

## FRANCHISE DISCLOSURE DOCUMENT

H-1 AUTO CARE, LLC  
a Nevada limited liability company  
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We offer franchises for outlets that will offer automobile products and services like tune-ups, brakes, oil changes, tires, and general repair services.

The total investment necessary to begin operation of an Honest1 franchise is \$255,750 to \$1,242,250. This includes \$93,500 to \$96,000 that must be paid to the franchisor and/or its affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the 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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Garrett Williams at 100 2<sup>nd</sup> Avenue S, Suite 1203, St. Petersburg, Florida 33701 and 727-231-6950.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, 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 also be laws on franchising in your state. Ask your state agencies about them.

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## 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
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits E and F.
How much will I need to invest?	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 describe the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit G includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Honest1 business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management has been involved in material litigation or bankruptcy proceedings.
What's it like to be an Honest1 franchisee?	Item 20 or Exhibits E and F list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	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 if 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.** The 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 the 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.** The 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 the franchisor by litigation only in Florida. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Florida than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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.

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RECEIPTS (2 pages)

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

To simplify the language in this Franchise Disclosure Document (“F.D.D.”), “we”, “us”, “our”, “H-1”, “H1”, “Honest-1”, and “Honest1” means H-1 Auto Care, LLC, the franchisor. “You” means the person who is considering the franchise, and if a corporation, partnership, or other entity is considering the franchise, the term “you” includes this entity and its shareholders, members, partners, or other principals.

**Corporate History**

We are a Nevada limited liability company formed on June 29, 2007. We do business as “Honest1”, “Honest-1”, and “H1”. Our principal business address is 100 2<sup>nd</sup> Avenue S, Suite 1203, St. Petersburg, Florida 33701. In July 2007, we acquired a company-owned Center in Oregon from Honest-1 Auto Care, Inc., our predecessor, and we sold the Oregon Center to a franchisee in September 2007. We have offered unit franchises since July 20, 2007. We offered region developer franchises from January 2008 to January 2017 in a separate F.D.D. but no longer offer these franchises. Region Developers paid a fee for the right to develop and service a particular area so that they could develop and service a minimum number of Centers, and in return receive part of the Initial Franchise Fees and a percentage of the Royalty Fee. Existing Region Developers do not have the authority to grant unit franchises or to sign Franchise Agreements with franchisees. While Region Developers also inspect stores according to our standards for compliance purposes, Region Developers do not have management level authority over our unit franchisees and do not offer initial training. We reserve the right to own and operate Honest1 Centers but will not own or operate a Honest1 Center within the territory of any franchisee in good standing. With the opening of three Centers (Fall 2018, Winter 2020, and Fall 2023), an affiliate of H1 started conducting a business of the type to be operated by you. Other than as stated in this paragraph, we have not engaged in any other line of business and have not offered franchises in any other line of business.

Our agents for service of process are disclosed in Exhibit A.

**Our Parents, Predecessors, and Affiliates**

We have a predecessor. Our predecessor is Honest-1 Auto Care, Inc., a Nevada corporation incorporated on March 17, 2003 and headquartered at 6767 W. Tropicana Avenue, Suite 223, Las Vegas, Nevada 89103 (“Predecessor”). Our Predecessor offered franchises for Honest-1 Centers from June 2003 to June 2006. On July 10, 2007, we purchased all of the assets of our Predecessor, including a company-owned Center in Oregon (“Oregon Center”). Our Predecessor opened the Oregon Center in 2005, sold it to us in 2007 and no longer conducts a business of the type to be operated by you. Our Predecessor does not currently offer franchises in this line of business and has not offered franchises in any other lines of business.

Our parent is H-1 Holdings, LLC (“Holdings”), a Delaware limited liability company formed on September 22, 2011 and which is located at 100 2<sup>nd</sup> Avenue S, Suite 1203, St. Petersburg, Florida 33701. It is a non-operating holding company. On October 12, 2011, it acquired 100% of us. It does not offer franchises in this or any other line of business and does not operate a business of the type being franchised. Our parent will not provide any products or services to our franchisees, nor will it guaranty our performance under our Franchise Agreements.

Honest-1 Auto Care, LLC (“HAC”), a Florida limited liability company formed on April 23, 2018, is an affiliate which is located at 100 2<sup>nd</sup> Avenue S, Suite 1203, St. Petersburg, Florida 33701. With the opening of three Centers (Fall 2018, Winter 2020, and Fall 2023), HAC will conduct a business of the type

to be operated by you. HAC will not provide any products or services to our franchisees, nor will it guaranty our performance under our Franchise Agreements. HAC has never offered franchises in any line of business.

