherwise by operation of law; (4) any transfer on the death of Franchisee or any Owner of Franchisee by will, declaration of trust or under the laws of intestate succession; or (5) any foreclosure of your Business or your transfer, surrender or loss of possession, control or management of your Business. A marketing list, customer list or potential customer list may be transferred only to a transferee to whom your rights and obligations under this Agreement are simultaneously being transferred in accordance with the terms hereof.

## 12.2 Conditions for Approval

If we have not exercised our rights under Section 12.6 or Section 12.7, we will not unreasonably withhold our approval of a Transfer of the Franchise that meets all of the reasonable restrictions, requirements and conditions that we may impose on the transfer, the transferor(s) and/or the transferee(s), including the following:

- a) you and your Owners and Affiliates must be in compliance with the provisions of this Agreement and all other agreements with us or any of our Affiliates that relate to your Business;
- b) the transferee (or its owners) must meet our then-applicable standards for Alloy Wheel Repair Specialists Franchisees;
- c) such transferor must be in compliance with its agreements with us and our Affiliates for at least 6 months prior to the proposed date of transfer;
- d) the transferee (or its Operating Partner) must complete our initial training program to our satisfaction;
- e) your Business must be open and operating, unless we otherwise agree in writing;
- f) the transferee (and its owners) must execute, at your option, (i) an assignment and assumption agreement in form and substance satisfactory to us, pursuant to which the transferee (and its owners) assume your obligations hereunder and you will remain responsible for future performance of the obligations under this Agreement for the longer of a period of time of 1 year after the effective date of the transfer, or the period of time during which the transferee or any of its Affiliates has any financial obligations to you or any of your Affiliates in connection with the transfer; or (ii) our then current standard form of franchise agreement and related documents offered to new Alloy Wheel Repair Specialists Franchisees in the state in which your Business is located

(which may provide for different royalties, advertising contributions and expenditures, term and other rights and obligations than those provided in this Agreement) in conjunction with you and us mutually terminating this Agreement;

- g) you or the transferee must pay us a standard transfer fee equal to the greater of 10% of the sales price for the sale of the business or 50% of our then current initial franchise fee set forth in the then current Franchise Agreement at the time of the transfer or sale of your Business, but such transfer fee shall not be in an amount greater than the then current initial franchise fee charged at the time of the transfer or sale of your Business;
- h) you and your Owners and Affiliates must, except to the extent limited or prohibited by applicable law, execute a mutual general release, in form and substance satisfactory to us, of any and all claims against us and our Affiliates, stockholders, officers, directors, employees, agents, successors and assigns. Such release will not release you from currently due obligations or for any liabilities that accrued or may accrue as a result of your operation of your Business;
- i) the terms of the proposed Transfer of the Franchise must not, in our reasonable judgment, place an unreasonable financial or operational burden on the transferee;
- j) any financing you (or any of your Owners or Affiliates) offer the transferee must be subordinate to any current or future obligations of the transferee to us; and
- k) you and your Owners must execute such other documents and do such other things as we may reasonably require you to protect our interests under this Agreement.

### 12.3 Transfer To A Corporation

Notwithstanding Section 12.1 and Section 12.2, on 30 days' prior notice to us, you (if you are an individual or partnership) may transfer this Agreement, in conjunction with a transfer of all of the assets of your Business, by an agreement in form and substance satisfactory to us, to a corporation or limited liability company of which you own and control all of the equity and voting power of all issued and outstanding capital stock. No such assignment will relieve you or your Owners of your obligations hereunder, and you and your Owners will remain jointly and severally liable for all obligations hereunder.

### 12.4 Special Transfers

Neither Section 12.2(b) nor Section 12.2(d) shall apply to any Transfer of the Franchise among any of your then current Owners disclosed in Schedule C. Section 12.6 shall not apply to a Transfer of the Franchise to a member of the Immediate Family of Franchisee (if an individual) or to a member of the Immediate Family of a then current Owner of Franchisee (if a corporation, limited liability company or partnership).

### 12.5 Death or Disability of Franchisee

Upon your death or permanent disability, or the death or permanent disability of your Operating Partner, the executor, administrator or other personal representative of such person must transfer his interest in this Agreement or his interest in Franchisee to a third party approved by us

in accordance with all of the applicable provisions of Article 12 within a reasonable period of time, not to exceed 12 months from the date of death or permanent disability.

## 12.6 Your Right to Offer Your Franchise to Us

If you or any of your Owners desires to Transfer the Franchise for legal consideration before obtaining an offer from a buyer, you must send us an offer in writing (“Offer Notice”) containing the exact terms and conditions on which you desire to Transfer the Franchise and including:

- (a) financial statements of your Business (including balance sheets and income statements) for the last 3 fiscal years and the year-to-date;
- (b) federal income tax returns and all applicable schedules for your Business for the last 3 fiscal years; and
- (c) a complete and accurate copy of your then current lease for the Premises of your Business. Upon receipt of the Offer Notice we will have the option, exercisable by notice (“Response Notice”) delivered to you within 15 business days thereafter, to indicate our intention to accept your offer to sell such interest in this Agreement, your Business or in Franchisee for the price and terms contained in the Offer Notice. We have the right to investigate and analyze the business, assets and liabilities and all other matters we deem necessary or desirable in order to make an informed investment decision with respect to the fairness of the terms described in the Offer Notice. We may conduct such investigation and analysis in any manner we deem reasonably appropriate, and you and your Owners agree to provide us with all information we request and to cooperate fully with us in connection therewith.

If we deliver a Response Notice, we and you and/or your Owners will enter into a purchase agreement reasonably satisfactory to both you and us, containing such agreements, representations, warranties, covenants, indemnities and customer warranty reserve funds, and requiring such documents at closing, as is reasonably necessary to protect each party’s interests. The closing shall occur not more than 90 days after the date of the Response Notice, unless the closing is delayed for reasons beyond our reasonable control.

If we do not deliver a Response Notice, as provided above, you and/or your Owners may solicit offers to Transfer the Franchise from other parties at the exact same price and on the exact same terms as presented in the Offer Notice for a period of time expiring 365 days after the Offer Notice is delivered to us. You must immediately deliver to us a complete and accurate copy of any offer that you receive within such 365-day period from any such third party that you and/or your Owners are willing to accept (“Third Party Offer”).

If the terms of the Third Party Offer are the same as those contained in the Offer Notice, then you or your Owners may accept such offer and complete the sale to such offeror pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided in Section 12.1 and Section 12.2, provided that if the sale to such offeror is not completed within 90 days after delivery of such Third Party Offer to us, or if there is any change in the terms of the offer,

you must promptly notify us and we will have an additional option to purchase (on the terms of the revised offer, if any, and otherwise as set forth herein) during the 30-day period following your notification of the expiration of the 90-day period or the change to the terms of the offer.

## 12.7 Our Right of First Refusal

If the terms of the Third Party Offer pursuant to Section 12.6 are different in any material respect (including price and/or payment terms) from those contained in the Offer Notice pursuant to Section 12.6, we will have the option, exercisable by notice delivered to you within 15 business days from the date of delivery to us of a complete and accurate copy of the Third Party Offer, to purchase such interest in this Agreement, your Business or in Franchisee for the price and on the terms and conditions contained in such Third Party Offer.

In addition, if you or any of your Owners desire to transfer the Franchise for legal consideration to a prospective buyer without first giving us an Offer Notice pursuant to Section 12.6, you or such Owner must obtain a bona fide, executed written offer and earnest money deposit in the amount of at least 5% of the offering price from a responsible and full disclosed purchaser and must deliver immediately to us a complete and accurate copy of such offer (“Right of First Refusal Offer”), including:

- (a) financial statements of your Business (including balance sheets and income statements) for the last 3 fiscal years and the year-to-date;
- (b) federal income tax returns and all applicable schedules for your Business for the last 3 fiscal years; and
- (c) a complete and accurate copy of your then-current lease for the Premises of your Business. If the offeror proposes to buy any other property or rights from you or any of your Owners or Affiliates (other than rights under other franchise agreements for your Business) as part of the bona fide offer, the proposal for such property or rights must be set forth in a separate, contemporaneous offer that is disclosed to us, and the price and terms of purchase offered to you or your Owners for the Transfer of the Franchise must reflect the bona fide price offered therefor and may not reflect any value for any other property or rights. We have the option, exercisable by notice delivered to you or your Owners within 15 business days from the date of delivery of the Right of First Refusal Offer, to purchase such interest for the price and on the terms and conditions contained in such offer. We have the right to investigate and analyze the business, assets and liabilities and all other matters we deem necessary or desirable in order to make an informed investment decision with respect to the fairness of the terms of our right of first refusal. We may conduct such investigation and analysis in any manner we deem reasonably appropriate and you and your Owners must cooperate fully with us in connection therewith.

If we exercise our option to purchase pursuant to the terms of the Third Party Offer or the Right of First Refusal Offer, as provided in this Section 12.7, we and you and/or your Owners will enter into a purchase agreement reasonably satisfactory to you and us, containing such agreements, representations, warranties, covenants, indemnities and customer warranty reserve funds, and



requiring such documents at closing, as are reasonably necessary to protect each party's interests. The closing shall occur not more than 90 days after the date of our response to the Third Party Offer or Right of First Refusal Offer, as applicable, unless the closing is delayed for reasons beyond our reasonable control. In the event the consideration, terms and/or conditions offered by a third party are such that we may not reasonably be able to furnish the same consideration, terms and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by the third party, we at our own expense may designate an independent appraiser and the appraiser's determination shall be binding.

If we do not exercise our option to purchase pursuant to the terms of the Third Party Offer or the Right of First Refusal Offer, as provided in this Section 12.7, you or your Owners may complete the sale to such offeror pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided in Section 12.1 and Section 12.2, provided that if the sale to such offeror is not completed within 90 days after delivery of such offer to us, or if there is any change in the terms of the offer, you must promptly notify us and we will have an additional option to purchase (on the terms of the revised offer, if any, and otherwise as set forth herein) during the 30-day period following your notification of the expiration of the 90-day period or the change to the terms of the offer.

#### 12.8 Transfer by Us

We have the right, without prior notice to you, to transfer or assign all or any part of our rights or obligations under this Agreement to any person or legal entity. If the assignee expressly assumes and agrees to perform all of our obligations under this Agreement accruing after the date of assignment, then the assignee will become solely responsible for all of our obligations under this Agreement from and after the date of such assignment. In addition, and without limiting the foregoing, we may sell our assets; may sell our securities in a public offering or in a private placement; may merge with or acquire other corporations, or be acquired by another corporation; and may undertake any refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

### **ARTICLE 13** **TERMINATION OF AGREEMENT**

#### 13.1 Termination Upon Notice

In addition to our right to terminate pursuant to other provisions of this Agreement and under applicable law, we have the right to terminate this Agreement, effective upon delivery of notice of termination to you, if:

- a) you become insolvent by reason of your inability to pay your debts as they mature;
- b) you are adjudicated bankrupt or insolvent;
- c) you file a petition in bankruptcy, reorganization or similar proceedings under the bankruptcy laws of the United States or have such a petition filed against you which is not discharged within 30 days;

- d) a receiver or other custodian, permanent or temporary, is appointed for your business, assets or property (other than in connection with your death and for reasons other than financial concerns or irregularities);
- e) you request the appointment of a receiver or make a general assignment for the benefit of creditors;
- f) final judgment against you in the amount of \$25,000 or more remains unsatisfied of record for 30 days or longer (unless and until such judgment is appealed in accordance with applicable law and is affirmed);
- g) your bank accounts, property or accounts receivable relating to your Business are attached and such attachment is not lifted within 30 days;
- h) execution is levied against any property or assets used in connection with your Business;
- i) you voluntarily dissolve or liquidate or have a petition filed for dissolution and such petition is not dismissed within 30 days; or
- j) you fail to have your Business open for business for any 6 consecutive days after you open your Business (other than in connection with a relocation pursuant to Section 2.6 or due to force majeure);
- k) you fail to open your Business and start business, as provided in Section 4.2 or fail to operate your Business as an Alloy Wheel Repair Specialists;
- l) you or any of your Owners or Affiliates make any material misstatement or omission in an application for an Alloy Wheel Repair Specialists franchise or in any other information provided to us, including reports of Gross Revenues;
- m) you suffer cancellation or termination of the lease or sublease for your Premises as a result of a default thereunder;
- n) you or any of your Owners or Affiliates are convicted of, or plead no contest to, a felony or other crime or offense that we reasonably believe may adversely affect the goodwill associated with the Marks;
- o) you or any of your Owners or Affiliates makes an unauthorized Transfer of the Franchise;
- p) you or any of your Owners or Affiliates make any unauthorized use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the Operations Manual in violation of this Agreement;
- q) you or any of your Owners or Affiliates fail, on 2 or more separate occasions within any period of 12 consecutive months, to make payment of any amount due us or any of our Affiliates, when due, or otherwise fail to comply with this Agreement (including the Operations Manual), which failures are brought to your attention by delivery of formal notices of default, regardless whether such defaults are timely cured; or
- r) you or any of your Owners or Affiliates fail, on 7 or more separate occasions during the Term, to make payment of any amount due us or any of our Affiliates, when due, or otherwise fail to comply with this Agreement (including the Operations Manual),

which failures are brought to your attention by delivery of notices of default, regardless whether such defaults are timely cured, provided however, any notice of default which you timely cure to our satisfaction shall be disregarded for purposes of determining the foregoing number of defaults if you are not thereafter sent any further notices of default in any successive 12-month period (provided no such 12-month period can be used to disregard more than 1 notice of default).

### 13.2 Termination After Opportunity to Cure

In addition to our right to terminate pursuant to other provisions of this Agreement and under applicable law, we have the right to terminate this Agreement, effective upon delivery of notice of termination to you, if you or any of your Owners or Affiliates:

- a) offer or sell any products or services from your Business that are not Authorized Products and Services and fail to discontinue such practice within 30 days after a formal notice of default is delivered to you; or
- b) fail to make payment of any amount due us or any of our Affiliates, when due, or otherwise fail to comply with any provision of this Agreement (including the Operations Manual) not otherwise mentioned in Section 13.1 or this Section 13.2, and do not correct such failure within 30 days after a formal notice of default is delivered to you.

## **ARTICLE 14** **RENEWAL RIGHTS**

You have the right, subject to the conditions contained in this Article 14, to acquire a renewal franchise for your Business on the terms and conditions of our then-current form of franchise agreement, if upon expiration of the Term: (a) you and your Owners and Affiliates are in compliance with this Agreement and all other agreements with us or any of our Affiliates, and you and your Owners have been in substantial compliance with this Agreement throughout the Term; and (b) if you are operating a Remanufacturing Facility you maintain the right to possession of the Premises for the term of the Renewal Franchise Agreement and enter into an agreement with us whereby you agree within a specified time period, starting on the date of signing of a renewal franchise agreement, to remodel your Business, add or replace fixtures, furnishings, equipment and signs and otherwise upgrade your Business to the specifications and standards then applicable for new.

You agree to give us notice of your desire to acquire a renewal franchise at least 240 days prior to the expiration of the Term in order to provide us sufficient time to conduct a renewal inspection of your Business and complete the renewal process. We agree to give you notice, not later than 60 days after receipt of your notice, of our decision whether you have the right to acquire a renewal franchise pursuant to this Article 14. Notwithstanding that our notice may state that you have the right to acquire a renewal franchise for your Business and that you and we may have executed a renewal franchise agreement, your right to a renewal franchise will be subject to your continued compliance with all the provisions of this Agreement up to the date of its expiration. If you so request in writing, we will give you the estimated costs or range of costs for upgrading your

Business to the specifications and standards for new Alloy Wheel Repair Specialists franchises and you will have 2 weeks following receipt of this information to evaluate it and notify us as to whether you will exercise your right to a successor franchise.

If you have the right to acquire a renewal franchise, and state your intent to exercise that right, all in accordance with this Article 14, then:

- (a) we and you (and your Owners) will execute a Renewal Franchise Agreement (as defined below);
- (b) you will be obligated to pay a renewal franchise fee of \$2000;
- (c) you and your Owners will be obligated to execute release agreements, in form and substance satisfactory to us, releasing us and our Affiliates, stockholders, officers, directors, employees, agents, successors and assigns from any and all claims relating to this Agreement. Failure by you (and your Owners) to sign such agreements and releases, or to pay the renewal franchise fee, within 30 days after such documents are delivered to you will be deemed an election by you not to acquire a renewal franchise for your Business. Your right to a renewal franchise will be subject to your ability to obtain a lease for the location for your Remanufacturing Facility, if applicable, in form and substance satisfactory to us.

The term “Renewal Franchise Agreement” shall mean our then-current form of franchise agreement, which may contain provisions materially different from those contained herein, except that it will not reduce the size of your Territory. The term of your Renewal Franchise Agreement shall be for 10 years. The term “Renewal Franchise Agreement” shall also include all ancillary agreements (including personal guarantees by your Owners and a remodeling agreement in form and substance satisfactory to us) which we then customarily use in granting successor franchises for the operation of an Alloy Wheel Repair Specialists.

## **ARTICLE 15**

### **EFFECT OF TERMINATION OR EXPIRATION**

#### **15.1 Payment of Amounts Owed to Us**

You agree to pay us and our Affiliates immediately upon termination or expiration (without grant of a renewal franchise) of this Agreement, all royalties, advertising contributions, amounts owed for purchases from us or our Affiliates, interest due on any of the foregoing and all other amounts owed to us or our Affiliates which are then unpaid.

#### **15.2 Discontinue Use of Marks and Confidential Information**

Upon any termination or expiration (without the grant of a successor franchise) of this Agreement, you will:

- a) not directly or indirectly at any time or in any manner use any Mark, any colorable imitation of any Mark or any other indicia of an Alloy Wheel Repair Specialists

business;

- b) take such action as may be required to cancel all fictitious or assumed name registrations relating to your use of any Mark;
- c) notify the telephone company and all telephone directory publishers of the termination or expiration of any rights you may have to use any telephone listing and any regular, classified or other telephone directory listings associated with any Mark and to authorize transfer of the number to us or at our direction. You must immediately execute such instruments and take such steps as we deem necessary or appropriate to transfer and assign each such telephone number. You irrevocably appoint our then-President as your duly authorized agent and attorney-in-fact to execute all instruments and take all steps to transfer and assign each such telephone number;
- d) if we do not exercise our right to take possession of the Premises of your remanufacturing facility pursuant to Section 15.4, promptly remove from the Premises, and discontinue using for any purpose, all signs, fixtures, posters, decor items, advertising materials, forms and other materials and supplies which display any of the Marks or any distinctive features, images, or designs associated with your Business and, at your expense, make such alterations as may be necessary to distinguish the Premises, or your mobile facility as the case may be, so clearly from its former appearance as an Alloy Wheel Repair Specialists as to prevent any possibility of confusion by the public;
- e) we shall have the right but not the obligation, to acquire all of your interest in all of the assets of the Business, including all signs, fixtures, vans or trailers, equipment, leasehold improvements, real property and improvements, covenants, and other contract rights, inventory, and other items bearing our Marks, at fair market value. Such notice shall be exercised by notice of intent to purchase within 30 days after termination or expiration of the Franchise Agreement. If the parties cannot agree on fair market value within a reasonable time, then we and you shall each select an independent appraiser. If the 2 appraisers cannot agree on the appraisal, then an average of the 2 will be used. If we elect to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from you under this Agreement and the cost of the appraisal, if any, against any payments thereof. If we do not purchase all or any of the assets displaying the Marks, you will promptly remove all such labels and markings from any such remaining items;
- f) immediately cease to use all Confidential Information and return to us all copies of the Operations Manual and any other confidential materials which we have loaned to you;
- g) immediately cease to use all computer software incorporating any of the Marks or any of our Confidential Information;
- h) comply with the post-term covenants as provided in Section 11.4;
- i) within 30 days after the effective date of termination or expiration, furnish us evidence satisfactory to us of your compliance with the foregoing obligations; and in addition;
- j) Cannot sell wheel straightener if this Agreement has been terminated for any reason

including expiration termination with or without cause and upon the transfer of your franchise to a third party; and

- k) you are not permitted to sell an MRF(s) straightener to anyone outside of the Company's franchise network. Upon termination of this Agreement for any reason we shall have the right provided that we exercise it within 30 days from the date of termination or expiration of this Agreement to exercise its right of refusal to purchase the MRF(s) and the Straightener from Franchisee at the 5-year depreciation value from the date of purchase minus any costs of repair non-functioning items, procurements costs and freight.

Upon any termination or expiration (without the grant of a successor franchise) of this Agreement, we have the unrestricted right, without paying you any legal consideration, to offer and sell, and to permit other Alloy Wheel Repair Specialists Franchisees to offer and sell, any products or services, to any and all customers of your Business. We have the right to use information from your computer system or related reports submitted to us for such purposes, notwithstanding anything to the contrary contained in this Agreement.

#### 15.3 Possession of Premises

- (a) Upon any termination or expiration (without the grant of a renewal franchise) of this Agreement, we may require you, with respect to your Remanufacturing Facility:
  - (i) to promptly assign to us the lease or sublease for the Premises of your fixed location of your Business (or, at our option, sublease to us the Premises of your Business as an Interim Sublease in accordance with Section 4.1 and otherwise on the same terms and conditions as your lease) and promptly grant us possession to the Premises of your Business; or
  - (ii) to promptly enter into a lease with us on commercially reasonable terms for an initial term of 18 months, with 2 additional 18-month options to renew.

#### 15.4 Continuing Obligations

All obligations under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect until they are satisfied in full or by their nature expire, and are not otherwise addressed in this Agreement.

### **ARTICLE 16** **RELATIONSHIP OF THE PARTIES**

#### 16.1 Independent Contractors

You and we are independent contractors. Neither this Agreement, the nature of the relationship of the parties nor the dealings of the parties pursuant to this Agreement will create, directly or indirectly, any fiduciary or similar relationship between the parties hereto.

Nothing contained in this Agreement, or arising from the conduct of the parties hereunder, is intended to make either party a general or special agent, joint venturer, partner, joint employer or employee of the other for any purpose whatsoever. You agree to conspicuously identify yourself in all dealings with customers, lessors, contractors, suppliers, public officials, employees and others as the owner of your Business and agree to place such other notices of independent ownership at your Business and on forms, business cards, stationery, advertising and other materials as we may require from time to time.

You may not make any express or implied agreements, warranties, guarantees or representations or incur any debt in our name or on our behalf or represent that the relationship of the parties hereto is anything other than that of independent contractors. We will not be obligated by or have any liability under any agreements made by you with any third party or for any representations made by you to any third party. We will not be obligated for any damages to any person or property arising directly or indirectly out of the operation of your business hereunder.

## 16.2 Indemnification

You agree to indemnify us, our Affiliates and our respective directors, officers, employees, shareholders, agents, successors and assigns (collectively “indemnitees”), and to hold the indemnitees harmless to the fullest extent permitted by law, from any and all losses and expenses (as defined below) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether it is reduced to judgment) or any settlement thereof which arises directly or indirectly from, or as a result of, a claim of a third party in connection with the selection, development, ownership, operation or closing of your Business (collectively “event”), and regardless of whether it resulted from any strict or vicarious liability imposed by law on the indemnitees, provided, however, that this indemnity will not apply to any liability arising from a breach of this Agreement by the indemnitees or the gross negligence or willful acts of indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided herein will extend to any finding of comparative or contributory negligence attributable to Franchisee). The term “losses and expenses” includes compensatory, exemplary, and punitive damages; fines and penalties; attorneys’ fees; experts’ fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. You agree to give us prompt notice of any event of which you are aware for which indemnification is required, and, at your expense and risk, we may elect to assume (but under no circumstance obligated to undertake) the defense and/or settlement thereof, provided that we will seek your advice and counsel. Our assumption of the defense does not modify your indemnification obligation. We may, in our reasonable discretion, take such actions as we deem necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in our reasonable discretion, necessary for the protection of the indemnitees or Alloy Wheel Repair Specialists franchises generally. This Section 16.2 will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

### 16.3 Taxes

You agree to promptly pay to us an amount equal to all taxes levied or assessed, including unemployment taxes, sales taxes, use taxes, withholding taxes, excise taxes, personal property taxes, intangible property taxes, gross receipt taxes, taxes on royalties, any similar taxes or levies, imposed upon or required to be collected or paid by us by reason of the furnishing of products, intangible property (including trademarks) or services to you. In the event of a bona fide dispute as to your liability for taxes, you may contest your liability in accordance with applicable law.

## **ARTICLE 17** **MISCELLANEOUS**

### 17.1 Governing Law

Except as otherwise provided in Section 17.2 with respect to the United States Arbitration Act (9 U.S.C. § 1, et seq.), this Agreement and all issues arising from or relating to this Agreement will be governed by and construed under the laws of the State of Georgia, provided the foregoing does not constitute a waiver of your rights under any applicable franchise registration and disclosure or franchise relationship law of another state. Otherwise, in the event of any conflict of law, Georgia law will prevail, without regard to the application of Georgia conflict of law principles.

### 17.2 Arbitration

Subject to Section 17.3 and Section 17.4, either party may submit all controversies, disputes, or claims between the parties, including their respective Affiliates, owners, officers, directors, agents, and employees, arising from or relating to this Agreement on demand of either party for arbitration to the American Arbitration Association (“AAA”). Such arbitration shall be governed exclusively by the United States Arbitration Act (9 U.S.C. § 1, et seq.), without reference to any state arbitration statutes. The parties agree that, in connection with any such arbitration proceeding, each shall submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be barred. The arbitration proceedings shall be conducted in the city where we then have our principal place of business in accordance with the then-current commercial arbitration rules of the AAA, except the parties shall be entitled to limited discovery at the discretion of the arbitrator(s) who may, but are not required to, allow depositions. The parties acknowledge that the arbitrators’ subpoena power is not subject to geographic limitations. The parties agree to be bound by the provisions of any limitation on the period of time by which claims must be brought under Georgia law or any applicable federal law. Unless otherwise agreed, the parties will use only 1 arbitrator in any arbitration proceeding.

The arbitration proceedings shall be conducted on an individual basis and not on a multi-plaintiff, consolidated or class-wide basis.

The arbitrator shall have the right to award the relief which he or she deems proper, consistent with the terms of this Agreement, including compensatory damages (with interest on



unpaid amounts from date due), specific performance, injunctive relief, legal fees and costs. The award and decision of the arbitrator shall be conclusive and binding on all parties, and judgment upon the award may be entered in any court of competent jurisdiction. Any right to contest the validity or enforceability of the award shall be governed exclusively by the United States Arbitration Act. The provisions of this Section 17.2 shall continue in full force and effect subsequent to and notwithstanding expiration or termination of this Agreement.

### 17.3 Preliminary Injunctive Relief

Notwithstanding the demand for arbitration, either party hereto may obtain in any court of competent jurisdiction temporary restraining orders and preliminary injunctions in accordance with applicable law. The parties agree that any violation of Article 10, Article 11, Section 12.2(k), Section 15.2 or Section 15.4 would result in irreparable harm for which no adequate remedy at law may be available. The provisions of this Section 17.3 shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

### 17.4 Multi-Plaintiff and Class Action Claims

You agree that multi-plaintiff or class action claims may not be instituted for any claims or purposes.

### 17.5 Venue

Any judicial proceeding brought against either party in anyway relating to this Agreement shall be brought in the jurisdiction where we then have our principal place of business and may not be transferred to another jurisdiction on the basis that the other jurisdiction is more convenient for the parties and witnesses.

### 17.6 Costs and Attorneys' Fees

The party who prevails in any arbitration or judicial proceeding will be awarded its costs and expenses incurred in connection with such proceedings, including reasonable attorneys' fees.

### 17.7 Limitations on Legal Claims

Except with respect to any of your obligations herein regarding the Confidential Information and the Marks, we and you (and your Owners) each agrees, to the fullest extent permitted by law, not to assert any right to or claim for any punitive, exemplary or special damages against the other directly or indirectly arising from or relating to this Agreement.

Franchisee agrees that no past, present, or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, controlling party, entity under common control, ownership or management, vendor, service provider, agent, attorney or representative of Alloy Wheel Repair Specialists will have any liability for: (1) any obligations or liabilities of Alloy Wheel Repair Specialists relating to or arising from this Agreement; (2) any claim against Alloy Wheel Repair Specialists based on, in respect of, or by reason of the relationship between the

Franchisee and Alloy Wheel Repair Specialists; or (3) any claim against Alloy Wheel Repair Specialists based on any alleged unlawful act or omission of Alloy Wheel Repair Specialists.

#### 17.8 Severability and Substitution of Provisions

Every part of this Agreement will be considered severable. If for any reason any part of this Agreement is held to be invalid, that determination will not impair the other parts of this Agreement. If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of geographical area, type of business activity prohibited and/or length of time, but could be rendered enforceable by reducing any part or all of it, you and we agree that it will be enforced to the fullest extent permissible under applicable law and public policy.

If any applicable law requires a greater prior notice of termination of or refusal to renew this Agreement than is required hereunder, a different standard of “good cause” to terminate or not renew this Agreement, or the taking of some other action not required hereunder, then the prior notice, “good cause” standard and/or other action required by such law will be substituted for the comparable provisions hereof. However, the foregoing shall not be deemed a waiver of our right to contest the validity, enforceability or application of any such law. If any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable under applicable law, we have the right, in our sole discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to make it valid and enforceable.

#### 17.9 Waiver of Obligations

We and you may by written instrument unilaterally waive or reduce any obligation of the other under this Agreement. You and we will not be deemed to have waived any right reserved by this Agreement by virtue of any custom or practice of the parties at variance with it; any failure, refusal or neglect by you or us to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder; any waiver, forbearance, delay, failure or omission by us to exercise any right, whether of the same, similar or different nature, with respect to other Alloy Wheel Repair Specialists Franchisees; or the acceptance by us of any payments due from you after any breach of this Agreement.

#### 17.10 Exercise of Rights

Except as otherwise expressly provided herein, the rights of the parties hereto are cumulative and no exercise or enforcement by either party of any right or remedy hereunder will preclude the exercise or enforcement of any other right or remedy which such party is entitled to enforce by law.

#### 17.11 Construction

The language of this Agreement will be construed according to its fair meaning and not strictly against or for any party. The introduction, personal guarantees, Schedules and addenda (if any) to this Agreement, as well as the Operations Manual, are a part of this Agreement and constitute the entire agreement of the parties with respect to the subject matters hereof and

supersede all prior oral or written agreements, commitments or understandings with respect to the matters provided for herein. If there is an inconsistency between the terms of this Agreement and the Operations Manual, the terms of this Agreement will prevail. Except as otherwise expressly provided herein, there are no other oral or written agreements, understandings, representations or statements relating to the subject matter of this Agreement, other than our franchise disclosure document, that either party may or does rely on or that will have any force or effect. This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement will be deemed to confer any rights or remedies on any person or legal entity not a party hereto, other than successors and assigns of any party to this Agreement whose interests are assigned in accordance with its terms. You acknowledge that you are entering into this Agreement as a result of your own independent investigation of our franchised business and not as a result of any representations about us made by our shareholders, officers, directors, employees, agents, representatives, independent contractors or franchisees that are contrary to the terms set forth in this Agreement or in any disclosure document, prospectus, or similar document required or permitted to be given to you pursuant to applicable law. Nothing in this or in any related agreement(s), however, is intended to disclaim the representations we made in the franchise document that we furnished to you.

The headings of articles and sections are for convenience only and do not limit or construe their contents. The word “including” will be construed to include the words “without limitation.” The term “Franchisee” or “you” is applicable to one or more persons, a corporation, limited liability company or a partnership and its owners, as the case may be. If 2 or more persons are at any time Franchisee hereunder, whether as partners, joint ventures or otherwise, their obligations and liabilities to us will be joint and several. The parties hereto acknowledge and agree that the franchise relationship contemplated by this Agreement, as well as other similar agreements with other Alloy Wheel Repair Specialists Franchisees, confers on us discretion to make decisions and to take certain actions and that we will exercise our business judgment honestly in doing so.

Whenever this Agreement requires the approval or consent of either party, the other party must make written request therefor, and such approval or consent must be obtained in writing. This Agreement may be executed in multiple copies, each of which will be deemed an original. Time is of the essence in this Agreement.

#### 17.12 Modification

This Agreement may not be amended except: (a) as noted below; (b) by written agreement signed by both parties; and (c) as otherwise provided herein with respect to the Operations Manual.

This Agreement may be amended at any time whenever we and a super-majority (as hereinafter defined) of Alloy Wheel Repair Specialists Franchisees agree to any such amendment. We agree to provide you, at least 90 days prior to the date such amendment is to be effective, a copy of the proposed amendment, together with a brief statement explaining the reasons therefor. A “super-majority” of Alloy Wheel Repair Specialists Franchisees shall consist of the owners of at least 75% of all franchised units in the United States of America. Whenever a super-majority of Alloy Wheel Repair Specialists Franchisees approve an amendment in the manner provided for herein, such amendment shall be binding on all Franchisees, including you, to the same extent and

in the same manner as if the amendment was unanimously approved by all Franchisees, and regardless whether you may or may not desire to be bound by the amendment. By signing this Agreement, you appoint any of our officers as your attorney in fact with irrevocable power and authority to execute any such amendment so approved.

#### 17.13 Notices and Payments

All notices, requests and reports permitted or required to be delivered by this Agreement will be deemed delivered: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the same day of the transmission by facsimile, telegraph or other reasonably reliable electronic communication system; (c) one business day after being placed in the hands of a commercial courier service for guaranteed overnight delivery; or (d) 5 business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified in writing. All payments and reports required by this Agreement must be sent to us at the address identified in this Agreement unless and until a different address has been designated by written notice.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the Agreement Date.

FRANCHISEE

ALLOY WHEEL FRANCHISE, LLC  
FRANCHISOR

If a corporation, limited liability company  
or partnership:

\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Representative

(Name of corporation, limited  
liability company or partnership)

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

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Attest: \_\_\_\_\_  
Alloy Wheel Franchise, LLC

If individuals:

By: \_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

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

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

**SCHEDULE A – TERM AND MARKET AREA**  
**ALLOY WHEEL FRANCHISE, LLC.**  
**FRANCHISE AND TRADEMARK AGREEMENT**  
**WITH**

\_\_\_\_\_  
(insert Franchisee name)

Dated \_\_\_\_\_  
(insert Agreement Date)

The expiration date of the agreement is: \_\_\_\_\_

The Territory is the following counties in the State of: \_\_\_\_\_,  
and is described as follows: \_\_\_\_\_, and which is more particularly  
described in the map attached hereto as exhibit 1 to Schedule A.

Metropolitan Statistical Area ("MSA"): \_\_\_\_\_

FRANCHISEE

ALLOY WHEEL FRANCHISE, LLC., a  
Delaware limited liability company

If a corporation, limited liability company  
or partnership:

By: \_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
a \_\_\_\_\_  
(Name of corporation, limited  
liability company or partnership)  
By: \_\_\_\_\_  
Print Name: \_\_\_\_\_

Attest: \_\_\_\_\_

If individuals:

By: \_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

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

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

**SCHEDULE B - DISCLOSURE OF OWNERSHIP INTERESTS**  
**ALLOY WHEEL FRANCHISE, LLC.**  
**FRANCHISE AND TRADEMARK AGREEMENT**  
**WITH**

\_\_\_\_\_  
(insert Franchisee name)

Dated \_\_\_\_\_  
(insert Agreement Date)

1. Operating Partner. The name and home address of the Operating Partner is as follows:

\_\_\_\_\_

2. Form of Entity of Franchisee.

(a) Corporation or Limited Liability Company. Franchisee was incorporated on \_\_\_\_\_, \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. It has not conducted business under any name other than its corporate name. The following is a list of all of Franchisee's directors and officers as of \_\_\_\_\_, \_\_\_\_\_.