SLC Opportunities Fund, L.P. (“SLCOF”), a Delaware limited partnership formed on November 10, 2015, is an affiliate which is located at 100 2nd Avenue S, Suite 1203, St. Petersburg, Florida 33701. SLCOF is an approved supplier of real estate development services for build-to-suit Centers to be leased or sub-leased to H1 or qualified H1 franchisees. SLCOF has never offered franchises in any line of business.

JP Orlando, LLC (“JPO”), a Delaware limited liability company, is an affiliate which is located at 4403 Vineland Road, Suite B9, Orlando, FL 32811. JPO is a regional master franchisee of Jan-Pro Franchising International, Inc. (“JPI”) with the exclusive right to sell and support JAN-PRO® commercial cleaning service unit franchises in Orlando, Jacksonville, and Palm Beach County, Florida. JPO has been offering JAN-PRO® franchises since May 10, 2010 and has 302 JAN-PRO® franchises in the State of Florida. JPO has not offered franchises in any other lines of business.

Except as described above, we do not have other affiliates that offer franchises or that provide products or services to our franchisees.

### **Franchise Offered**

We have developed a system and grant franchises for the retail sale of automotive repair and various automotive tune-up and brake services, lubrication, oil changes, the sale of tires, and other related automotive services to the general public and for assisting franchisees in selling those products and services (the “System”). As our franchisee, you will offer “Honest1” automotive products and services (including engine maintenance, lubrication, oil change and brake products and services) to the public at an “Honest1” “Center.” You must sign our Franchise Agreement (“Agreement”) and related agreements (Exhibit C), and must operate the franchised business according to the standards and specifications in those agreements and our confidential manuals.

In the past, we have also developed a regional franchise program. The regional franchise program was for region developers or area representatives (together, “Region Developers”) to acquire a franchise development territory for the purpose of assisting us in selling franchises, opening Centers, and in servicing the franchises that are sold in that particular territory. As of the date of this F.D.D., there are four (4) Region Developer franchises. The Region Developer franchise program is no longer offered but if it is offered in the future, it will be offered under a separate F.D.D. Some or all of the services disclosed in this F.D.D. may be provided by a Region Developer if there is a Region Developer in your area. Region Developers do not have the authority to grant franchises or to sign Franchise Agreements with franchisees. We will grant franchises and enter into the Franchise Agreements with the franchisees.

### **Market and Competition**

The market for the services provided by an Honest1 Center includes anyone who owns and operates a motor vehicle.

You must compete with local, regional and national companies offering competitive retail automotive products and services such as Midas, Firestone, Monro, Caliber Auto Care, Mavis, Christian Brothers and Meineke. The market for these products and services is well-developed in most areas of the United States. Our business can be cyclical in nature, therefore opening during certain times of the year may be more advantageous than others.



## **Industry Specific Laws**

Many states require operators of automotive repair businesses like the “Honest1” Auto Center you will operate, to obtain a state license and there are various consumer protection laws and regulations that will govern the manner in which you operate. If your Center will offer emission testing services, there may be Federal, state and local emission testing laws and regulations governing the manner in which these services are offered. You should investigate whether there are regulations and licensing requirements that apply to your Center.

There are a variety of laws and regulations that govern the use, generation, storage and disposal of hazardous materials, and which may require you to file periodic reports and comply with a variety of operating restrictions and duties, and obtain environmental risks insurance. Before purchasing a franchise, you should make an appropriate investigation to determine whether there are any laws, ordinances or regulations which affect the operation of the franchised Center in the geographic area in which you are interested in locating your franchise and should consider both their effect and cost of compliance.

You should consult with your attorney concerning those and other local laws and ordinances that may affect the operation of your Center.

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

Michael B. Cowan President and CEO, Member of the Board of Managers	Mr. Cowan has been our President and CEO since January 2018. He has also been on the Board of Managers of our parent, Holdings, since January 2018. Mr. Cowan also is a Managing Member of SLC Capital Partners, LLC and its affiliated entities (“SLC”), a private investment firm located in St. Petersburg, Florida, which he co-founded in January 2010. SLC is an owner of our parent, Holdings, as well as is the general partner of SLC Opportunities Fund, L.P., which offers real estate development services to H1 and H1 franchisees.
Samuel L. Shimer Chairman of the Board of Managers	Mr. Shimer has been on the Board of Managers of our parent, Holdings, since October 2011, and has been Chairman since January 2018. Mr. Shimer also is a Managing Member of SLC Capital Partners, LLC and its affiliated SLC entities (“SLC”), a private investment firm located in St. Petersburg, Florida, which he co-founded in January 2010. SLC is an owner of our parent, Holdings, as well as is the general partner of SLC Opportunities Fund, L.P., which offers real estate development services to H1 and H1 franchisees.
Danielle Roca Executive Vice President and CFO	Mrs. Roca has been our Executive Vice President and CFO since March 2022. From May 2018 to February 2022, she was VP and CFO. From November 2012 to May 2018, she was the Chief Financial Officer for Vascular Specialist of Venice and Sarasota, P.L., an outpatient surgery and diagnostic imaging center located

	in Sarasota Florida. Mrs. Roca is a Certified Public Accountant.
Emily Seitz Vice President, Brand	Ms. Seitz has been Vice President, Brand since June 2024. From August 2023 to June 2024, she was a freelance creative consultant (NY, NY). From June 2021 to August 2023, she was Associate Creative Director for Match Group, Inc., a dating app company located in NY, NY. Prior to that, Ms. Seitz was a Senior Consultant, Brand Voice at Marsh & McLennan Companies, Inc., a branding agency and consulting firm (NY, NY) from January 2020 to June 2021. From August 2019 to January 2020, she was a Contract Copywriter at Freshly (NY, NY), a meal delivery service. From December 2015 to July 2018, she was a Senior Copywriter at Spark Branding House, a branding and advertising agency in Tampa, Florida.
Garrett Williams Vice President and Chief Development Officer	Mr. Williams was promoted in March 2022 to Chief Development Officer and has been our Vice President, Real Estate since August 2018. From April 2014 to August 2018, he was a Senior Real Estate Manager for Panera Bread, a national food service company with both company-owned and franchise-operated bakery cafes throughout the U.S. and Canada and headquartered in St. Louis, Missouri. From April 2010 to April 2014, Mr. Williams was Senior Vice President at SRS Real Estate Partners, a commercial real estate firm exclusively dedicated to retail services, headquartered in Dallas, Texas. Mr. Williams is a Licensed Real Estate broker in Florida.
Nicholas Cowan Vice President and Chief Technology Officer	Mr. Cowan has been our Vice President and Chief Technology Officer since October 2022. From November 2020 to September 2022, he was a Senior Software Engineer at LinkedIn Corporation (Sunnyvale, CA), a business and employment social media platform. Prior to that position, he was a Software Engineer from September 2018 to October 2020 at LinkedIn, after graduating from UC Berkeley.
Douglas LeJeune Vice President, Operations	Mr. LeJeune has been our Vice President, Operations since November 2022. From January 2019 to October 2022, he was the National Account Sales Manager for Warren Oil Company LLC, an independent manufacturer and wholesale distributor of petroleum and petroleum products (Dunn, NC). From January 2012 to December 2018, Mr. LeJeune was a Regional Vice President at Advance Auto Parts, a leading automotive aftermarket parts provider (Raleigh, NC).
William Connor Director, Training and Franchise Support	Mr. Connor has been our Director, Training and Franchise Support since September 2021. From March

	2018 to August 2021, he was Senior Digital Shop Analyst and Trainer, and from June 2014 to March 2018 a Digital Shop Trainer, both for AutoVitals, Inc., an automotive SAAS business headquartered in San Diego, CA. From December 2010 to June 2014, Mr. Connor was the General Manager for a NAPA Auto Care Center in Allen, TX.
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### **ITEM 3** **LITIGATION**

Franchisor Initiated Litigation - Enforcement of Noncompetition Provisions and other Post-Termination Provisions; Royalty Fee and Advertising Fees Collection; Infringement.

H-1 Auto Care, LLC v. Balhar Lasher, Ekta Lasher, Square-1 Auto Care, Inc., AAA Autocare, Inc., Flemington Auto Care Inc, Hamilton Auto Care Inc, Jose Bravo, Scott Jaeger, Narinder Singh, NSK3145, Inc., and NSK464, Inc., (Case 3:21-cv-18100, U.S. District Ct., N.J). This case was filed on October 5, 2021. AAA Autocare, Inc. (“AAA”) is owned by Balhar Lasher and was an H1 franchisee pursuant to a franchise agreement guaranteed by Balhar Lasher. Square-1 Auto Care, Inc. (“Square-1”) is owned by Balhar Lasher and Ekta Lasher and was an H1 franchisee pursuant to a franchise agreement guaranteed by Balhar Lasher and Ekta Lasher. Jose Bravo is a former employee of Square-1, Hamilton, and NSK3145, Inc.. Scott Jaeger is a former employee of AAA, Flemington, and NSK464, Inc.. In 2020, Ekta Lasher incorporated Hamilton Auto Care Inc (“Hamilton”) and Flemington Auto Care Inc (“Flemington”), which are direct competitors of H1. Based on false representations by Square-1, Balhar Lasher, and Ekta Lasher, H1 entered into a mutual termination agreement with Square-1. Subsequently, the Lashers sold Hamilton and Flemington, further in violation of the franchise agreements. H1 brought suit for breach of both Franchise Agreements, breach of the Mutual Termination Agreement; breach of the Franchise Agreement Guaranty, Fraudulent Misrepresentation; Unjust Enrichment, Violation of the Defend Trade Secrets Act, Tortious Interference with the Franchise Agreements and the Mutual Termination Agreement; Unfair Competition; Federal Trademark Infringement, False Designation and Misrepresentation of Origin; Federal Trademark Dilution, and Fraudulent Conveyance H1 is aggressively pursuing its claims against all defendants.