Name of Each Director/Officer

Position(s) Held

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(b) Partnership. Franchisee is a [general] [limited] partnership formed on \_\_\_\_\_, \_\_\_\_\_ under the laws of the State of \_\_\_\_\_. It has not conducted business under any name other than its partnership name. The following is a list of all of Franchisee's general partners as of \_\_\_\_\_, \_\_\_\_\_.

Name of General Partner

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

3. Owners. Franchisee and each of its Owners represents and warrants that the following is a complete and accurate list of all Owners of Franchisee, including the full name and mailing address of each Owner, and fully describes the nature and extent of each Owner's interest in Franchisee. Franchisee, and each Owner as to his ownership interest, represents and warrants that each Owner is the sole and exclusive legal and beneficial owner of his ownership interest in

Franchisee, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

Owner's Name and Address

Description of Interest

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FRANCHISEE

ALLOY WHEEL FRANCHISE, LLC., a  
Delaware limited liability company

If a corporation, limited liability company  
or partnership:

\_\_\_\_\_  
a \_\_\_\_\_  
(Name of corporation, limited  
liability company or partnership)

By: \_\_\_\_\_  
Authorized Representative

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_

Attest: \_\_\_\_\_

If individuals:

By: \_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

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

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



**SCHEDULE C - OWNERS' PERSONAL GUARANTY**  
**ALLOY WHEEL FRANCHISE, LLC.**  
**FRANCHISE AND TRADEMARK AGREEMENT**  
**WITH**

\_\_\_\_\_  
(insert Franchisee name)

Dated \_\_\_\_\_  
(insert Agreement Date)

In consideration of, and as an inducement to, the execution of the Alloy Wheel Repair Specialists Franchise and Trademark Agreement dated as of \_\_\_\_\_, \_\_\_\_\_ (the "Agreement") by and between Alloy Wheel Franchise, LLC. ("Franchisor"), and \_\_\_\_\_ ("Franchisee") and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the undersigned, each of whom is an owner of an interest in Franchisee as of the date of this document, hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and that each and every representation of Franchisee made in connection with the Agreement is true, correct and complete in all respects at and as of the time given; and (2) agrees personally to be bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigns waive: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which he may be entitled relating to the validity or enforceability of this guaranty.

Each of the undersigns consent and agree that: (i) his direct and immediate liability under this guaranty shall be joint and several; (ii) he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (iii) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (iv) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement and thereafter and shall continue until any and all indebtedness and obligations thereunder are satisfied in full.

IN WITNESS THEREOF, each of the undersigned has hereunto affixed his signature, under seal, on the same day and year as the Agreement was executed.

PERCENTAGE OF OWNERSHIP  
INTERESTS IN FRANCHISEE

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

GUARANTOR(S)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

DATE: \_\_\_\_\_, \_\_\_\_\_

ALLOY WHEEL FRANCHISE, LLC.

By: \_\_\_\_\_  
Authorized Representative

**EXHIBIT F**  
**FRANCHISE APPLICATION**

The undersigned ("Applicant") does hereby apply for a franchise for the operation of an Alloy Wheel Repair Specialists franchised to be located in the following general area: \_\_\_\_\_ (the "Market Area").

Applicant acknowledges and agrees that Alloy Wheel Franchise, LLC ("Alloy Wheel") has granted no rights whatsoever to the Applicant with respect to the Market Area and that Alloy Wheel now or in the future may open and operate, and grant to others the right to own and operate, Alloy Wheel franchises within the Market Area, subject to any contrary provisions contained in any now existing or future franchise agreements entered into with Applicant. The Applicant understands that the market area is not the same as the Territory, which provides for certain exclusive rights.

Applicant represents and warrants that the information contained in the attached Franchise Application Form is true and correct and fairly reflects Applicant's financial position as of the date hereof.

Applicant AUTHORIZES ALLOY WHEEL TO VERIFY ALL OF THE FINANCIAL INFORMATION PROVIDED TO IT BY APPLICANT AND THAT APPLICANT AUTHORIZES ALLOY WHEEL TO OBTAIN FROM THE FINANCIAL INSTITUTIONS LISTED ON THIS APPLICATION OR ADDENDA TO IT, ALL STATEMENTS THAT ALLOY WHEEL DEEMS TO BE NECESSARY IN VERIFYING SUCH INFORMATION. ALLOY WHEEL MAY SHARE THIS INFORMATION WITH REPRESENTATIVES OF THE FRANCHISOR WHO ARE INVOLVED IN THE DECISION TO GRANT APPLICANT AN ALLOY WHEEL FRANCHISE.

Applicant may withdraw this application at any time upon written notice to Alloy Wheel Applicant understands that Alloy Wheel has the right to deny this application for any reason whatsoever, including without limitation:

1. Alloy Wheel determines that the information in the Financial Qualification Form is not true and correct or does not fairly reflect the financial condition of the Applicant, or that the Applicant is not qualified to purchase an Alloy Wheel franchise; or
2. Alloy Wheel determines for whatever reason that the awarding of an Alloy Wheel franchise would not be in the best interest of the Applicant or Alloy Wheel.

Applicant agrees Alloy Wheel will have no liability for any denial of the application.

If and when Alloy Wheel approves the Applicant, Alloy Wheel will offer Applicant a franchise to operate an Alloy Wheel by delivering its then-current form of standard franchise agreement, together with all standard ancillary documents (including exhibits, riders, guarantees and other related documents) that it then customarily uses in granting franchises for the operation of Alloy Wheel in the state in which the Market Area is located. The franchise agreement and ancillary documents must be duly executed and returned not earlier than 5 business days and not later than 15 business days after they are delivered, with payment of the initial fees required thereunder. If Alloy Wheel does not receive, on a timely basis, the fully executed franchise agreement and ancillary documents and payment of the required initial fees, Alloy Wheel may revoke its offer to grant a franchise to operate an Alloy Wheel.

This application does not confer any rights relating to Alloy Wheel trademarks or service marks. Any proprietary or confidential information provided by Alloy Wheel to the Applicant is solely for the purpose of Applicant's evaluating an Alloy Wheel franchise. Applicant acknowledges that any rights to use

such proprietary or confidential information may be derived only pursuant to an executed franchise agreement, and that unauthorized disclosure, transfer or use, either direct or indirect, of such information by the Applicant would constitute an infringement of Alloy Wheel rights thereto and result in irreparable injury to Alloy Wheel for which there is no adequate remedy at law.

Applicant represents and warrants that its responses to the following questions are true as of the date of this Application:

1. Have you received a complete copy of the Alloy Wheel Franchise Disclosure Document at least 14 calendar days before the earlier of the date on which you signed this franchise application or paid the deposit required hereunder? Some states require that you receive the Franchise Disclosure Document at least 10 business days before you can sign the franchise agreement or pay any deposit to us. If you are purchasing a franchise in any of those states, we will not accept a signed franchise agreement from you or any portion of the deposit or initial franchise fee until those disclosure dates are satisfied.

_____ Yes	_____ No	_____ Initials	_____ Initials
		_____ Initials	_____ Initials

2. Has any representative of Alloy Wheel made any promises, agreements, contracts, commitments, representations, "side deals", or granted you any options or rights of first refusal with respect to any matter other than as set forth in Alloy Wheel Franchise Disclosure Document and exhibits (including the franchise agreement) attached thereto?

_____ Yes	_____ No	_____ Initials	_____ Initials
		_____ Initials	_____ Initials

If you answered "Yes," please explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Has any representative of Alloy Wheel made an oral, written or visual statement(s), claim(s) or representation(s), which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise with respect to an Alloy Wheel franchise which varies in any way from information contained in Alloy Wheel Franchise Disclosure document?

_____ Yes	_____ No	_____ Initials	_____ Initials
		_____ Initials	_____ Initials

If you answered "Yes," please explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Has any representative of Alloy Wheel made any oral, written or visual statement, claim or representation which contradicted, expanded upon or was inconsistent with the information contained in Alloy Wheel Franchise Disclosure Document (“FDD”)?

\_\_\_\_\_ Yes                  \_\_\_\_\_ No                  \_\_\_\_\_ Initials                  \_\_\_\_\_ Initials

\_\_\_\_\_ Initials                  \_\_\_\_\_ Initials

If you answered “Yes,” please explain: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

This Application was signed and delivered to Alloy Wheel on \_\_\_\_\_, 20\_\_.

Franchise License to be completed/executed on \_\_\_\_\_, 20\_\_.

APPLICANT(S):

X \_\_\_\_\_

X \_\_\_\_\_

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

X \_\_\_\_\_

X \_\_\_\_\_

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

**EXHIBIT G**  
**CONFIDENTIALITY/NONDISCLOSURE AGREEMENT**

THIS AGREEMENT made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between Alloy Wheel Franchise, LLC, a Delaware limited liability company (hereinafter referred to as the “Company”) and \_\_\_\_\_ (hereinafter referred to as “Prospective Franchise Owner”).

**WITNESSETH THAT:**

**WHEREAS**, Prospective Franchise Owner desires to obtain certain confidential and proprietary information from the Company for the sole purpose of inspecting and analyzing said information in an effort to determine whether to purchase a franchise from the Company; and

**WHEREAS**, the Company is willing to provide such information to Prospective Franchise Owner for the limited purpose and under the terms and conditions set forth herein;

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto agree as follows:

1. **DEFINITION.** “Confidential Information” is used herein to mean all information, documentation and devices disclosed to or made available to Prospective Franchise Owner by the Company, whether orally or in writing, as well as any information, documentation or devices heretofore or hereafter produced by Prospective Franchise Owner in response to or in reliance on said information, documentation and devices made available by the Company. For purposes of clarification, the Company considers all aspects of its franchise system when taken as a whole to be confidential, even if individual components of the System may be considered to be in the public domain.
2. **TERM.** The parties hereto agree that the restrictions and obligations of Paragraph 3 of this Agreement shall be deemed to have been in effect from the commencement on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, of the ongoing negotiations between Prospective Franchise Owner and the Company and continue in perpetuity until disclosed by the Company.
3. **TRADE SECRET ACKNOWLEDGMENT.** Prospective Franchise Owner acknowledges and agrees the Confidential Information is a valuable asset of the Company intended to give its users a competitive advantage in operating the business that is the subject of this franchise, and that any disclosure or unauthorized use thereof will cause irreparable harm and loss to the Company.
4. **TREATMENT OF CONFIDENTIAL INFORMATION.** In consideration of the disclosure to Prospective Franchise Owner of Confidential Information, Prospective Franchise Owner agrees to treat Confidential Information in confidence and to undertake the following additional obligations with respect thereto:
  - a. To use Confidential Information for the sole purpose of inspecting and analyzing the information in an effort to determine whether to purchase a franchise from the Company and solely in its operation of the Company Franchise;

- b. Not to disclose Confidential Information to any third party;
  - c. To limit dissemination of Confidential Information to only those of Prospective Franchise Owner's officers, directors and employees who have a need to know to perform the limited tasks set forth in Item 4 (a) above; and who have agreed to the terms and obligations of this Agreement by affixing their signatures hereto;
  - d. Not to copy Confidential Information or any portions thereof; and
  - e. To return Confidential Information and all documents, notes or physical evidence thereof, to the Company upon a determination that Prospective Franchise Owner no longer has a need therefore, or a request therefore, from the Company, whichever occurs first.
5. **SURVIVAL OF OBLIGATIONS.** The restrictions and obligations of this Agreement shall survive any expiration, termination or cancellation of this Agreement and shall continue to bind Prospective Franchise Owner, his heirs, successors and assigns in perpetuity.
6. **NEGATION OF FRANCHISES.** Except as expressly set forth herein, no rights to franchises, expressed or implied, are hereby granted to Prospective Franchise Owner as a result of or related to this Agreement.
7. **APPLICABLE LAW.** This Agreement shall be construed and enforced in accordance with the laws of the State of Georgia.
8. **MERGE INTO FRANCHISE AGREEMENT.** At such time that the Prospective Franchisee executes the Company's Franchise Agreement this Agreement shall merge into the Franchise Agreement, and that agreement shall control the terms of the confidentiality of information. In the event that there arises a conflict between the terms of the Prospective Franchisee's governing Franchise Agreement and the terms of this Agreement, the terms of the governing Franchise Agreement shall control.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed.

FRANCHISOR

FRANCHISEE

Alloy Wheel Franchise, LLC

\_\_\_\_\_  
(Name of Franchisee)

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

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

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

(SEAL)

(SEAL)

**EXHIBIT H**  
**ADDENDUM OF LEASE AND COLLATERAL ASSIGNMENT OF LEASE**

This Addendum is made this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_, Landlord/Lessor and \_\_\_\_\_, Tenant/Lessee. Notwithstanding anything to the contrary contained in the attached lease, the parties agree to amend the language of the lease as follows:

Use

The parties agree that the premises may be used for the operation of a \_\_\_\_\_ and for no other purpose whatsoever.

Assignment

Landlord/Lessor expressly agrees that in the event of and upon any termination of that certain Franchise and Trademark Agreement executed between Tenant/Lessee, as Franchisee, and Alloy Wheel Franchise, LLC as ("Franchisor") and dated \_\_\_\_\_, Landlord/Lessor shall permit the assignment of Tenant's/Lessee's interest in this lease to Franchisor to reassign such interest in this lease to any other party chosen by Franchisor to act as third party operator of the Premises; provided, however, that any such other party named by Franchisor to act as third party operator, as aforesaid, shall assume all obligations of the Tenant/Lessee under the terms of this Lease. Landlord/Lessor further expressly agrees to execute any documentation which may reasonably be required by Franchisor to evidence the acceptance of Franchisor or of such third party operator, as Tenant/Lessee under the terms of this Lease. Landlord/Lessor and Tenant/Lessee further agree that during the stated terms of this lease, Tenant/Lessee shall not have the right to assign or sublet these premises to another person or legal entity for whatever reason without the express written consent of Franchisor. Landlord/Lessor acknowledges that the agreements contained in this Paragraph are made in consideration for Tenant's/Lessee's execution of this Lease and Landlord/Lessor understands and agrees that but for Lease Landlord's/Lessor's consent to the terms of this Paragraph and to the terms of Franchisor's Default paragraph contained herein, Tenant/Lessee would not have executed this Lease Agreement.

Default

Landlord/Lessor expressly agrees that before exercising any remedy it may have hereunder, Landlord/Lessor shall give written notice of any default to Franchisor by Registered or Certified Mail and posted to its office at 135 Interstate Blvd., Unit 6, Greenville, South Carolina 29615; further, Landlord/Lessor agrees that Franchisor shall have the same opportunity to cure any such default that Lessee/Tenant shall have under the Lease before any remedy hereunder may be exercised by the Landlord/Lessor. Upon receiving notice from Landlord that the Lease between Lessor and Tenant/Lessee has been terminated, Franchisor shall have 30 days in which to execute an assignment of lease between it and the Lessor; provided however, that all expenses incurred in removing Tenant/Lessee from the Premises shall be borne by the Landlord/Lessor. The continued term of the Lease that results from the assignment of the Lease to Franchisor shall not commence until the Franchisor is awarded the possessory rights of the Premises. At that time the remaining lease term shall re-commence and Franchisor shall be granted the same amount of time remaining



on the lease as existed at the time of the termination of the Lease but before the Franchisor was granted the possessory rights under the Lease.

### Signage

Landlord/Lessor acknowledges that it has reviewed and approved for installation and erection the standard Alloy Wheel Repair Specialists sign of \_\_\_\_ square feet and standard Alloy Wheel Repair Specialists exterior wall signs of \_\_\_\_ square feet, and the Alloy Wheel Repair Specialists fascia or other decorative siding. No additional approval is required from Landlord/Lessor. The parties hereto acknowledge that the any existing pole and box where the signage may be located are the property of the Landlord/Lessor.

### Entry by Franchisor

Landlord/Lessor and Tenant/Lessee hereby acknowledge that Tenant/Lessee has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to enter the premises at any reasonable time for the purpose of conducting inspections, protecting Alloy Wheel Repair Specialists proprietary marks and correcting deficiencies of Tenant/Lessee. Lessor/Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents.

### De-Identification

Landlord/Lessor and Tenant/Lessee hereby acknowledge that in the event the Franchise Agreement expires without renewal, or is terminated, Tenant/Lessee is obligated to take certain steps under the Franchise Agreement to de-identify the location as an Alloy Wheel Repair Specialists franchise operated by Tenant/Lessee. Landlord/Lessor agrees to cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against Tenant/Lessee, including allowing Franchisor, its employees or agents, to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos and materials bearing or displaying any marks, designs or logos of Franchisor; provided, however, that Landlord/Lessor shall not be required to bear the expense thereof. Lessee/Tenant agrees that if Lessee/Tenant fails to de-identify the premises promptly upon termination or expiration as required under the Franchise Agreement, Franchisor may cause all required de-identification to be completed at Lessee's expense.

### General Provisions

This Addendum shall run with the land and be binding upon the parties hereto and their successors, assigns, heirs, executors and administrators. The rights and obligations contained herein shall continue notwithstanding changes in the persons or entities that may hold any leasehold or ownership in the land or building. Any party hereto may record this agreement or any memorandum hereof. The failure to do so shall not impair the enforcement of the provisions of this agreement.

Any party hereto may seek equitable relief, including without limitation, injunctive relief or specific performance, for actual or threatened violation or non-performance of this Agreement by any other party. Such remedies shall be in addition to all other rights provided for under law or

other agreements between any of the parties. The prevailing party in any action shall be entitled to recover its legal fees together with court costs and expenses of litigation.

Nothing contained in this Agreement shall affect any term of condition in the Franchise Agreement between Lessee and Franchisor. Nothing herein shall be deemed to constitute a guaranty or endorsement by Franchisor of the terms and conditions of the Lease between Lessor/Landlord and Tenant/Lessee. In the event that Franchisor, in its sole discretion, determines not to accept the assignment of the Lease as permitted hereunder, neither Lessor/Landlord nor Lessee/Tenant shall have any claim against Franchisor. No terms or conditions contained in the Lease shall be binding on Franchisor unless and until it elects to accept assignment of the Lease hereunder.