#### Other Litigation

Charles D. Fasnacht III, et. al v. H-1 Auto Care, LLC (American Arbitration Association Commercial Litigation, File 01-24-0002-4256). On September 29, 2023, Honest1 terminated two Region Developer Agreements between it and CDF3, LLC (whose sole member is Charles Fasnacht III), and one Region Developer Agreement between it and Adam Marcus. The Region Developer Agreements were terminated because CDF3, LLC, and Mr. Marcus failed to sell the contractually required number of franchises within their designated geographic territories and otherwise comply with the obligations imposed by their respective agreements. CDF3 and Mr. Marcus filed a demand in arbitration on February 29, 2024, which claimed Honest1 wrongfully terminated the Region Developer Agreements. On April 1, 2024, Honest1 filed a Response and Counterclaim. Honest1’s Response denied all liability for termination of the relevant Region Developer Agreements and asserts claims for breach of contract against CDF3, Mr. Fasnacht, and Mr. Marcus for failing to perform under the Region Developer Agreements. The parties will engage in discovery and the matter is set for a final hearing beginning September 29, 2025. Honest1 intends to vigorously defend against CDF3, LLC, Mr. Fasnacht, and Mr. Marcus’ claims it and prosecute its affirmative action.

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

No bankruptcy is required to be disclosed in this Item.

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

You must pay us an Initial Franchise Fee depending on the number of franchise Centers you agree to open. The Initial Franchise Fee is non-refundable. If you are eligible for multiple discounts, only one discount will be granted to you.

- Individual Franchisee. If you are granted the right to open one Honest1 Center, then you will pay an Initial Franchise Fee of \$75,000.
- Veteran Franchisee. If you are a qualified United States Veteran, we will discount the Initial Franchise Fee by 10%.
- Existing Franchisee. If you purchase a second or additional franchises while you are an “Honest1” franchisee, the Initial Franchise Fee will be reduced by 15% off the then-current Initial Franchise Fee for an individual center and the same reduction will apply for each additional franchise purchased by you. At the current Initial Franchise Fee of \$75,000, the franchise fee for the second and additional locations would be \$63,750.

You must pay a coaching fee for three weeks of onsite initial coaching for your first Center store. We currently are the only approved vendor for the onsite coaching. The fee for the initial coaching program is \$15,000 plus related actual travel expenses. The travel expenses incurred by our business coach are estimated to range from \$2,500 to \$5,000. The fee must be paid at the time a location is fully secured, which is typically when the lease is signed or the property is purchased. The coaching will be for up to one week prior to the opening of your Honest1 Center and up to two nonconsecutive weeks after opening. See Item 11.

You must pay us our then-current fees for system-related technology services, programs and platforms, which may include but not limited to website, intranet, business intelligence, CRM, SEO, email, email marketing, phone call analytics, learning management systems, software, applications, social media, and such other technology services, programs and platforms as may be implemented by H1 from time to time (“**Technology Fee**”). The fees due before you open are estimated to be \$1,000.

There are no other payments to or purchases from us or an affiliate that you must make before opening your Honest1 Center.

**ITEM 6**  
**OTHER FEES**

<b>Name of Fee (Note 1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks (Note 2)</b>
Royalty Fee (Note 3)	6% of weekly gross sales	Payable weekly on Monday	<p>Late fee of \$10 per day for each day of non-payment of the Royalty Fee and \$10 per day for each day a completed royalty report is not submitted. Gross Sales includes the sale of all products and services sold at your Center, less certain taxes and discounts to customers. We will collect your Royalty Fees via electronic funds transfer.</p> <p>If you fail to submit required reports we will calculate the amount due based on your last reported amount plus a 20% increase.</p>
Our Travel Expenses and Costs to Monitor Site Construction or Improvements	Reasonable expenses	15 days after billing	To monitor and review the construction of the approved site and final inspection of the site prior to opening.
Advertising Fee (Note 4)	<p>2-4% of weekly gross sales</p> <p>(Currently, 2% is being collected)</p>	Payable weekly on Monday	<p>Collected by us and is non-refundable; we will collect your Advertising Fee via electronic funds transfer. We have the ability to increase this fee to a maximum of 4%.</p> <p>Currently, these fees are used in part to pay for the fees of the national warranty program. If the warranty program fees are no longer paid for by the National Fund, then within thirty</p>

<b>Name of Fee (Note 1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks (Note 2)</b>
			(30) days of written notice, you must pay for the warranty program costs.  If you fail to submit required reports we will calculate the amount due based on your last reported amount plus a 20% increase.
Local Advertising – Franchise Agreement (Note 5)	\$4,000 a month minimum, recommended is \$8,000 to \$12,000 a month for the first six months and \$6,000 to \$8,000 a month after the first six months	To be spent weekly by you	You must provide proof of placements to us. All advertising you propose to use must be pre-approved by us.
Customer Survey Programs, Database Marketing, Local Advertising Programs and Costs	Actual costs associated with surveying customers and costs for the production and mailing of data base marketing materials, and other local marketing expenses	As specified in the notice, typically within two weeks	May be paid to us or the customer survey provider.
Technology Fee (Note 6)	Technology Fee: The then current fee plus any data overages costs; Currently \$1,000 a month plus any data overage costs	Payable monthly	Collected by us monthly  May be adjusted over the term of the Franchise.
Unauthorized Marketing Fee	\$500 per occurrence; may be continued monthly	As specified in the notice, typically within two weeks	If you fail to obtain our approval before using any advertising or fail to stop using any advertising once our approval is withdrawn, then we may impose this fee per violation. This fee may also be imposed monthly if not corrected upon first notice.
Advertising Cooperative	At least 3% of gross sales  Not currently assessed.	As determined by the cooperative	Cooperatives may be formed where there are at least two Centers in a specific area. Your payments to a

<b>Name of Fee (Note 1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks (Note 2)</b>
			cooperative for advertising will count toward your Local Advertising requirement. We use the term “Local DMA Advertising Group” when referring to an “advertising cooperative.”
Extension Fee	\$5,000	Upon request for development extension	You may request a one-time extension in your development obligations.
Transfer Fees \$27,000 (Note 7)	a) \$2,000 application fee b) \$25,000 transfer fee	a) Upon application for transfer b) Upon approval of the transfer of the Franchise Agreement; if applicable	Collected by us and is non-refundable; this applies if you are a franchisee transferring your franchise. All transferees must be approved by us. The fee is subject to state law.
Transaction Services Fee (Note 8)	The greater of 5% of the gross value of the business or \$35,000	Due upon closing of your selling transaction	If you authorize H1 to find you a buyer or H1 provides you a buyer from its interested candidates.
Refresher Training (Franchise Agreement)	No charge	N/A	For refresher training you pay your own expenses. (See Item 11)
Reimbursement of Expenses for Inspection	Actual costs	15 days after billing	If you fail to maintain our standards and we have to inspect your location to verify your compliance, you must pay for our out of pocket costs.
Additional Training	May range from \$250 - \$5,000	15 days after billing	If you are opening an additional center, there may be additional training sessions for which a training fee will apply

<b>Name of Fee (Note 1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks (Note 2)</b>
Conference or Meeting Fee	Then current fee for a required conference or meeting, estimated to range from \$0 to \$750 per attendee	Any fee for attending conference/meeting will typically be paid upon signing up for the conference/meeting.  We may impose a fee for a missed meeting as early as the first day of the missed conference/meeting	We may impose for attendance at a conference/meeting.  We may also impose a fee if you fail to attend a required conference/meeting.
Alternative Supplier Inspection and Testing	Reasonable costs of inspection and testing	15 days after billing	If you request to use an alternative supplier, we may impose a charge for our inspection and testing.
Renewal (Franchise Agreement)	25% of our then-current Initial Franchise Fee	Upon renewal	
Audit	Cost of inspection or audit plus any deficiencies found	15 days after billing	Payable only if you fail to furnish reports, supporting records or other required information or if audit finds discrepancy of 2% or more.
Late Fees	\$10 per day for unpaid Royalty Fees or overdue reports	Upon demand	Payable on overdue Royalty Fee amounts and overdue reports.
Interest	Lesser of 18% or highest contract rate of interest allowed by law	15 days after billing	Payable on all overdue Advertising Fees.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	You must pay our reasonable costs and expenses related to the analysis, negotiation, closing, administration and enforcement of the franchise agreement and its related agreements, the enforcement, protection and defense



<b>Name of Fee (Note 1)</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks (Note 2)</b>
			<p>of our rights, and for any extensions, amendments, waivers and consents under the Franchise Agreement, or any related agreements or documents with other creditors or relating to the termination of the Franchise Agreement.</p> <p>Costs and attorneys' fees are also payable upon your failure to comply with your Franchise Agreement with us.</p>
Indemnification	Will vary under circumstances	As incurred	You have to reimburse us if we are held liable for claims arising from your Center's operations.
Relocation Expenses	Costs of relocation	15 days after billing	This covers the cost we incur if you want to relocate the Center.
Income Taxes	In addition to monthly Royalty Fees, we have the right to collect from you the cost of all income taxes, sales taxes and other taxes arising as a result of our licensing of intellectual property to you in the state where your franchise is located, as well as any assessment on the Royalty Fees, Advertising Fees and any other income we receive from you.	Payable monthly with Royalty Fees.	Only imposed if state collects these taxes or assessments.
Liquidated Damages	See Note 9		

1. Your Initial Franchise Fee and other initial payments to Honest1 before you commence business as an Honest1 Center are described in Item 5.