#### Modification

This lease and addendum may be modified only in writing, and only after first obtaining written approval from tenant.

Tenant/Lessee

Landlord/Lessor

\_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
Authorized Representative

Agreed as to the terms affecting \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Representative

## EXHIBIT I

### **ALLOY WHEELS REPAIR SPECIALISTS, LLC** **Automatic Bank Draft Authorization**

I hereby authorize Alloy Wheel Franchise, LLC to draft the following fees/payments (including principal, interest, and any late penalties that may apply) and, if warranted under the terms of my Alloy Wheel Franchise, LLC Franchise Agreement, together with any legal instruments I may enter into with Alloy Wheel Franchise, LLC or its affiliates, the accelerated balance, from the bank account specified below:

Payment Type:	Day to be drafted:	Frequency:
<input type="checkbox"/> Weekly Royalty & Advertising fees	On the _____	of each _____
<input type="checkbox"/> software Maintenance fees	On the _____	of each _____
<input type="checkbox"/> Promissory note payments	On the _____	of each _____

\_\_\_\_\_  
Name of Bank

\_\_\_\_\_  
Franchisee Name/Maker

\_\_\_\_\_  
Bank Routing Number

\_\_\_\_\_  
Center Number

\_\_\_\_\_  
Bank Account Number

\_\_\_\_\_  
Center Address

Please attach a copy of a voided check in the space below and mail this form to: **Alloy Wheel Franchise, LLC 3100 Medlock Bridge Road, Suite 305, Norcross, GA 30071, 770-903-1236.**

Franchisee Name		
Pay To The Order Of		\$ _____ Dollars
Memo		
:000000000	10000001234567	1000

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Start Date

\_\_\_\_\_  
Date

\_\_\_\_\_  
Point of Sale System

\_\_\_\_\_  
Preferred Email Address

## TERMS AND CONDITIONS:

**Effective Date of Draft:** The draft will occur on the payment due date, or first business day thereafter should the specified draft date fall on a holiday or weekend, unless otherwise agreed upon by Maker and Alloy Wheel Franchise, LLC and/or its designated affiliate. The Maker will receive a confirmation email to ensure auto-draft set-up and to confirm draft date(s).

**Change in Bank Account:** Maker must send written notification to Alloy Wheel Franchise, LLC of any changes in the bank account information specified above at least 20 days prior to the date on which you wish the changes to take effect.

**Insufficient Funds:** If the automatic withdrawal is returned as insufficient funds, Alloy Wheel Franchise, LLC or its subsidiaries may assess a \$\_\_\_\_\_ fee.

**Amount of Draft:** For weekly Royalty / Advertising, Alloy Wheel Franchise, LLC will withdraw the amount specified in the transmission file for the week.

**Notification:** An email notification will be sent to the email address specified above at least 1 business day prior to drafting any fees from your account. If at any time you wish to change the email address for notifications, contact the Collections Department at (\_\_\_\_\_) \_\_\_\_\_.

**EXHIBIT J**  
**OPERATIONS MANUAL TABLE OF CONTENTS**

**TABLE OF CONTENTS**

<b>Chapter 1</b>	<b>Use and Revision of Manuals</b>	
	1.0 Overview	
	1.1 Notice of Changes to the Manual	
	1.2 Temporary Changes Pending Revision of the Manual	
	1.3 Revision of Manual	
	1.4 Disposition of Manual	
	1.5 Distribution of Manual	
	1.6 Manual Receipt	
	Total Pages for Chapter 1.....	4
<b>Chapter 2</b>	<b>Introduction to the Company</b>	
	2.0 The Company	
	2.1 Company Philosophy and Goals	
	2.2 Image for Success	
	2.3 Franchisor/Franchisee Owner Relationship	
	2.4 Whom to Contact at the Corporate Office	
	AWRS Location Evaluation Form	
	AWRS Location Visitation Report	
	AWRS Mystery Shopper Report	
	Total Pages for Chapter 2.....	37
<b>Chapter 3</b>	<b>Timetable for Opening</b>	
	3.0 Introduction	
	3.1 Steps for Opening an AWRS Franchise	
	Total Pages for Chapter 3.....	5
<b>Chapter 4</b>	<b>Hiring Experts</b>	
	4.0 Introduction	
	4.1 Finding and Selecting an Attorney	
	4.2 Finding and Selecting an Accountant	
	Total Pages for Chapter 4.....	7

<b>Chapter 5</b>	<b>Selecting the Proper Business Organization</b>	
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5.1	Considerations Regarding Incorporation	
5.2	Summary	
	Total Pages for Chapter 5.....	5
<b>Chapter 6</b>	<b>The Business Plan</b>	
6.0	Introduction	
6.1	The Overview	
6.2	Table of Contents	
6.3	Franchise Description	
6.4	Market Analysis and Marketing	
6.5	Operations	
6.6	Management and Ownership	
6.7	Funds Required and Their Usage	
6.8	Financial Data	
6.9	Appendices of Exhibits	
6.10	Conclusion	
	Total Pages for Chapter 6.....	14
<b>Chapter 7</b>	<b>How to Apply for a Loan</b>	
7.0	Introduction	
7.1	Preliminary Research	
7.2	Meeting the Loan Office	
7.3	More Details on the Presentation	
7.4	Support Materials	
7.5	Other Materials Needed	
7.6	Applying for a Loan with the SBA	
	Total Pages for Chapter 7.....	22
<b>Chapter 8</b>	<b>Insurance</b>	
8.0	Introduction	
8.1	Overall Coverage Requirements	
8.2	Evidence of Coverage	

8.3	Choosing an Insurance Broker or Agent	
8.4	Risk Management	
Total Pages for Chapter 8.....		7

## **Chapter 9**

### **Personnel**

9.0	Introduction	
9.1	Labor Cost and Scheduling	
9.2	Personnel Policies	
9.3	Recruiting New Employees	
9.4	Interviewing and Hiring Techniques	
9.5	Training	
9.6	The Technician	
9.7	The Manager	
9.8	Termination/Disciplinary Actions	
9.9	Benefits	
9.10	Controlling Unemployment Costs	
9.11	The Employee File	
9.12	Resolving Employee Conflicts	
9.13	Team-Building Activities	
Total Pages for Chapter 9.....		33

## **Chapter 10**

### **Bookkeeping**

10.0	Introduction	
10.1	Payment Terms	
10.2	Managing Your Accounts Receivable	
10.3	Managing Your Accounts Payable	
10.4	Payroll	
10.5	Tax Forms	
10.6	Reports and Financial Records	
10.7	Royalty Report and Payments	
Area Franchisee Royalty Report		
Total Pages for Chapter 10.....		15

<b>Chapter 11</b>	<b>Sales</b>	
	11.0	The Selling Process
	11.1	Important Qualities to Develop
	11.2	Types of Accounts
	11.3	Pricing Policies
	11.4	The Inside Sales Process
	11.5	Steps in the Selling Process
	11.6	Points to Consider in the Presentation
	Total Pages for Chapter 11.....	19
<b>Chapter 12</b>	<b>Customer Service</b>	
	12.0	The Importance of Customer Service
	12.1	Proper Order of Service
	12.2	Employee Relations
	12.3	Handling of Customer Complaints
	Total Pages for Chapter 12.....	8
<b>Chapter 13</b>	<b>Marketing and Advertising</b>	
	13.0	Introduction
	13.1	Advertising Strategy
	13.2	Direct Selling Methodologies
	13.3	The Franchise Auto Dealer Body Shops or Independent Body Shops
	13.4	The Insurance Companies
	13.5	Automobile Auctions
	13.6	Retail
	13.7	Branded Website
	13.8	Social Media, Business Listings & Reputation Management
	13.9	Press Release
	13.10	The Marketing Kit
	Total Pages for Chapter 13.....	9
<b>Total Manual Pages.....</b>		<b>185</b>



## EXHIBIT K

STATE OF GEORGIA

COUNTY OF GWINNETT

### **RENEWAL/RESALE MUTUAL RELEASE**

THIS RELEASE is entered into by and between Alloy Wheel Franchise, LLC with its principal offices located at 3100 Medlock Bridge Road, Suite 305 Norcross, GA 30071 ("Alloy Wheel") and \_\_\_\_\_ ("Franchisee"), an individual who resides at \_\_\_\_\_.

WHEREAS, pursuant to that one certain Alloy Wheel Franchise, LLC Franchise and Trademark Agreement ("Agreement") entered into by and between "FRANCHISEE" and Alloy Wheel Franchise, LLC and dated \_\_\_\_\_, 20\_\_\_\_, Franchisee was granted a franchise to operate an Alloy Wheel Franchise, LLC franchise business [UNIT/CENTER/STUDIO/ETC.] at \_\_\_\_\_ (Business #\_\_\_\_").

WHEREAS, certain circumstances have arisen that necessitate that the franchise relationship granted by the Franchise and Trademark Agreement dated \_\_\_\_\_ between Alloy Wheel and Franchisee be terminated.

THEREFORE, in consideration of the mutual promises contained herein, the sufficiency of which is hereby confessed, the parties agree as follows:

1. The franchise relationship that has existed between Alloy Wheel and Franchisee is hereby terminated as of the date that this release is signed by both parties to it.

2. The [FRANCHISE NAME] Franchise and Trademark Agreement that has governed the relationship between Alloy Wheels and Franchisee is terminated effective upon the date that this Agreement is signed by both parties, subject to the conditions stated herein.

3. "FRANCHISEE", his/its heirs, executors, administrators, successors and assigns, hereby releases Alloy Wheel and its parent, subsidiaries, affiliates, employees, agents, representatives, successors and assigns of and from any and all rights, duties, responsibilities, claims or causes of action whatsoever, whether in contract or in tort, existing by common law or by statute, known or unknown, heretofore existing between Alloy Wheel and "FRANCHISEE", which may have accrued or which may accrue on account of, arising from, or in any manner growing out of or resulting from the franchise relationship and the Alloy Wheel Franchise and Trademark Agreement governing that relationship. Nothing in this paragraph shall constitute a waiver of future compliance under any law of any state. Nothing in this section shall invalidate any statute of limitations that may have run on any claim that Franchisee claims to have against Alloy Wheel, where such statute of limitations would have run prior to or as of the date of this Termination by Release.

4. Subject to the renewal, closing of the sale of the franchise for Franchise Business #\_\_\_\_, or any other reason for the termination of the franchise relationship, and Franchisee's

fulfillment of its currently owed obligations to Alloy Wheel said Business, including but not limited to the payment of all amounts owed to Alloy Wheel for Franchisee's operation of the Business Alloy Wheel, its parent, subsidiary, directors, officers, employees, successors and assigns, hereby releases "FRANCHISEE" from any and all duties, responsibilities and claims that it has or may have now or at any time in the future arising out of the Franchise and Trademark Agreement, except for the any express obligation or obligations which shall by their terms continue in force beyond the termination of the Franchise and Trademark Agreement and regardless of the basis or the manner of the termination.

5. This Release shall not relieve any party from liability under any applicable state franchise law where such law prohibits the release of such claims.

6. This Release shall be binding upon and inure to the benefit of all parties, their officers, directors, affiliates, successors and assigns.

7. This Release constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to contents contained in this Agreement are merged into this Agreement.

8. This Release shall not be modified in any manner, except by written instrument signed by both parties.

9. This Release shall be governed by the State of Georgia. If it should become necessary to enforce any term(s) of this Release, venue shall be deemed to be proper exclusively in a court of competent jurisdiction encompassed in the \_\_\_\_\_ District of Georgia or within Gwinnet County, Georgia.

IN WITNESS WHEREOF, the parties have executed this Agreement as of this day, in duplicate, and have set forth their signatures with the intention of executing this document.

FRANCHISEE

Alloy Wheel Franchise, LLC

\_\_\_\_\_  
"Franchisee"

By: \_\_\_\_\_  
Its: Chief Executive Officer

ATTEST: \_\_\_\_\_  
Vice President

Dated: \_\_\_\_\_, 20\_\_

Dated: \_\_\_\_\_, 20\_\_

**EXHIBIT L**  
**LIST OF OPEN AND OPERATING FRANCHISES AS OF DECEMBER 31, 2023**

<b>CITY</b>	<b>NAME</b>	<b>ADDRESS</b>	<b>PHONE</b>
<b>ALABAMA</b>			
Madison	Miller, Roselyn J.	109 Heatherwood Ct. Madison, AL 35758	256-837-9542
Mobile	Owens, Steve <i>(also operates in Florida)</i>	5200 Woodline Drive Mobile, AL 36693	251-421-0757
Ranburne	Ledbetter, Chris & Mason <i>(also operates in Georgia and Tennessee)</i>	2307 Frank Ledbetter Memorial Drive Ranburne AL 36273	770-283-4008
Indian Springs	Yarborough, Chris	150 Indian Forest Trail Indian Springs, AL 35124	205-451-8995
<b>ARIZONA</b>			
Avondale	Feliciano, David	12605 W. Indianola Ave. Avondale, AZ 85392	480-619-2146
San Tan Valley	Greco, Phil	5011 E. Santa Clara Drive San Tan Valley, AZ 85140	480-392-2474
Phoenix	Fink, Nick	1819 W. Rose Garden, Ste. 4 Phoenix, AZ 85027	480-619-7127
Tucson	Forgue, Jerry	871 North Western Ridge Trail Tucson, AZ 85748	520-730-2390
<b>CALIFORNIA</b>			
Goleta	Pavel, Joe	5662 Calle Real Goleta, CA 93117	240-286-1901
Pleasanton	Keller, Keith	235 Tomas Way Pleasanton, CA 94566	925-922-1376
Tustin	Dey, Robert	11045 Hiskey Lane Tustin, CA 92782	949-892-8428
Woodland Hills	Springer, Billy and Del Castillo, Javier	6203 Variel Ave Unit# 208 Woodland Hills, CA 91367	973-951-5230
<b>COLORADO</b>			
Arvada	Dorsey, Chris	8748 Johnson St Arvada, CO 80005	303-736-9875
Aurora	Call, Clifford "Andy"	1102 South Bahama Street Aurora, CO	720-980-1089
<b>FLORIDA</b>			
Jacksonville	Kidane, Negasi	4230 Deerwood Lake Pkwy Jacksonville, FL 32216	904-333-9944
Panama City Beach	Lebdaoui, Hamid <i>(also operates in Alabama and Georgia)</i>	309 Lyonia Lane Panama City Beach, FL 32408	850-866-7714
<b>GEORGIA</b>			
Macon	Barbour, Robert A.	4150 Arkwright Rd., Apt 37 Macon, GA 31210	404-909-4123
<b>HAWAII</b>			
Mililani	Howard, Josh	94-1388 Moaniani S Ste 322 Waipahu, HI 96797	808-391-8633

CITY	NAME	ADDRESS	PHONE
<b>IDAHO</b>			
Boise	Larson, Eric <i>(also operates in Oregon)</i>	13022 W. Woodspring Street Boise, ID 83713	208-867-7765
<b>INDIANA</b>			
Lebanon (OH)	Day, Justin <i>(also operates in Ohio)</i>	1218 Poplar Hill Rd. Lebanon, OH 4506	317-979-7207
<b>ILLINOIS</b>			
Batavia	Newton, John	1094 Roberts Ct. Batavia, IL 60510	630-927-5336
Bryon	DeVries, Greg <i>(also operates in Wisconsin)</i>	2625 Breckenridge Drive Bryon, IL 61010	815-234-5387
Chicago	Shehayber, Mohamed <i>(also operates in Indiana)</i>	6702 South Pulaski Chicago, IL 60629	708-574-5151
<b>IOWA</b>			
Hiawatha	Hudepohl, Rodney <i>(also operates in Illinois)</i>	850 Robins Road Hiawatha, IA 52233	319-373-8200
Hinton	Wingert, Michael <i>(also operates in South Dakota and Nebraska)</i>	32323 K-42 Hinton, IA 51024	712-266-6556
<b>KANSAS</b>			
Wichita	Boucher, Joe	11874 W. Rolling Hills Ct. Wichita, KS 67212	316-641-4711
<b>KENTUCKY</b>			
Louisville	Schwartz, Larry <i>(also operates in Indiana)</i>	7102 Old Heady Road Louisville, KY 40299	502-553-3775
<b>MARYLAND</b>			
Bowie	Dale, Joe	12300 Lanham Severn Road Bowie, MD 20720	301-573-7468
Owings	Ruyter, Paul & Brickerd, John <i>(also operates in DC and Virginia)</i>	9718 Wild Fire Lane Owings, MD 20736	240-882-6954 301-651-9634
<b>MASSACHUSETTS</b>			
Quincy	Kramer, Sam <i>(also operates in Rhode Island)</i>	41 Warrick Street Quincy, MA 02170	617-901-9861
<b>MICHIGAN</b>			
Comstock Park	Carpenter, Roy	720 Kornoelje Dr NE Comstock Park, MI 49683	231-378-2651
Warren	Bigger, David	25175 Thomas Drive Warren MI 48091	248-930-5243
Saginaw	Devos, Steve	1532 Wenonah Lane Saginaw, MI 48638	989-213-2492
<b>MINNESOTA</b>			
Rochester	Kothenbeutel, Jason <i>(also operates in Wisconsin)</i>	4429 57th St., NW Rochester, MN 55901	507-272-2584
<b>MISSOURI</b>			
Springfield	Meyer, Thomas and Christi	1912 E. McDaniel St. Springfield, MO 65802	417-838-1910
<b>MONTANA</b>			
Billings	Dahl, Brett	3033 Ave F Billings, MT 59102	402-251-4844

<b>CITY</b>	<b>NAME</b>	<b>ADDRESS</b>	<b>PHONE</b>
<b>NEBRASKA</b>			
Lincoln	Belcher, Allen <i>(also operates in Iowa)</i>	5601 S. 56th Street, Suite 22 Lincoln, NE 68516	402-421-3634
<b>NEW HAMPSHIRE</b>			
Merrimack	Winning, Jay	29 Winrow Dr. Merrimack, NH 03054	603-860-2332
<b>NEW JERSEY</b>			
Cherry Hill	Laurick, John <i>(also operates in Pennsylvania)</i>	328 Woodland Ave. Cherry Hill, NJ 08002	609-929-7942
Lanuka Harbor	Ross, Robert	140 Heatherington Court Lanuka Harbor, NJ 08734	609-314-1278
Voorhees	Gesmondi, Joseph	35 Regan Lane Voorhees, NJ 08043	856-904-4380
<b>NORTH CAROLINA</b>			
Cary	Oliver, Charles	104 Greenway Overlook Cary, NC 27518	919-924-6458
Charlotte	Bruton, Chris and Britz, Luke	330 E Hebron Charlotte, NC 28273	704-763-8562
<b>OHIO</b>			
Berea	Zavell, Paul	93 Karl St. Berea, OH 44017	440-668-6098
<b>OREGON</b>			
Eugene	Goheen, Tyler and Miller, Adam	2983 Grand Cayman Drive Eugene, OR 97408	541-683-8116
<b>PENNSYLVANIA</b>			
Dimock	Farrell, Paul <i>(also operates in New Jersey and New York)</i>	Rt. 3023 Elk Lake Rd Dimock, PA 18816	570-877-2071
Elizabeth Town	Rachael, Nick	2097 Andrew Avenue Elizabeth Town, PA 17022	717-471-3613
Oakdale	Feeney, Michael	207 Redfield Dr. Oakdale, PA 15071	412-596-3280
Schnecksville	Henninger, Donna and Henninger, Oliver	3320 Bellview Rd. Schnecksville, PA 18078	610-248-1408
<b>PUERTO RICO</b>			
San Juan	Mojica, Angel	P.O. Box 19270 San Juan, PR 00910	787-510-9882
<b>SOUTH CAROLINA</b>			
Greer	Ramey, Douglas <i>(also operates in North Carolina)</i>	2 Peachtree Lane Greer, SC 29651	864-325-5679
Greer	Poole, Joe	11 Georgia Belle Lane Greer, SC 29650	864-787-4525
North Augusta	Griesel, Scott <i>(also operates in Georgia)</i>	PO Box 7983 North Augusta, SC 29861	706-284-5281
<b>TENNESSEE</b>			
Kingsport	Jiminez, Jorge	632 Morison Ave Kingsport TN 37660	423-429-6703
Ranburne	Ledbetter, Chris and Mason <i>(also operates in Georgia)</i>	2307 Frank Ledbetter Memorial Dr. Ranburne, AL 36273	770-283-4008

CITY	NAME	ADDRESS	PHONE
<b>TEXAS</b>			
Austin	Repella, Mark	15205 Staked Plains Loop Austin, TX 78717	512-426-7611
El Paso	Ryan, Jeremy and Melissa <i>(also operates in New Mexico)</i>	5512 Milray Dr. El Paso, TX 79932	915-261-3913
San Antonio	Brisco, Sharefah	15230 Redbird Manor San Antonio, TX 78253	210-767-0019
Spring	Albritton, Robert	609 Spring Hill Dr., #900 Spring, TX 77386	713-705-0069
Waco	Davis, T.J.	3809 S. General Bruce Drive, 103-190 Temple, TX 76502	254-855-3124
<b>UTAH</b>			
Roy	Gracey, Nate <i>(also operates in Idaho)</i>	6022 South 1900 West Roy, UT 84067	901-326-1678
Sandy	Braun, Fritz	9777 Altamount Dr. Sandy, UT 84092	801-558-9116
<b>WASHINGTON</b>			
Vancouver	Deuvall, Kevin and Penny <i>(also operates in Oregon)</i>	6400 Highway 99, Suite G Vancouver, WA 98665	360-606-7159
<b>WISCONSIN</b>			
Milwaukee	Hansen, Brian	4420 S 108 <sup>th</sup> St. Milwaukee, WI 53228	414-732-6407

**LIST OF FRANCHISEES THAT LEFT THE SYSTEM JANUARY 1, 2023 -  
DECEMBER 31, 2023**

CITY	NAME	ADDRESS	PHONE
<b>COLORADO</b>			
Arvada	Seldomridge, Brandon	6378 Iris Court Arvada, CO 80005	717-471-1439
<b>FLORIDA</b>			
Orlando	Collard, Michael	6920 Sugarbush Drive Orland, FL 32819	407-466-8771
<b>HAWAII</b>			
Mililani	Ruston, Todd	95833 Wiko's Street Mililani, HI 96789	808-391-8633
<b>NEW YORK</b>			
East Islip	Sloup, Arthur	52 East Madison St. East Islip, NY 11730	631-220-5553
<b>SOUTH CAROLINA</b>			
Mt. Pleasant	Morris, Mike <i>(also operates in Georgia)</i>	1121 Park W. Blvd., Ste. B-134 Mt. Pleasant, SC 29466	941-400-9721

**EXHIBIT M**  
**FINANCIAL STATEMENTS**

- Audited consolidated financial statements for Alloy Wheel Franchise, LLC (AWRS) and its subsidiaries for the time period of January 1, 2021 through December 31, 2021; and Auditor Consent Letter; and
- Unaudited financial statements for Alloy Wheel Franchise, LLC (AWRS) and its subsidiaries from January 1, 2022 through December 31, 2022; and
- The January through June 15, 2023 financials are unaudited. The entity for this period is Alloy Wheel Repair Specialists; and
- The June 16, 2023 through December 31, 2023 stub post-acquisition period has audited financials for Alloy Wheel Franchise, LLC; and
- Unaudited financial statements for Alloy Wheel Franchise, LLC and its subsidiaries from January 1, 2024 through June 30, 2024.

**The unaudited interim financial statements are prepared on an accrual basis and in accordance with GAAP. THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.**



**Plante & Moran, PLLC**

Suite 300  
2601 Cambridge Court  
Auburn Hills, MI 48326  
Tel: 248.375.7100  
Fax: 248.375.7101  
planteandmoran.com

**Consent of Independent Auditor**

Plante & Moran, PLLC consents to the use in the Franchise Disclosure Document issued by Alloy Wheel Franchise, LLC (the "Franchisor") on September 15, 2024, as it may be amended, of our report dated August 20, 2024, relating to the financial statements of the Franchisor as of December 31, 2023 and the period from June 16, 2023 to December 31, 2023.

*Plante & Moran, PLLC*

September 24, 2024



**Alloy Wheel Franchise, LLC**  
**Balance Sheet**  
**June 15 2023**

<b>Liabilities &amp; Equity</b>	
<b>Long Term Liabilities</b>	
Other LT Liabilities	(\$874,037)
<b>Total Long Term Liabilities</b>	<b>(\$874,037)</b>
<b>Equity</b>	
Net Income	\$874,037
<b>Total Equity</b>	<b>\$874,037</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$0</b>

**Alloy Wheel Franchise, LLC**  
**Balance Sheet**  
**June 30 2024**

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	\$13,148
Accounts Receivable	
Trade	\$227,047
Unbilled	\$289,000
<b>Total Accounts Receivable</b>	<b>\$516,047</b>
Other Current Asset	
Inventory	\$2,200
Prepaid	\$17,685
Other Current Assets	(\$315,617)
<b>Total Other Current Asset</b>	<b>(\$295,731)</b>
<b>Total Current Assets</b>	<b>\$233,461</b>
<b>Fixed Assets</b>	
Fixed Assets	\$6,000
<b>Total Fixed Assets</b>	<b>\$6,000</b>
<b>Other Assets</b>	
Intangible Assets	\$2,554,777
Other Assets	\$339,694
<b>Total Other Assets</b>	<b>\$2,894,470</b>
<b>Total ASSETS</b>	<b>\$3,133,932</b>
<b>Liabilities &amp; Equity</b>	
<b>Current Liabilities</b>	
Other Current Liability	
Accrueds	\$4,688
ST Deferred Revenue	\$27,959
<b>Total Other Current Liability</b>	<b>\$32,646</b>
<b>Total Current Liabilities</b>	<b>\$32,646</b>
<b>Long Term Liabilities</b>	
LT Deferred Revenue	\$66,572
Other LT Liabilities	\$102,409
<b>Total Long Term Liabilities</b>	<b>\$168,981</b>
<b>Equity</b>	
Retained Earnings	\$1,868,310
Net Income	\$1,063,994
<b>Total Equity</b>	<b>\$2,932,304</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$3,133,932</b>

**Alloy Wheel Franchise, LLC**  
**Income Statement**  
**Period From Jan 2023 to Jun 15 2023**

**Sales**

Supply Sales	\$92,821
Franchise Royalties	\$960,433
Franchise Fee Revenue	\$33,336
Franchise Equipment Sales	\$66,542
National Advertising Fund Fees	\$22,100
<b>Total Sales</b>	<b>\$1,175,231</b>
<b>Operating Expenses</b>	<b>\$301,194</b>
<b>NET INCOME</b>	<b>\$874,037</b>

**Alloy Wheel Franchise, LLC**  
**Income Statement**  
**Period From Jan 2024 to Jun 2024**

<b>Sales</b>	
Supply Sales	\$77,912
Franchise Royalties	\$1,053,507
Franchise Fee Revenue	\$45,030
Franchise Equipment Sales	\$850
Other Sales	(\$174)
National Advertising Fund Fees	\$35,350
<b>Total Sales</b>	<b>\$1,212,275</b>
<b>OPERATING EXPENSES</b>	
Operating Expenses	\$54,948
Amortization	\$93,333
<b>Total Operating Expenses</b>	<b>\$93,333</b>
<b>NET INCOME</b>	<b>\$1,063,994</b>

**Alloy Wheel Franchise, LLC**  
**Cash Flow Statement**  
**Period From Jan 2023 to Jun 1 - 15 2023**

<b>Operating Activities</b>	
Net Income	\$874,037
<b>Total Operating Activities</b>	<b>\$874,037</b>
<b>Financing Activities</b>	
Other LT Liabilities	(\$874,037)
<b>Total Financing Activities</b>	<b>(\$874,037)</b>
<b>Net Change in Cash for Period</b>	<b>\$0</b>
<b>Cash at Beginning of Period</b>	<b>\$0</b>
<b>Cash at End of Period</b>	<b>\$0</b>

# Alloy Wheel Franchise, LLC

## Cash Flow Statement

### Period From Jan 2024 to Jun 2024

<b>Operating Activities</b>	
Net Income	\$1,063,994
<b>Adjustments to Net Income</b>	
Accounts Receivable	\$84,054
Other Current Asset	(\$17,135)
Other Current Liabilities	\$5,002
<b>Total Adjustments to Net Income</b>	<b>\$71,920</b>
<b>Total Operating Activities</b>	<b>\$1,135,915</b>
<b>Investing Activities</b>	
Fixed Asset	(\$8,000)
Other Asset	(\$209,923)
<b>Total Investing Activities</b>	<b>(\$215,923)</b>
<b>Financing Activities</b>	
Long Term Liabilities	(\$920,814)
<b>Total Financing Activities</b>	<b>(\$920,814)</b>
<b>Net Change in Cash for Period</b>	<b>(\$822)</b>
<b>Cash at Beginning of Period</b>	<b>\$13,967</b>
<b>Cash at End of Period</b>	<b>\$13,146</b>

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# Alloy Wheel Franchise, LLC

(a wholly owned subsidiary of Alloy Wheel Holdco, LLC)

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## **Financial Report December 31, 2023**

**Alloy Wheel Franchise, LLC**

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**Plante & Moran, PLLC**  
Suite 300  
2601 Cambridge Court  
Auburn Hills, MI 48326  
Tel: 248.375.7100  
Fax: 248.375.7101  
planteandmoran.com

## **Independent Auditor's Report**

To the Board of Managers  
Alloy Wheel Franchise, LLC

### ***Opinion***

We have audited the financial statements of Alloy Wheel Franchise, LLC (the "Company"), which comprise the balance sheet as of December 31, 2023 and the related statements of operations, member's equity, and cash flows for the period from June 16, 2023 (date of acquisition) to December 31, 2023, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and the results of its operations and its cash flows for the period from June 16, 2023 (date of acquisition) to December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Company and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Managers  
Alloy Wheel Franchise, LLC

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Plante & Moran, PLLC*

August 20, 2024

## Alloy Wheel Franchise, LLC

## Balance Sheet

December 31, 2023

Assets	
<b>Current Assets</b>	
Cash	\$ 13,967
Accounts receivable:	
Trade	311,101
Unbilled	193,000
Total current assets	518,068
<b>Goodwill - Net (Note 4)</b>	590,900
<b>Intangible Assets - Net (Note 4)</b>	2,648,110
Total assets	<u><u>\$ 3,757,078</u></u>
<b>Liabilities and Member's Equity</b>	
<b>Contract Liabilities - Current portion</b>	\$ 27,644
<b>Other Long-term Liabilities - Contract liabilities - Net of current portion</b>	104,917
Total liabilities	132,561
<b>Member's Equity</b>	3,624,517
Total liabilities and member's equity	<u><u>\$ 3,757,078</u></u>

## Alloy Wheel Franchise, LLC

### Statement of Operations

Period from June 16, 2023 (Date of Acquisition) to December 31, 2023

#### Net Sales

Franchise royalties	\$ 1,184,475
Supply sales	101,262
Franchise fee revenue	87,870
National advertising fund fees	<u>25,972</u>

Total net sales 1,399,579

#### Operating Expenses

Operating expenses	253,416
Amortization	<u>182,990</u>

Total operating expenses 436,406

#### Net Income

\$ 963,173

## **Alloy Wheel Franchise, LLC**

### **Statement of Member's Equity**

**Period from June 16, 2023 (Date of Acquisition) to December 31, 2023**

<b>Balance - June 16, 2023</b>	<b>\$ -</b>
Contributions	3,832,875
Net income	963,173
Net advances to Parent	<u>(1,171,531)</u>
<b>Balance - December 31, 2023</b>	<b><u>\$ 3,524,517</u></b>

## Alloy Wheel Franchise, LLC

### Statement of Cash Flows

Period from June 16, 2023 (Date of Acquisition) to December 31, 2023

#### Cash Flows from Operating Activities

Net income	\$ 963,173
Adjustments to reconcile net income to net cash from operating activities:	
Bad debt expense	3,383
Amortization	132,990
Changes in operating assets and liabilities that provided (used) cash:	
Accounts receivable	52,695
Contract liabilities	(16,743)

Net cash provided by operating activities 1,135,498

**Cash Flows Used in Financing Activities - Net advances to Parent** (1,171,531)

**Net Increase in Cash** 13,967

**Cash - Beginning of period** -

**Cash - End of period** \$ 13,967

**Significant Noncash Transactions - Contribution of franchise assets as part of the business acquisition** \$ 3,832,875



**Note 1 - Nature of Business**

Alloy Wheel Franchise, LLC (the "Company") was formed on May 9, 2023 and is a wholly owned subsidiary of Alloy Wheel Holdco, LLC (Holdco or Parent). The Company is engaged in franchising and support of franchisees in the establishment and operations of Alloy Wheel service centers.

At December 31, 2023, there were 78 open and fully operational franchisees.

**Note 2 - Significant Accounting Policies**

***Basis of Accounting***

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Company has elected to adopt certain accounting alternatives for private companies developed by the Private Company Council, including the amortization of goodwill and the accounting for intangible assets acquired in a business combination.

The Company is part of a group of companies affiliated by common ownership. The operating results of the Company could vary significantly from those that would have occurred had the Company operated independently.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Revenue and Cost Recognition***

The Company's revenue consists of royalties related to franchisees' gross sales, sales of supplies, franchise fees, and a monthly advertising fee.

Revenue from the sale of supplies is recognized when goods are transferred to the buyer, which is at the time of purchase. As a result, revenue from supplies is recognized at a point in time.

The Company sells individual franchisees the right to operate an Alloy Wheel service repair location within a defined territory using the franchise name. The initial term of franchise agreements is typically 5 to 10 years, with an option to renew for a fee or transfer the franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid. The Company has obligations to provide franchisees with the franchise rights to operate an Alloy Wheel service repair location, training, and site selection, as well as provide advertising for which fees are charged. The Company has concluded that these items represent a single performance obligation. Therefore, initial franchise fees for each agreement are allocated to each individual franchise and recognized over the term of the respective franchise agreement. Transfer fees are recognized over the remaining term of the respective franchise agreement at the time of the transfer, and renewal fees are recognized over the renewal term. Income for royalties and advertising fees is recognized over the term of the respective franchise agreement as the underlying sales occur.

**Note 2 - Significant Accounting Policies (Continued)*****Payment Terms***

Initial franchise and transfer fees are due and typically paid when a franchise agreement is entered into and are nonrefundable. Royalties and advertising fees are paid on a monthly basis, based upon a percentage of franchisee net sales. Franchise fees are collected prior to the satisfaction of the Company's performance obligation, resulting in the Company recognizing contract liabilities. The portion of contract liabilities that is expected to be recognized as revenue within one year is classified as current on the balance sheet. Deferred revenue at June 16, 2023 was \$149,304. There were no contract assets as of June 16, 2023. Accounts receivable from contracts with customers as of June 16, 2023 were \$560,179. Substantially all revenue recorded in the Company's statement of operations is generated from contracts with customers.

***Allocating the Transaction Price***

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for providing franchisees with the franchise rights to operate a service location. To determine the transaction price, the Company considers its customary business practices and the terms of the underlying agreement. For the purpose of determining transaction prices, the Company assumes performance obligations will be satisfied as promised in accordance with franchise agreements and that agreements will not be canceled, renewed, or modified.

The Company's franchise agreements with franchisees have transaction prices that contain a fixed and variable component. Variable consideration includes revenue related to royalties and advertising fees, as the transaction price is based on the franchisees' sales. The license of the franchise right is the predominant item to which the royalty relates; therefore, the variable consideration is recognized based on the actual amounts incurred each month.