2. Unless otherwise stated, all amounts are uniformly imposed and payable to us and are not refundable. For fees that we collect on behalf of an approved supplier, the approved supplier may be changed by us, and the approved supplier may increase or decrease the fees that we collect for it.
3. There is a penalty if you submit your Royalty Fee or royalty report after the due date. The late fee is up to \$10 a day for each day the Royalty Fee is late and up to \$10 a day for each day the royalty report is late.
4. There is a penalty if you submit your Advertising Fee after the due date. We may collect interest on any unpaid amount.
5. Franchise Owners must spend a minimum of \$4,000 a month on local advertising during the term of the Franchise Agreement. We strongly recommend that you spend more than the minimum amount. This may include telephone directory listings, direct mail marketing or other local print or online media.
6. This fee will cover the cost H1 pays for system-related technology services, programs and platforms, which may include but not limited to website, intranet, business intelligence, SEO, CRM, email, email marketing, phone call analytics, learning management systems, software, applications, social media, and such other technology services, programs and platforms as may be implemented by H1 from time to time. The fees due before you open are estimated to be \$1,000. We reserve the right to own the social media accounts used to promote the franchise. If we exercise this right, we have the right to require you to either pay the provider directly or pay us as part of the Technology Fee. The Technology Fee may increase or decrease over time depending on the costs to the Franchisor. Any data overages costs will be charged in addition to the Technology Fee.
7. This fee covers the cost of training the new franchisee and providing on-site back-up and support for a minimum of 40 hours after completion of the training school. This amount also covers, in part, the costs incurred in the review, analysis and preparation of any documentation relating to the transfer. Upon the death, mental incapacity or disability of the Franchise Owner, we may consent to a transfer to a spouse, heirs or relative by blood or by marriage of the Franchise Owner if this person or persons meet our requirements. This fee is subject to state law.
8. If you authorize H1 to find an outside buyer or H1 provides you a buyer from its interested candidates (not including current H1 franchisees), you will be responsible for paying H1 a Transaction Services Fee, which is either the greater of 5% of the gross value of the business transaction or \$35,000. This fee is earned and payable upon closing of the transaction between you and the buyer and is in addition to the Transfer Fee and Application Fee due and payable to H1, which is currently \$25,000 and \$2,000, respectively, per business.
9. If we terminate the Franchise Agreement as a result of your material breach of the Franchise Agreement after your failure to correct any curable defaults, you must pay us liquidated damages equal to the average monthly royalties you paid or owed to us during the most recent 12 months of operation before the termination multiplied by (a) 24 (the number of months in two full years) or (b) the number of months remaining in the Franchise Agreement had we not terminated it, whichever is less.

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

<b>YOUR ESTIMATED INITIAL INVESTMENT</b>				
<b>Type of Expenditure</b>	<b>Amount</b>	<b>When Payable</b>	<b>Method of Payment</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee (1)	\$75,000	When Franchise Agreement signed	Lump Sum	Us
Leasehold Improvements (2)	\$0 - \$450,000	As Incurred	As Agreed	Outside Suppliers
Equipment Package (3)	\$25,000 - \$250,000	As Incurred	As Agreed	Designated Suppliers
Signage (4)	\$10,000 - \$60,000	As Incurred	As Agreed	Outside Supplier
Rent Expense (deposits, rent, utilities, CAM, sales tax, etc.) (5)	\$0 - \$135,000	May be Paid Prior to Opening	As Agreed	Landlord
Opening Inventory and Supplies (6)	\$5,000 - \$15,000	As Incurred	As Agreed	Vendors, Outside Suppliers
Grand Opening Advertising and Initial Marketing (7)	\$48,000 - \$72,000	May be Paid Prior to Opening	Lump Sum	Advertising Sources
Training Expenses	\$5,000	As Incurred	As Agreed	Third Parties
Miscellaneous Pre-Opening Costs (8)	\$3,000 - \$10,000	As Incurred	As Agreed	Third Parties
Insurance (9)	\$4,000 - \$7,000	As Required	As Arranged	Insurance Companies
Office Supplies, Furniture, Fixtures, Computers & Software	\$10,000 - \$65,000	As Arranged	As Arranged	Outside Suppliers
Business Coach – 3 Weeks (10)	\$17,500 - \$20,000	As Arranged	As Agreed	Us
Accounting Service – First 3 months (11)	\$2,250	As Arranged	As Arranged	Accounting Service
Technology Fee (12)	\$1,000	As Incurred	As Agreed	Us
Additional Funds - 3 months (13)	\$50,000 - \$75,000	As Incurred	As Incurred	Third Parties