***Accounts Receivable***

The Company's trade accounts receivable balance consists of amounts due from its customers. Trade accounts receivable are stated at invoice amounts. An allowance for expected credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. The Company evaluates the collectibility of its accounts receivable and determines the appropriate allowance for expected credit losses based on a combination of factors, including the aging of the receivables, historical collection trends, charge-offs, and adjustments for current economic conditions and reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined uncollectible. At December 31, 2023, the allowance for credit losses was insignificant.

Unbilled receivables represent amounts to be billed to franchisees for royalties earned and to customers for repair services performed, but not yet invoiced, as of year end.

***Intangible Assets***

The Company has elected to apply the private company accounting alternative for intangible assets acquired in a business combination developed by the Private Company Council. Under the accounting alternative, certain acquired customer-related intangible assets and noncompetition agreements are not separately recognized apart from goodwill.

Franchise agreements acquired in business combinations are recorded at fair value and are amortized using the straight-line method over their estimated useful lives of 10 years. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. No impairment charge was recognized during the period from June 16, 2023 to December 31, 2023.



December 31, 2023

**Note 2 - Significant Accounting Policies (Continued)****Advertising Expense**

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for the period from June 16, 2023 to December 31, 2023 was approximately \$9,000. These costs are included in operating expenses in the accompanying statement of operations.

**Subsequent Events**

The financial statements and related disclosures include evaluation of events up through and including August 20, 2024, which is the date the financial statements were available to be issued.

**Note 3 - Business Combination**

On June 16, 2023, Alloy Wheel OpCo, LLC (the "Buyer"), a sister entity of the Company, acquired substantially all of the assets and liabilities of AWRS Dade LLC; Alloy Wheel Repair Specialists, LLC; ADS New Jersey 1 LLC; Alloy Remanufacturing LLC; CR Wheel Solutions Inc.; and Wheel Repair Solutions Inc. The Buyer also simultaneously acquired the equity interests of certain subsidiaries of Alloy Wheel Repair Specialists, LLC, including AWRS of Illinois LLC; D7M Enterprises, LLC; Alloy Mobile Repair, LLC; AWRS Missouri 1 LLC; AWRS Louisiana 1 LLC; PFE LLC; AWRS NY Outer Borroughs LLC; AWRS New Jersey LLC; and AWRS Arkansas 1 LLC. The Buyer then assigned/transferred all franchise-related assets and liabilities to the Company, including a portion of the goodwill recognized in the business acquisition.

The following table summarizes the assets and liabilities assigned/transferred to the Company:

Accounts receivable	\$ 560,179
Franchise rights intangible asset	2,800,000
Deferred revenue	(149,304)
Total identifiable net assets	3,210,875
Goodwill	622,000
Total	<u>\$ 3,832,875</u>

The fair value of financial assets includes accounts receivable with a fair value of \$560,179, substantially all of which is expected to be collected.

**Note 4 - Acquired Intangible Assets and Goodwill**

Intangible assets and goodwill of the Company at December 31, 2023 are summarized as follows:

	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets and goodwill:		
Franchise rights	\$ 2,800,000	\$ 151,890
Goodwill	622,000	31,100
Total amortized intangible assets and goodwill	<u>\$ 3,422,000</u>	<u>\$ 182,990</u>

Amortization expense for intangible assets and goodwill totaled \$182,990 for the period from June 16, 2023 to December 31, 2023.

**Notes to Financial Statements**

December 31, 2023

**Note 4 - Acquired Intangible Assets and Goodwill (Continued)**

Estimated amortization expense for the years ending December 31 is as follows:

<u>Years Ending</u>	<u>Amount</u>
2024	\$ 342,200
2025	342,200
2026	342,200
2027	342,200
2028	342,200
Thereafter	<u>1,528,010</u>
Total	<u>\$ 3,239,010</u>

**Note 5 - Related Party Transactions**

In the normal course of business, the Company and its Parent share resources to fund payments of general and administrative costs, which can result in a due from or due to related party on the balance sheet. As of December 31, 2023, the Company has an outstanding payable due to Parent in the amount of \$312,867 and an outstanding receivable due from Parent in the amount of \$1,484,398. The net receivable balance of \$1,171,531 has been presented as a component of member's equity in the financial statements.

# Consolidated Income Statement

## Fiscal Year 2022

	<u>\$/1000</u>
	<u>2022</u>
Sales: MRF	\$18,102
Sales: Reman	\$22,586
Sales: Other	\$6,081
<b>Total Sales</b>	<b>\$46,770</b>
COGS: MRF	\$768
COGS: Reman	\$3,338
COGS: Other	\$3,183
<b>Total COGS</b>	<b>\$7,289</b>
<b>Gross Margin</b>	<b>\$39,481</b>
Personnel Expense	\$25,237
Travel & Entertainment	\$203
Facilities Expense	\$2,648
Fleet Expense	\$3,422
Other Operating Expense	\$2,080
<b>Total Operating Costs</b>	<b>\$33,590</b>
<b>Operating Income</b>	<b>\$5,890</b>
Insurance Expense	(\$146)
Non-Cash Gain/Loss	\$184
Non-Recurring Expense	\$1,287
Income/Franchise Tax	\$10
Interest & Financing Costs	\$7,682
Depreciation	\$2,071
Amortization	\$4,450
<b>Net Income</b>	<b>(\$9,649)</b>

# Consolidated Balance Sheet

	\$/1000
	<b>Dec 2022</b>
Operating Cash	\$285
Restricted Cash	\$106
Accounts Receivable	\$3,851
Inventory	\$1,501
Prepays	\$524
<b>Total Current Assets</b>	<b>\$6,267</b>
Net Fixed Assets	\$8,363
Net Intangible Assets	\$17,328
Other Assets	\$589
<b>Total Assets</b>	<b>\$32,547</b>
Accounts Payable	\$1,465
Accruals	\$4,283
ST Notes Payable	\$0
Other ST Liabilities	\$338
<b>Total Current Liabilities</b>	<b>\$6,085</b>
LT Notes Payable	\$50,749
Other LT Liabilities	\$0
<b>Total Liabilities</b>	<b>\$56,835</b>
Intercompany Accounts	\$0
Invested Equity	\$29,160
Retained Earnings	(\$53,448)
<b>Total Equity</b>	<b>(\$24,288)</b>
<b>Total Equity &amp; Liabilities</b>	<b>\$32,547</b>

## Consolidated Cash Flow Statement

	Dec 2022
Net Income	(\$9,649)
Depreciation	\$2,071
Amortization	\$4,366
Change in Restricted Cash	\$1
Change in Receivables	(\$390)
Change in Inventories	(\$303)
Change in Prepaids	\$1
Change in Other Assets	\$31
Change in Payables	\$1,045
Change in Accruals	(\$2,446)
Change in Other ST Liabilities	\$119
Change in Other LT Liabilities	\$0
<b>Total Operating Cash Flow</b>	<b>(\$5,153)</b>
Change in Goodwill	(\$166)
Purchase of Fixed Assets	(\$4,078)
Other Investing	\$3,882
<b>Total Investing Cash Flow</b>	<b>(\$361)</b>
Change in Intercompany	\$0
Change in Invested Equity	\$0
Change in Notes Payable	\$5,221
<b>Total Financing Cash Flow</b>	<b>\$5,221</b>

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# Alloy Wheel Repair Specialists Holdings, LLC and Subsidiaries

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## **Consolidated Financial Report December 31, 2021**

## **Alloy Wheel Repair Specialists Holdings, LLC and Subsidiaries**

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**Plante & Moran, PLLC**  
Suite 300  
19176 Hall Road  
Clinton Township, MI 48038  
Tel: 586.416.4900  
Fax: 586.416.4901  
planteandmoran.com

## **Independent Auditor's Report**

To the Board of Directors  
Alloy Wheel Repair Specialists Holdings, LLC  
and Subsidiaries

### ***Opinion***

We have audited the consolidated financial statements of Alloy Wheel Repair Specialists Holdings, LLC and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2021 and 2020 and the related consolidated statements of operations, members' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Substantial Doubt about the Company's Ability to Continue as a Going Concern***

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations; has a net capital deficiency and members' deficit as of December 31, 2021; is in violation of certain restrictive covenants associated with its long-term debt agreements; and its lender has exercised certain equity pledge rights in connection with the long-term debt agreements. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.





To the Board of Directors  
Alloy Wheel Repair Specialists Holdings, LLC  
and Subsidiaries

***Auditor's Responsibilities for the Audits of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

*Plante & Moran, PLLC*

July 12, 2022

**Alloy Wheel Repair Specialists Holdings, LLC and Subsidiaries**

**Consolidated Balance Sheet**

**December 31, 2021 and 2020**

		2021	2020
	<b>Assets</b>		
<b>Current Assets</b>			
Cash		\$ 646,577	\$ 2,594,645
Accounts receivable:			
Trade		3,897,548	3,328,009
Unbilled		343,161	477,172
Inventory (Note 3)		1,803,763	1,375,487
Prepaid expenses and other current assets		523,481	289,217
<b>Total current assets</b>		<b>7,214,530</b>	<b>8,064,530</b>
<b>Property and Equipment - Net (Note 4)</b>		<b>6,356,371</b>	<b>5,826,950</b>
<b>Goodwill - Net (Note 5)</b>		<b>18,559,391</b>	<b>22,679,800</b>
<b>Intangible Assets - Net (Note 5)</b>		<b>2,968,205</b>	<b>3,266,458</b>
<b>Other Assets</b>			
Loans and advances to affiliates (Note 8)		79,659	79,659
Deposits		514,392	203,206
<b>Total other assets</b>		<b>594,051</b>	<b>282,865</b>
<b>Total assets</b>		<b>\$ 35,692,548</b>	<b>\$ 40,120,605</b>

**Liabilities and Members' Deficit**

<b>Current Liabilities</b>			
Accounts payable		\$ 3,227,620	\$ 2,003,522
Bank line of credit (Note 6)		3,473,694	3,404,139
Current portion of long-term debt (Note 7)		34,764,298	37,045,556
Current portion of capital lease obligation (Note 9)		1,001,755	955,205
Contract liabilities - Current portion		37,776	37,776
Accrued and other current liabilities		2,222,890	1,908,844
<b>Total current liabilities</b>		<b>44,728,031</b>	<b>45,355,042</b>
<b>Long-term Debt - Net of current portion (Note 7)</b>		<b>-</b>	<b>2,315,644</b>
<b>Notes Payable - Affiliates (Note 8)</b>		<b>3,923,141</b>	<b>3,605,721</b>
<b>Capital Lease Obligation - Net of current portion (Note 9)</b>		<b>1,536,416</b>	<b>867,859</b>
<b>Other Long-term Liabilities - Contract liabilities - Net of current portion</b>		<b>144,264</b>	<b>144,264</b>
<b>Total liabilities</b>		<b>50,331,852</b>	<b>52,288,530</b>
<b>Members' Deficit</b>		<b>(14,639,304)</b>	<b>(12,167,925)</b>
<b>Total liabilities and members' deficit</b>		<b>\$ 35,692,548</b>	<b>\$ 40,120,605</b>

See notes to consolidated financial statements.

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**Alloy Wheel Repair Specialists Holdings, LLC and Subsidiaries**

**Consolidated Statement of Operations**

**Years Ended December 31, 2021 and 2020**

	2021	2020
<b>Net Sales</b>		
Wheel sales	\$ 3,100,922	\$ 3,117,152
Service repair revenue	37,711,239	32,381,154
Franchise royalties and other revenue	2,811,110	2,708,737
Franchise fee revenue	35,383	60,507
Other revenue	22,044	172,028
<b>Total net sales</b>	<b>43,680,678</b>	<b>38,439,578</b>
<b>Gain on Disposal of Asset</b>	<b>305,555</b>	<b>193,577</b>
<b>Operating Expenses</b>	<b>48,432,247</b>	<b>43,120,810</b>
<b>Operating Loss</b>	<b>(4,446,014)</b>	<b>(4,487,655)</b>
<b>Nonoperating Income (Expense)</b>		
Gain on forgiveness of PPP loan	5,210,200	-
Interest expense	(3,389,585)	(3,506,000)
<b>Total nonoperating income (expense)</b>	<b>1,820,615</b>	<b>(3,506,000)</b>
<b>Consolidated Net Loss</b>	<b>\$ (2,625,399)</b>	<b>\$ (7,993,655)</b>

See notes to consolidated financial statements.



## Alloy Wheel Repair Specialists Holdings, LLC and Subsidiaries

### Consolidated Statement of Members' Deficit

Years Ended December 31, 2021 and 2020

Balance - January 1, 2020	\$ (4,008,748)
Consolidated net loss	(7,993,655)
Cumulative effect of change in accounting principle - ASC 808 transition adjustment	(211,296)
Equity-based compensation (Note 12)	112,688
Redemption of Class A shares (Note 12)	(68,896)
Balance - December 31, 2020	(12,167,925)
Consolidated net loss	(2,625,399)
Equity-based compensation (Note 12)	154,020
Balance - December 31, 2021	<u>\$ (14,639,304)</u>

See notes to consolidated financial statements.

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**Alloy Wheel Repair Specialists Holdings, LLC and Subsidiaries**

**Consolidated Statement of Cash Flows**

**Years Ended December 31, 2021 and 2020**

	2021	2020
<b>Cash Flows from Operating Activities</b>		
Consolidated net loss	\$ (2,625,399)	\$ (7,993,655)
Adjustments to reconcile consolidated net loss to net cash from operating activities:		
Depreciation	2,078,424	1,902,044
Amortization of goodwill, intangible assets, and deferred finance charges	4,673,014	4,808,529
Gain on disposal of property and equipment	(305,555)	(193,577)
Bad debt expense	-	653,819
Equity-based compensation expense	154,020	112,688
Accrued interest expense	771,651	765,097
Gain on forgiveness of PPP loan	(5,210,200)	-
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	(435,528)	(165,618)
Inventory	(428,276)	(287,146)
Prepaid expenses and other assets	(545,448)	(233,052)
Accounts payable	1,224,098	(1,921,645)
Contract liabilities	-	(29,256)
Accrued and other liabilities	314,046	667,309
Net cash used in operating activities	(335,153)	(1,914,483)
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(756,513)	(712,569)
Proceeds from disposition of property and equipment	389,070	223,748
Cash paid for business combinations	-	(154,000)
Net cash used in investing activities	(387,443)	(642,821)
<b>Cash Flows from Financing Activities</b>		
Proceeds from debt	-	5,210,200
Payments on long-term debt	(343,152)	(340,538)
Payments on capital lease obligations	(1,199,740)	(679,530)
Advances from affiliates	317,420	890,989
Redemption of members' equity	-	(68,896)
Net cash (used in) provided by financing activities	(1,225,472)	5,012,225
<b>Net (Decrease) Increase in Cash</b>	<b>(1,948,068)</b>	<b>2,454,921</b>
Cash - Beginning of year	2,594,645	139,724
Cash - End of year	<b>\$ 646,577</b>	<b>\$ 2,594,645</b>
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	<b>\$ 2,383,582</b>	<b>\$ 2,486,549</b>
<b>Significant Noncash Transactions - Capital lease additions</b>	<b>\$ 1,914,847</b>	<b>\$ 248,936</b>

See notes to consolidated financial statements.



## **Notes to Consolidated Financial Statements**

**December 31, 2021 and 2020**

### **Note 1 - Nature of Business**

The consolidated financial statements include the accounts of Alloy Wheel Repair Specialists Holdings, LLC (Holdings) and its wholly owned subsidiaries (collectively, Alloy or the "Company") as follows:

Alloy Wheel Repair Specialists, LLC (OPCO)  
Wheel Repair Solutions, Inc. (Atlanta)  
CR Wheel Solutions, LLC (Baltimore)  
D7M Enterprises, LLC (Indianapolis)  
PFE, LLC (Las Vegas)  
AWRS Dade, LLC (Miami)  
AWRS New York Outer Boroughs, LLC (New York)  
AWRS New Jersey, LLC (New Jersey)  
Elite Rim Repair, LLC (Elite)  
Alloy Mobile Repair, LLC (Onsite)  
AWRS of Illinois, LLC (Illinois)  
AWRS Missouri 1, LLC; AWRS Arkansas 1, LLC; and AWRS Louisiana 1, LLC (collectively, Midwest)

The Company also owns 51 percent of Elite Rim Repair of Midwest, LLC (Elite Midwest), a joint venture created in 2021 by the Company and a major supplier of the Company. The activity of Elite Midwest from inception to December 31, 2021 was insignificant. Elite Midwest did not generate any revenue or expenses during 2021 and had no members' equity transactions as of December 31, 2021. During April 2022, the joint venture was dissolved, and all related agreements were terminated by the joint venture partners.

All material intercompany accounts and transactions have been eliminated in consolidation. Holdings was formed for the purpose of holding the ownership interests in the subsidiaries, as previously mentioned, and is a majority-owned subsidiary of Soundcore Capital Partners, LLC (Soundcore).

The Company provides full-service automobile wheel repair and replacement through mobile reconditioning facilities and a network of remanufacturing shops. The Company also sells franchises around the United States of America and internationally. Franchisees are granted the license and right to use the name Alloy Wheel Repair Specialists and to operate, within an exclusive territory, using the proprietary systems developed by the Company. The Company is headquartered in Norcross, Georgia. As of December 31, 2021, there were 14 corporate-owned operational locations, as well as 80 open and fully operational franchisees. As of December 31, 2020, there were 14 corporate-owned operational locations, as well as 88 open and fully operational franchisees.

### **Note 2 - Significant Accounting Policies**

#### ***Basis of Accounting***

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Company has elected to adopt certain accounting alternatives for private companies developed by the Private Company Council, including those related to accounting for goodwill and other intangible assets recognized as a result of business combinations.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern.