<b>YOUR ESTIMATED INITIAL INVESTMENT</b>				
<b>Type of Expenditure</b>	<b>Amount</b>	<b>When Payable</b>	<b>Method of Payment</b>	<b>To Whom Payment is to be Made</b>
<b>TOTAL ESTIMATED INITIAL INVESTMENT</b>	<b>\$255,750 - \$1,242,250</b>			

#### Explanatory Notes

1. The Initial Franchise Fee is discussed in detail in Item 5. Certain discounts may be available as discussed in Item 5.
2. Leasehold improvements will vary among locations. Build-to-suit buildings typically will require no improvements and it has been our experience that most landlords will grant some tenant improvement allowance when signing a long-term lease. You may be able to negotiate for the landlord to pay for the improvements directly or to include the costs in your rent. In the instance where you are unable to negotiate leasehold improvements into the rent or obtain the necessary improvements directly from the landlord, you may incur additional expenses. Improvements such as painting, counter tops, lounge clean up and door openings may be considered as part of leasehold improvements. If you elect to build completely from the ground up, then you will probably have additional costs. These costs are not reflected in the high range as such costs will vary tremendously.
3. We have multiple levels of equipment packages that are offered through our designated approved suppliers. The required equipment package includes the minimum equipment for your Honest1 Center and is based on a standard 8 bay configuration. We have a second equipment package that includes all of the required items as well as additional equipment you may want to include at your Center. You may qualify for leasing the equipment from any non-affiliated third party leasing company. If you do, your initial cash outlay may be greatly reduced. A leasing company may require three months' worth of lease payments as the only initial cash payment. The equipment includes typical automotive equipment like a wheel alignment system, tire mounting machine, lifts, lube equipment, battery charger and other similar items, and a State inspection machine, where applicable. We do not lease equipment to you or otherwise finance your purchase of the required equipment.
4. The cost of the sign structures, exterior sign faces, awning, and interior signs will vary depending on the site, number and type of signs you buy. All signage must meet our specifications.
5. The difference between the low and high ranges is due to range of monthly base rents, the actual size of the Center, and its location. The numbers set forth in the chart reflect costs associated with the initial leasing of a facility, and the first three (3) months of rent-related expense which may be paid prior to opening. No cost for land acquisition has been included here. You would normally develop an "Honest1" Center either by leasing and converting an existing facility or by entering into a build-to-suit lease under which the landlord constructs the "Honest1" Center and leases it to you. Rental costs vary considerably depending on regional and local factors including location, the actual size of the Center, and the type of lease negotiated. Monthly base rents typically are \$10,000 to \$30,000, but may be higher in some regions of the United States. You may be able to negotiate

an initial period of months in which no lease payment is required, significantly lowering your initial rent expense.

6. Under the Franchise Agreement, unless we designate a specific source for items you must purchase, you may obtain all required initial and continuing inventory from sources of your choosing if each item meets our specifications or has been approved in writing by us. We do have approved/preferred vendor programs as well.
7. Advertising costs or expenses will vary depending upon the market in which you operate and the type of advertising used. You are required to spend between \$48,000 and \$72,000, depending on your location, on grand opening advertising and initial marketing during the first six months of operation. You may need a variety of promotional activities to take place during the first month of operation. These could include print media, broadcast media, direct mail, coupons and press releases, all of which shall be consistent with the size of the market. We must approve of your grand opening advertising campaign before it is conducted, as well as other marketing materials.
8. This item covers miscellaneous opening costs and expenses, like installation of telephones, business licenses, and, legal and accounting expenses.

You may purchase land and build a facility yourself. The cost of land will vary considerably depending on many factors, including the geographic region of the United States. No cost for land acquisition has been included here. Typically, an “Honest1” Center requires 30,000 to 45,000 square feet of building area, including parking. If you choose to build a facility or have a lessor do so, construction costs, excluding FF&E and site costs, are currently estimated to range from \$250 to more than \$400 per square foot (based on a ready-to-build site). An 8 bay Center requires between 5,000 and 6,000 square feet of building space. Many factors can affect what you may pay for the construction of an “Honest1” Center, such as location and area of the country. Honest1 can provide to you or your developer/lessor with a sample layout for an 8 bay Center at no cost to you other than the printing and mailing fees. Modifications to these layouts will be necessary to meet state or local ordinances.