**Notes to Consolidated Financial Statements**

**December 31, 2021 and 2020**

**Note 2 - Significant Accounting Policies (Continued)**

The Company suffered recurring operating losses of approximately \$4.5 million for the years ended December 31, 2021 and 2020. The Company also has negative working capital of approximately \$37 million and a members' deficit of approximately \$15 million as of December 31, 2021. Term loans and revolving line of credit debt totaling approximately \$38.2 million and \$37.6 million as of December 31, 2021 and 2020, respectively, have been classified as current liabilities as a result of debt covenant violations described in Note 7. Additionally, as discussed in Note 7, in June 2022, the Company's lender exercised certain equity pledge rights defined in the long-term debt agreements, which required the Company to enter into management consulting agreements with a third party, who, effective June 2022, serves as the sole director of the Company and holds all voting rights. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Management acknowledged that, in its current financial condition, the Company would be unable to meet its obligations. In order to meet its debt obligations, the Company will be required to restructure, renegotiate, or refinance the debt or derive capital from some other means.

The Company plans to negotiate with its lender to refinance the debt. Because it is not possible at this time to predict the outcome of management's efforts, substantial doubt remains regarding the ability of the Company to continue as a going concern during the following year.

**Trade Accounts Receivable**

Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance for doubtful accounts on accounts receivable balances was \$1,032,917 and \$1,609,039 as of December 31, 2021 and 2020, respectively. Bad debt expense was \$0 and \$653,819 for the years ended December 31, 2021 and 2020, respectively.

**Advertising Expense**

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for 2021 and 2020 was \$398,869 and \$223,889, respectively. These costs are included in operating expenses in the accompanying consolidated statement of operations.

**Revenue and Cost Recognition**

As of January 1, 2020, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Accounting Standards Codification (ASC) 606). As a result of the adoption of ASC 606, a cumulative-effect adjustment to increase members' deficit was recorded on January 1, 2020. The adjustment resulted from the deferral of franchise fee revenue from prior years. There was no significant impact on the amount of revenue recognized from contracts with customers for the year ended December 31, 2020 as a result of adopting the new guidance.

The Company's revenue consists of sales of new, used, and remanufactured wheels; service revenue from the repair and remanufacturing of metal alloy wheels; royalties related to franchisees' gross sales; a monthly advertising fee; and initial franchise fees.

## **Notes to Consolidated Financial Statements**

**December 31, 2021 and 2020**

### **Note 2 - Significant Accounting Policies (Continued)**

Revenue for repair services is recognized at the time the service is completed. Revenue from the sale of wheels is recognized when goods are transferred to the buyer. As a result, revenue from service repair and wheel sales is recognized at a point in time. The Company has elected to apply the accounting policy election available under ASC 606 and accounts for shipping and handling activities as a fulfillment cost. There are no warranties offered, obligations for returns or refunds, discounts for early payment, or other significant economic factors affecting the nature, amount, timing, and uncertainty of revenue and cash flows.

The Company sells individual franchisees the right to operate an Alloy service repair location within a defined territory using the franchise name. The initial term of franchise agreements is typically 5 to 10 years, with an option to renew for a fee or transfer the franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid. The Company has obligations to provide franchisees with the franchise rights to operate an Alloy service repair location, training, and site selection, as well as provide advertising for which fees are charged. The Company has concluded that these items represent a single performance obligation. Therefore, initial franchise fees for each agreement are allocated to each individual franchise and recognized over the term of the respective franchise agreement. Transfer fees are recognized over the remaining term of the respective franchise agreement at the time of the transfer, and renewal fees are recognized over the renewal term. Income for royalties and advertising fees is recognized over the term of the respective franchise agreement as the underlying sales occur.

#### **Payment Terms**

Payment for repair services is typically paid in cash at the time of the service or billed and due within 30 days after an invoice is sent to the customer. Payment for wheel sales is typically due within 30 days after an invoice is sent to the customer. Invoices are typically sent to customers within one week of performance.

Initial franchise and transfer fees are due and typically paid when a franchise agreement is entered into and are nonrefundable. Royalties and advertising fees are paid on a monthly basis, based upon a percentage of franchisee net sales. Franchise fees are collected prior to the satisfaction of the Company's performance obligation, resulting in the Company recognizing contract liabilities. The portion of contract liabilities that is expected to be recognized as revenue within one year is classified as current on the consolidated balance sheet. Deferred revenue at December 31, 2021; December 31, 2020; and January 1, 2020 was \$182,040, \$182,040, and \$211,296, respectively. There were no contract assets as of December 31, 2021; December 31, 2020; or January 1, 2020. Accounts receivable from contracts with customers as of December 31, 2021; December 31, 2020; and January 1, 2020 were \$4,240,709, \$3,805,181, and \$4,293,382, respectively. Substantially all revenue recorded in the Company's consolidated statement of operations is generated from contracts with customers.

#### **Allocating the Transaction Price**

To determine the transaction price of a service repair or wheel sales contract (which generally takes the form of a purchase order), the Company considers its customary business practices and the terms of the contract. For the purposes of determining transaction prices, the Company assumes that the goods or service will be transferred to the customer as promised in accordance with existing contracts and the contracts will not be canceled, renewed, or modified.

Related to the Company's franchise operations, the transaction price is the amount of consideration to which the Company expects to be entitled in exchange for providing franchisees with the franchise rights to operate a service location. To determine the transaction price, the Company considers its customary business practices and the terms of the underlying agreement. For the purpose of determining transaction prices, the Company assumes performance obligations will be satisfied as promised in accordance with franchise agreements and that agreements will not be canceled, renewed, or modified.



**Notes to Consolidated Financial Statements**

**December 31, 2021 and 2020**

**Note 2 - Significant Accounting Policies (Continued)**

The Company's franchise agreements with franchisees have transaction prices that contain a fixed and variable component. Variable consideration includes revenue related to royalties and advertising fees, as the transaction price is based on the franchisees' sales. The license of the franchise right is the predominant item to which the royalty relates; therefore, the variable consideration is recognized based on the actual amounts incurred each month.

***Inventory***

Inventory is stated at the lower of cost or net realizable value, with cost determined on the first-in, first-out (FIFO) method.

***Deferred Finance Charges***

Deferred finance charges represent legal, consulting, and financial costs associated with debt financing (see Note 7) and are reported net of accumulated amortization of \$1,186,977 and \$932,625 at December 31, 2021 and 2020, respectively. Such charges are being amortized over the term of the debt agreement. Amortization costs totaling \$254,352 for 2021 and 2020 related to deferred finance charges are included in interest expense in the accompanying consolidated statement of operations. The deferred financing costs are presented net with notes payable on the consolidated balance sheet.

***Property and Equipment***

Property and equipment are recorded at cost, including installation costs, or initially at fair value for property and equipment acquired in a business combination. Depreciation is computed over the estimated useful lives of the related assets by the straight-line method. Leasehold improvements are capitalized and amortized over the estimated useful life of the asset or the term of the lease, whichever is shorter. Costs of maintenance and repairs are charged to expense when incurred.

***Goodwill***

The recorded amounts of goodwill from business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition.

The Company has elected to apply the private company accounting alternative for goodwill developed by the Private Company Council. Under the accounting alternative, goodwill is amortized on a straight-line basis over a 10-year period. Additionally, goodwill is assessed for potential impairment if events occur or circumstances change that indicate the fair value of the Company may be less than its carrying value. The Company has elected to test goodwill for impairment at the entitywide level. No impairment charge was recognized during 2021 or 2020.

***Intangible Assets***

Acquired intangible assets subject to amortization are stated at cost and are amortized using the straight-line method over the estimated useful lives of the assets. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually.

Franchise agreements and trademarks acquired in a business combination are being amortized using the straight-line method. The franchise agreements are recorded at cost and are amortized over 20 to 102 months, the lives of the respective agreements. The trademarks are amortized over 30 years.

No impairment charge was recognized in 2021 or 2020.

**Notes to Consolidated Financial Statements**

**December 31, 2021 and 2020**

**Note 2 - Significant Accounting Policies (Continued)**

***Sales Taxes***

The Company's policy is to present taxes collected from customers and remitted to governmental authorities on a net basis. With respect to sales taxes collected, the Company records a liability and relieves such liability upon remittance to the taxing authority without impacting revenue or expenses.

***Shipping and Handling Costs***

The Company records shipping and handling costs for the delivery of finished goods in cost of sales in the consolidated statement of operations. Costs billed to customers are included in revenue in the consolidated statement of operations. Total shipping and handling costs for 2021 and 2020 were insignificant.

***Equity-based Compensation***

The Company accounts for equity-based payments for all transactions in which an entity exchanges its equity instruments for goods or services, which generally requires the Company to measure the cost of services received in exchange for an award of equity instruments in earnings based on the fair value (of the award on the date of grant) over the requisite service period, which is generally the vesting period. See Note 12 for more information regarding the methodology used to estimate fair value.

***Income Taxes***

Holdings is a limited liability company and is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable or provided for by Holdings. Members are taxed individually on their pro rata ownership share of Holdings' earnings. Certain wholly owned corporate subsidiaries of Holdings, however, are subject to U.S. federal and state income taxes.

With respect to the taxable subsidiaries, the Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the book and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax law affecting deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent it believes these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and recent financial operations. Valuation allowances would be provided against deferred income tax assets for amounts that are not considered more likely than not to be realized. Currently, management believes that it is more likely than not that the Company will not realize its deferred tax assets; thus, a full valuation allowance is recorded.

Management of the Company considers the likelihood of changes by taxing authorities in its income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities, including amounts relating to interest and penalties. Management has not identified any uncertain tax positions that require recognition or disclosure in the accompanying financial statements. The Company's income tax returns since inception are subject to examination by tax authorities and may change upon examination.

## Notes to Consolidated Financial Statements

December 31, 2021 and 2020

**Note 2 - Significant Accounting Policies (Continued)***Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Risks and Uncertainties*

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries (including the United States) have implemented measures to combat the outbreak that have impacted global business operations.

The Company's operations have been deemed an essential service, and the Company and its franchisees have remained open for repair services throughout the pandemic. The Company's operations have been impacted by the pandemic. The Company experienced a decline in sales at the beginning of the pandemic. Sales have progressively increased toward pre-pandemic levels; however, significant uncertainty remains. Due to significant uncertainty surrounding the situation, management's judgment regarding the impact of the pandemic may change in the future. The extent of any future impact cannot be reasonably estimated at this time.

*Subsequent Events*

The financial statements and related disclosures include evaluation of events up through and including July 12, 2022, which is the date the financial statements were available to be issued.

*Upcoming Accounting Pronouncement*

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in Accounting Standards Codification 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Company's year ending December 31, 2022 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The Company is still evaluating which method it will apply. The new lease standard is expected to have a significant effect on the Company's financial statements as a result of the Company's operating leases disclosed in Note 10. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

**Note 3 - Inventory**

Inventory at December 31, 2021 and 2020 consists of the following:

	2021	2020
Raw materials	\$ 977,078	\$ 360,032
Finished goods	826,685	1,015,455
<b>Total</b>	<b>\$ 1,803,763</b>	<b>\$ 1,375,487</b>

# Alloy Wheel Repair Specialists Holdings, LLC and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2021 and 2020

### Note 4 - Property and Equipment

Property and equipment are summarized as follows:			
	2021	2020	Depreciable Life - Years
Automobiles and trucks	\$ 7,706,941	\$ 6,138,068	5
Furniture and fixtures	323,049	323,049	7
Computer equipment and software	282,975	240,142	3
Machinery and equipment	4,740,090	4,282,681	7
Leasehold improvements	518,547	330,286	5
Construction in progress	90,009	-	-
Total cost	13,639,611	11,314,226	
Accumulated depreciation	7,283,240	5,487,276	
Net property and equipment	\$ 6,356,371	\$ 5,826,950	

Depreciation expense for 2021 and 2020 was \$2,078,424 and \$1,902,044, respectively.

### Note 5 - Acquired Intangible Assets and Goodwill

Intangible assets of the Company at December 31, 2021 and 2020 are summarized as follows:

	2021		2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Trademarks	\$ 3,302,000	\$ (587,022)	\$ 3,302,000	\$ (476,956)
Franchise rights	2,301,640	(2,048,413)	2,301,640	(1,860,226)
Total amortized intangible assets	\$ 5,603,640	\$ (2,635,435)	\$ 5,603,640	\$ (2,337,182)

Amortization expense for intangible assets totaled \$298,253 and \$440,405 in 2021 and 2020, respectively.

Estimated amortization expense for the years ending December 31 is as follows:

Years Ending	Amount
2022	\$ 245,171
2023	212,694
2024	118,075
2025	116,075
2026	113,548
Thereafter	2,164,644
Total	\$ 2,968,205

The recorded amounts of goodwill at December 31, 2021 and 2020 are as follows:

	2021	2020
Gross amount of goodwill recorded	\$ 40,876,080	\$ 40,876,080
Accumulated amortization	(22,316,689)	(18,196,280)
Net carrying value of goodwill	\$ 18,559,391	\$ 22,679,800



## Notes to Consolidated Financial Statements

December 31, 2021 and 2020

**Note 5 - Acquired Intangible Assets and Goodwill (Continued)**

During 2020, there were \$88,485 of additions to goodwill related to the Company's acquisition of certain assets of Knight and Jacobs Enterprises, Inc. on October 1, 2020. The purchase price was \$154,000 and was paid in cash. The purpose of the acquisition was to convert a former franchisee to a company-owned store. The acquisition-date fair value of the assets acquired included \$49,900 of property and equipment and \$15,615 of franchise rights. The goodwill recognized from the acquisition is attributable to the growth potential of the Company. The weighted-average amortization period for the goodwill recognized in the acquisition is 10 years. Goodwill is not expected to be deductible for tax purposes. Acquisition-related costs were not material.

Goodwill amortization expense totaled \$4,120,409 and \$4,113,772 in 2021 and 2020, respectively.

Estimated amortization expense for the years ending December 31 is as follows:

Years Ending	Amount
2022	\$ 4,087,608
2023	4,087,608
2024	4,087,608
2025	3,948,428
2026	1,742,623
Thereafter	807,518
Total	\$ 18,559,391

**Note 6 - Line of Credit**

Under a revolving line of credit agreement, the Company has available borrowings of approximately \$5,000,000. Interest is payable monthly at a rate of 4.75 percent above LIBOR (an effective rate of 6.25 percent at December 31, 2021 and 2020). The line of credit is collateralized by substantially all assets of the Company. Under the agreement with the bank, the Company is subject to certain covenants, as discussed in Note 7. As of December 31, 2021 and 2020, outstanding borrowings on the line of credit were \$3,473,894 and \$3,404,139, respectively.

The line of credit was scheduled to expire in May 2022. On May 3, 2022, the credit agreement was amended, and the Company entered into a forbearance agreement with the lender. The forbearance agreement extended the maturity date of the line of credit and term debt disclosed in Note 7 to June 30, 2022 and also provided an option to extend the maturity date to July 15, 2022. As disclosed in Note 7, the lender terminated the forbearance agreement on June 29, 2022.

**Note 7 - Long-term Debt**

Long-term debt at December 31 is as follows:

	2021	2020
Term loan payable with an original amount of \$29,000,000, due in quarterly installments of \$72,500, plus interest at 4.75 percent above LIBOR (an effective rate of 6.25 percent at December 31, 2021 and 2020), with final payment due in May 2022. Beginning in 2018, unpaid interest has been added to the principal due on the loan. The loan is secured by substantially all assets of the Company	\$ 29,634,564	\$ 29,329,781

## Alloy Wheel Repair Specialists Holdings, LLC and Subsidiaries

### Notes to Consolidated Financial Statements

December 31, 2021 and 2020

#### Note 7 - Long-term Debt (Continued)

	2021	2020
Delayed-draw term loan with borrowings of up to \$10,000,000 plus unpaid interest, which accrues at 4.75 percent above LIBOR (an effective rate of 6.25 percent at December 31, 2021 and 2020). Quarterly principal payments of \$12,635 began in September 2019. Beginning in 2018, unpaid interest has been added to the principal due on the loan. The loan is secured by substantially all assets of the Company and matures in May 2022	\$ 5,214,518	\$ 5,160,357
Paycheck Protection Program (PPP) note payable to BMO Harris Bank. During 2020, the Company received a PPP loan in the amount of \$5,210,200. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. The Company may use the funds on qualifying expenses over a covered period of up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid through 18 monthly installments of \$293,212, which includes interest payable at 1 percent per annum. Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels. In addition, because the Company's loan exceeds \$2 million, the SBA will review the Company's loan file, which will include review of the Company's eligibility for the program and the good-faith certification of the necessity of the loan. In 2021, the Company applied for and received notification of forgiveness of the entire loan balance from the SBA. The amount of the loan forgiven has been recorded as cancellation of debt income in the 2021 consolidated statement of operations	-	5,210,200
Unamortized debt issuance costs	(84,786)	(339,138)
Long-term debt less unamortized debt issuance costs	34,764,296	39,361,200
Less current portion	34,764,296	37,045,556
Long-term portion	\$ -	\$ 2,315,644

The balance of the above debt matures as follows:

Year Ending	Amount
2022	<u>\$ 34,764,296</u>

## Notes to Consolidated Financial Statements

December 31, 2021 and 2020

### Note 7 - Long-term Debt (Continued)

On May 3, 2022, the credit agreement associated with the \$29,000,000 term loan and \$10,000,000 delayed-draw term loan was amended, and the Company entered into a forbearance agreement with the lender. The forbearance agreement extended the maturity date of the term loans to June 30, 2022 and also provided an option to extend the maturity date to July 15, 2022. As part of the forbearance agreement, the Company was required to pay a forbearance fee of 0.5 percent of the total term loan and line of credit commitments to the lender, a total fee of approximately \$192,000. In addition, if the maturity date was extended beyond June 30, 2022, the Company was required to pay an additional fee of 4.5 percent of any unpaid term loan and line of credit commitments to the lender. On June 29, 2022, the lender terminated the forbearance agreement and exercised certain equity pledge rights defined in the debt agreements, which required the Company to enter into two management consulting agreements with a third-party, who, effective June 2022, serves as the sole director of the Company and holds all voting rights. The first agreement requires the Company to pay \$15,000 per month for management consulting services. The term of the agreement is indefinite but can be terminated by either party without cause. The second agreement instated the third party as the sole director of the Company who holds all voting rights. In exchange for director services, the Company is required to pay \$80,000 per month for the first six months of the engagement and \$60,000 per month for the duration of the engagement. Additionally, the Company is required to pay \$300,000 upon the successful refinance of the debt disclosed above or the sale of the Company.

Interest expense for 2021 and 2020 was \$3,389,585 and \$3,506,000, respectively.

Under the agreements with the bank, the Company is subject to various financial covenants, including maintenance of minimum fixed-charge coverage and total net debt to EBITDA ratios.

As of December 31, 2021 and 2020, the term loans and revolving line of credit are due on demand as a result of certain loan covenant violations that occurred between 2018 and 2021. The term loans and revolving line of credit (see Note 6) bear interest at rates that are 2 percent in excess of the rates otherwise payable for as long as the debt is in default.

### Note 8 - Related Party Transactions

The following is a description of transactions between the Company and related parties:

#### *Receivables*

As of December 31, 2021 and 2020, the Company is owed approximately \$80,000 from minority shareholders. These receivables do not have formal payment terms; however, the entire balance as of December 31, 2021 and 2020 is expected to be repaid upon a future change in control event.

#### *Notes Payable*

As of December 31, 2021 and 2020, the Company owes \$3,923,141 and \$3,605,721, respectively, to Soundcore. The amount owed to Soundcore does not have formal payment terms; however, the Company and Soundcore have verbally agreed to delay repayment until a future change in control event.

#### *Management Fees*

For the years ended December 31, 2021 and 2020, the Company incurred expenses related to management fees from Soundcore of approximately \$228,000 and \$337,000, respectively. Unpaid management fees totaled approximately \$0 and \$337,000 as of December 31, 2021 and 2020, respectively, and are reported as part of notes payable to affiliates on the consolidated balance sheet.

#### *Board of Directors and Other Fees*

For the years ended December 31, 2021 and 2020, the Company incurred expenses related to board of directors and other fees of approximately \$212,000 and \$143,000, respectively. No amounts were unpaid as of December 31, 2021 and 2020.

## Notes to Consolidated Financial Statements

December 31, 2021 and 2020

**Note 9 - Capital Leases**

The Company leases vehicles under long-term lease arrangements that are classified as capital leases. For financial statement purposes, the present values of the net minimum lease payments at inception of the lease totaling \$5,345,235 and \$3,776,362 at December 31, 2021 and 2020, respectively, have been capitalized as property and equipment and are being amortized over the useful lives of the assets. Accumulated amortization at December 31, 2021 and 2020 totaled \$2,347,495 and \$1,733,731, respectively. Payments ranging from \$367 to \$1,943 are due monthly through 2025.

Depreciation expense on property under capital leases totaled \$895,775 and \$721,577 in 2021 and 2020, respectively, and is included in the depreciation amount disclosed in Note 4.

The future minimum lease payments under capital leases are as follows:

Years Ending December 31	Amount
2022	\$ 1,068,080
2023	843,329
2024	622,515
2025	303,695
Total	2,837,619
Less amount representing interest	299,448
Present value of net minimum lease payments	\$ 2,538,171

**Note 10 - Operating Leases**

The Company leases office and warehouse space, as well as miscellaneous office equipment under operating leases expiring through September 2026. Rent expense under all operating lease agreements approximated \$1,174,948 and \$1,047,491 for 2021 and 2020, respectively. Certain operating leases include escalating lease payments. Minimum rent is recognized over the term of the lease using the straight-line rent method. The difference between the actual rent payments and the calculated straight-line rent expense is recorded on the consolidated balance sheet as part of accrued and other current liabilities. Deferred rent totaled \$139,575 and \$130,971 as of December 31, 2021 and 2020, respectively.

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2022	\$ 1,215,475
2023	760,681
2024	625,203
2025	393,246
2026	240,820
Total	\$ 3,235,405



## Alloy Wheel Repair Specialists Holdings, LLC and Subsidiaries

### Notes to Consolidated Financial Statements

December 31, 2021 and 2020

#### Note 11 - Income Taxes

The details of the net deferred tax asset (liability) are as follows:		
	2021	2020
Total deferred tax liabilities	\$ (77,000)	\$ (92,000)
Total deferred tax assets	1,455,000	1,382,000
Valuation allowance recognized for deferred tax assets	(1,378,000)	(1,290,000)
Total	\$ -	\$ -

The Company's effective tax rate is 0 percent for the years ended December 31, 2021 and 2020. The effective tax rate differs from the statutory rate primarily due to the loss generated by the U.S. partnership that results in no tax benefit to the Company and the full valuation allowance on the Company's deferred tax assets.

Realization of deferred tax assets is dependent on generating sufficient taxable income prior to the expiration of loss carryforwards. As of December 31, 2021 and 2020, the Company has loss carryforwards for federal tax purposes of approximately \$3.0 million and \$3.4 million, respectively, which begin to expire through 2028, and loss carryforwards for state tax purposes of approximately \$3.2 million and \$3.7 million, respectively, that begin to expire in 2035. Due to uncertainty as to the realization of the net operating loss carryforwards, a valuation allowance has been recorded against the related deferred tax assets.

#### Note 12 - Equity-based Compensation

The Company's equity is composed of Class A and Class B membership units. Class A membership units have certain voting rights and distribution preferences that Class B units do not possess. Distributions are first paid to Class A units to the extent of the related capital accounts, and then to Class B. Class B membership units possess no voting rights until they are fully vested.

The Company has a compensatory benefit plan (the "Plan"), which is approved by the board of directors and permits the grant of Class B membership units to its employees. The Company believes that such awards better align the interests of its employees with those of its members. Awards of Class B units generally vest over a four-year period, with the final portion vesting upon change in control or public stock issuance of the Company (triggering events). The Class B units provide for accelerated vesting if there is a triggering event (as defined in the Plan). The grantees are also entitled to a distributable share of profits in proportion to distributions paid to Class A unit holders during the vesting period of vested interests. The Company has not made any distributions or declared any of the preferred returns as of December 31, 2021.

As of January 1, 2020, there were 1,386 Class B units outstanding. There were grants of approximately 333 Class B units during 2020, leaving 1,719 Class B units outstanding as of December 31, 2020. There were no grants of Class B units during 2021, leaving 1,719 Class B units outstanding as of December 31, 2021. The per unit grant-date fair value of the Class B units issued in 2020 was \$1,306. The compensation cost that has been charged against income related to the vested portion of the Class B units was \$154,020 and \$112,668 for the years ended December 31, 2021 and 2020, respectively. At December 31, 2021, the value of the Class B units that is unvested but expected to vest over future periods is \$323,512, which excludes the value of the Class B units that is unvested but expected to vest upon the achievement of a triggering event (as defined by the Plan) of \$272,938.

## **Notes to Consolidated Financial Statements**

**December 31, 2021 and 2020**

### **Note 12 - Equity-based Compensation (Continued)**

The fair value of each membership unit award was estimated on the date of grant based on an enterprise value that was calculated using a market-based approach utilizing a guideline company method, as well as an income-based approach utilizing a discounted cash flow method. Collectively, these methods used the following assumptions:

- Risk-free rate: 1.5 percent as of December 31, 2020, estimated based on the U.S. Treasury yield curve in effect at the time of grant
- Industry-specific risk premium for equities: 5.5 percent as of December 31, 2020
- Small company risk premium: 5.0 percent as of December 31, 2020
- Terminal growth rate: 3 percent as of December 31, 2020
- Discount rate: 10 percent as of December 31, 2020

When calculating the amount of annual compensation expense, the Company has elected not to estimate forfeitures and instead accounts for forfeitures as they occur.

### **Note 13 - Contingencies**

The Company is subject to routine litigation claims or assessments in the normal course of the business. It is the Company's policy to accrue for litigation and claims when such amounts are probable and can be reasonably estimated based on consultation with the external legal counsel and management review. Although the timing or outcome of any threatened or pending legal proceedings cannot be predicted with certainty, management believes the ultimate resolution of any such matters will not have a material adverse impact on the Company's liquidity, financial position, or results of operations.

The Company is subject to certain regulatory compliance issues related to franchise operations. Management believes the Company has materially complied with such regulations.

**EXHIBIT N**  
**RELEASE OF TELEPHONE NUMBER & TRANSFER OF TELEPHONE SERVICE**

This telephone release (“Release” or “Telephone Release”) is entered into and made in favor of Alloy Wheel Franchise, LLC by the undersigned franchisee (“Franchisee”).

WHEREAS, Alloy Wheel Franchise, LLC (“Alloy Wheels”) is the national franchisor of Alloy Wheel Repair Specialists throughout North America;

WHEREAS, the undersigned “Franchisee” has executed the Alloy Wheels Franchise and Trademark Agreement (“Agreement”) for the operation of a Alloy Wheels franchise number \_\_\_\_\_ located at \_\_\_\_\_, which provides that the telephone number used in the operation of Franchisee’s Alloy Wheels franchise shall be to the extent allowed by the local telephone company the property of Alloy Wheels; and,

WHEREAS, the telephone numbers and listings have been procured for Franchisee’s use in accordance with the terms and conditions of the Alloy Wheels Franchise and Trademark Agreement;

WHEREAS, Franchisee acknowledges and understands that the telephone listing will be used by Franchisee in the operation of its Alloy Wheels franchise, will be displayed in various directory listings, social media advertisements, and yellow pages advertisements in conjunction with Alloy Wheels’ name and federally registered Service Marks and that these proprietary marks are the sole and exclusive property of Alloy Wheels; and,

WHEREAS, Franchisee acknowledges that the Alloy Wheels name, service marks and the goodwill associated with those names and marks are of the greatest value to Alloy Wheels, and that if Franchisee’s Alloy Wheels franchise were to be terminated or otherwise discontinued, or it were to cease operating its Alloy Wheels Store, but retained the use and control of the telephone listing referred to in this Release, Alloy Wheels would be irreparably harmed and without an adequate remedy at law. Under those conditions Alloy Wheels would be entitled to a temporary, preliminary and/or permanent injunction without the need to show actual or threatened harm;

NOW THEREFORE, for and in partial consideration for the use of Alloy Wheels’ federally registered trade name and proprietary marks in various Yellow Pages directories, the undersigned Alloy Wheels Franchisee hereby authorizes the above referenced telephone company, in the event that Franchisee’s Franchise and Trademark Agreement is terminated, rejected, rescinded or Franchisee ceases operating an Alloy Wheels Store, to transfer, upon written notice from Alloy Wheels Repair Specialists, LLC that Franchisee has been terminated or is no longer operating an Alloy Wheels Store, all telephone listings (“Telephone Listings”) together with the telephone service used in conjunction with the listings, regardless of any code that may be placed upon such listings, to Alloy Wheels Repair Specialists, LLC, a Georgia limited liability company, with its principal place of business located at 3100 Medlock Bridge Road, Suite 305, Norcross, Georgia 30071.

In the event that Franchisee’s Franchise and Trademark Agreement is terminated, rejected, rescinded, Franchisee ceases operating an Alloy Wheels Store is called upon to honor or satisfy

any outstanding balance on the Telephone Listings by the applicable telephone company, the undersigned Franchisee grants to Alloy Wheels Repair Specialists, LLC the irrevocable right to have these Telephone Listings removed, transferred, or suspended, from his/her or its place of business in accordance with the terms of the Alloy Wheels Franchise and Trademark Agreement. Further, in such event, Franchisee hereby acknowledges and agrees the telephone company shall have the right, authority and obligation to transfer the Telephone Listings to Alloy Wheels as detailed in this Release regardless of any code or protection that is or has been placed upon such telephone listing.

In transferring the Telephone Listings to Alloy Wheels in accordance with the terms of this Release, the undersigned hereby relinquishes any and all right, title and interest he/she or it may have in and to the Telephone Listings, and further agrees that in the event that the form of this Release is not in a form that is acceptable to the local telephone company then Franchisee agrees to execute any document or documents that the telephone company may require to accomplish the matters recited in this Release.

Furthermore, at any time during the term of Franchisee's Franchise and Trademark Agreement or upon or subsequent to the termination of that agreement, the undersigned Franchisee hereby authorizes Alloy Wheels to place a protective code on the Telephone Listings restricting access to the listings from unauthorized individuals, including the Franchisee, in order to protect the franchise system in the event that the Franchisee ceases operating his/hers or its business as an Alloy Wheels Store.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

INDIVIDUALS:

By: \_\_\_\_\_ By: \_\_\_\_\_  
Print Name: \_\_\_\_\_ Print Name: \_\_\_\_\_

CORPORATION/COMPANY:

By: \_\_\_\_\_ By: \_\_\_\_\_  
Print Name: \_\_\_\_\_ Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_

**INDIVIDUAL ACKNOWLEDGEMENT**

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

I, \_\_\_\_\_, a Notary Public for said County and State, do hereby  
certify that \_\_\_\_\_ personally appeared before me this day and  
acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

[SEAL]

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

I, \_\_\_\_\_, a Notary Public for said County and State, do hereby  
certify that \_\_\_\_\_ personally appeared before me this day and  
acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

[SEAL]

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

**CORPORATE ACKNOWLEDGEMENT**

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

I, \_\_\_\_\_, a Notary Public for \_\_\_\_\_ County, State of \_\_\_\_\_, do hereby certify that \_\_\_\_\_ personally appeared before me this day and stated that he/she is \_\_\_\_\_ of \_\_\_\_\_, and acknowledged, on behalf of \_\_\_\_\_, the due execution of the foregoing instrument.

Witness my hand and official seal this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

[SEAL]

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

I, \_\_\_\_\_, a Notary Public for \_\_\_\_\_ County, State of \_\_\_\_\_, do hereby certify that \_\_\_\_\_ personally appeared before me this day and stated that he/she is \_\_\_\_\_ of \_\_\_\_\_, and acknowledged, on behalf of \_\_\_\_\_, the due execution of the foregoing instrument.

Witness my hand and official seal this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

[SEAL]

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

## EXHIBIT O RECEIPT (Our Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale or, if you live in Maryland, Michigan, New York, or Rhode Island, at the earlier of the first personal face-to-face meeting, or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship, or sooner if required by applicable state law.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and appropriate state agency listed in **Exhibit A**.

The Franchisor is: Alloy Wheel Franchise, LLC, located at 3100 Medlock Bridge Road, Suite 305, Norcross, GA 30071. Its telephone number is (770) 903-1236.

Issuance Date: September 1, 2023.

The Franchise Seller for Alloy Wheel Franchise, LLC, is Charles R. Wheeley, CEO, Alloy Wheels Repair Specialists, LLC, 3100 Medlock Bridge Rd, Ste. 305, Norcross, GA 30071; 770-903-1236.

See **Exhibit D** for our registered agents authorized to receive service of process.

I have received a disclosure document dated September 1, 2023 included the following Exhibits:

A. Federal and State Agencies	I. Automatic Bank Draft Authorization
B. State Addendums to FDD	J. Table of Contents to Operations Manual
C. State Amendments to Franchise & Trademark Agreement, Schedules A-C	K. Renewal/Resale Mutual Release
D. Franchisor's Agents for Service of Process	L. List of Open and Operating Franchises / Franchisees Who Left System
E. Franchise and Trademark Agreement, Schedules A-C	M. Financial Statements
F. Franchise Application	N. Release of Telephone Number & Transfer of Telephone Service
G. Confidentiality/Nondisclosure Agreement	O. Receipt(s)
H. Addendum Of Lease & Collateral Assignment of Lease	

Supplement: If you are buying a company-owned Alloy Wheel Repair Store, an ownership history of the Alloy Wheel Franchise, LLC for the past 5 years will be provided as a supplement to the disclosure document.

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

Please sign and date copy of this receipt and return it to us at: Alloy Wheel Franchise, LLC, via U.S. Mail at 3100 Medlock Bridge Road, Ste. 305, Norcross, GA 30071, or via e-mail at [robwheeley@alloywheel.com](mailto:robwheeley@alloywheel.com).

**EXHIBIT O**  
**RECEIPT (Your Copy)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale or, if you live in Maryland, Michigan, New York, or Rhode Island, at the earlier of the first personal face-to-face meeting, or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship, or sooner if required by applicable state law.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and appropriate state agency listed in **Exhibit A**.

The Franchisor is: Alloy Wheel Franchise, LLC, located at 3100 Medlock Bridge Road, Suite 305, Norcross, GA 30071. Its telephone number is (770) 903-1236.

Issuance Date: September 1, 2023

The Franchise Seller for Alloy Wheel Franchise, LLC, is Charles R. Wheeley, CEO, Alloy Wheels Repair Specialists, LLC, 3100 Medlock Bridge Rd, Ste. 305, Norcross, GA 30071; 770-903-1236.

See **Exhibit D** for our registered agents authorized to receive service of process.

I have received a disclosure document dated September 1, 2023 that included the following Exhibits:

A. Federal and State Agencies	I. Automatic Bank Draft Authorization
B. State Addendums to FDD	J. Table of Contents to Operations Manual
C. State Amendments to Franchise & Trademark Agreement, Schedules A-C	K. Renewal/Resale Mutual Release
D. Franchisor's Agents for Service of Process	L. List of Open and Operating Franchises / Franchisees Who Left System
E. Franchise and Trademark Agreement, Schedules A-C	M. Financial Statements
F. Franchise Application	N. Release of Telephone Number & Transfer of Telephone Service
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Supplement: If you are buying a company-owned Alloy Wheel Repair Store, an ownership history of the Alloy Wheel Franchise, LLC for the past 5 years will be provided as a supplement to the disclosure document.

**Date:** \_\_\_\_\_  
**(Do not leave blank)**

\_\_\_\_\_  
**Signature of Prospective Franchisee**

\_\_\_\_\_  
**Print Name**

Please sign and date copy of this receipt and return it to us at: Alloy Wheel Franchise, LLC, via U.S. Mail at 3100 Medlock Bridge Road, Ste. 305, Norcross, GA 30071, or via e-mail at [robwheeley@alloywheel.com](mailto:robwheeley@alloywheel.com).