9. Before opening your Center, you must purchase insurance with carriers acceptable to us including standard garage keepers liability insurance. The amounts of insurance coverages are specified in Article XI of your Franchise Agreement. The initial cost of \$4,000-7,000 covers six (6) months of general liability and garage keepers insurance.
10. You must pay for our business coach service for three weeks. Our business coach will be onsite for one week prior and two nonconsecutive weeks after opening and will assist in all aspects of the opening process. In addition, you will be responsible for the actual travel expenses incurred by our business coach which are estimated to range from \$2,500 to \$5,000, but may be higher, and include airfare, ground, hotel, rental car and meals.
11. You must use our approved accounting service for a minimum of twelve months. You will pay the then current fees, and currently these fees are approximately \$750 with a \$100 late fee per month directly to the accounting service.
12. You must pay us a Technology Fee, which will cover costs for system-related technology services, programs and platforms, which may include but is not limited to website, intranet, business intelligence, SEO, CRM, email, email marketing, phone call analytics, learning management systems, software, applications, social media, and such other technology services, programs and platforms as may be implemented by H1 from time to time. You will pay the then current fees, and

currently these fees are approximately \$1,000 per month directly to us. We anticipate you will pay the Technology Fee for one month and that you will not have incurred any data overage charges prior to opening.

13. This additional funds estimate is based on current costs or reasonable estimates to cover the initial operating losses, training, monthly advertising and technology fees and many other normal and customary operating expenses and are, unless indicated otherwise, for an initial period of three months from the time the “Honest1” Center opens for business. All estimates set forth in the chart are based upon management’s experience within its franchise system. Because the exact amount of reserve will vary from operation to operation, we urge you to retain the services of an experienced accountant or financial advisor who will develop a business plan and financial projections for your Center.

We do not offer direct or indirect financing for the initial investment.

## **ITEM 8**

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

#### **Approval of Suppliers**

We specify certain tools, equipment, marketing and other items that you must have before opening, and must maintain while you own your franchise. All tools, equipment, uniforms, office supplies, marketing and other materials required to operate your Center must be obtained from suppliers that we designate or approve. We will provide you with access to an electronic copy of our Operations Manual, ESA Manual, Marketing Manual and Signage and Décor Manual and various supplemental bulletins and notices that will contain the specifications, standards, and restrictions on your purchase of products and services. As we determine consumer preferences and trends in the marketplace, or develop new marketing techniques, technologies, products and services, or learn of changes in automobile manufacturing specifications, we formulate and modify our standards and specifications as we consider appropriate and useful, and notify you through amendments to the Manuals, articles, newsletters, or other bulletins.

You must use our approved business coach service. We are currently the only approved vendor for the onsite coaching service. You must use our business coach for three weeks. If you are an existing Honest1 franchisee you may be allowed to forgo the coaching at Honest1’s sole discretion.

You must pay us for your monthly business intelligence service. We are currently the only approved provider of this service.

We are not currently an approved supplier of any item except our coaching services and except that we will collect a Technology Fee (and any data overage charges) from you for services provided by us or authorized vendors that we work with on system-related technology services, programs and platforms. We may retain an administrative fee for our services as part of the Technology Fee. Our affiliate, SLC Opportunities Fund, L.P., is an approved supplier of real estate development services that qualified franchisees may use, if approved separately by SLCOF. There are no other approved suppliers in which any of our officers own an interest.

We have designated suppliers for architectural and engineering services, equipment packages, automotive fluids, software licenses, virtual vehicle online tools, additional coaching programs and the warranty and roadside assistant program that you are required to use. Participation in the warranty program is mandatory. If we require it, you must use architectural, design and engineering firms that we have

approved regardless of your location. We may require you to purchase any proprietary H1 products from the independent supplier we designate. We may derive revenue from certain of these suppliers, such as a rebate or commission based on sales to our franchisees. We may retain an administrative fee as part of the Technology Fee. Our rebates may range from 0% to 25%. We may receive other rebates in the future.

If you wish to procure any items from a supplier other than a supplier we designate, you must obtain our approval in writing (see Section 5.14) of the proposed supplier, its name and address, and the items you desire to purchase from that supplier. We may condition our approval on the supplier agreeing in writing: (a) not to disclose any confidential information regarding us or our operations, (b) to comply faithfully with our specifications for the items it sells, (c) to sell any materials bearing our Proprietary Marks (as defined in Item 13) only to our franchisees, (d) on the supplier demonstrating to our reasonable satisfaction that it is able to supply equipment, fixtures and/or inventory meeting our specifications on a continuing basis, (e) that the supplier is, and will continue to be, of good standing in the business community with respect to its financial soundness and the reliability of its product and service, and (f) require rebate payments from the supplier. Within 60 days after our receipt of a written request to approve a supplier and our receipt of all other information which we request in order to evaluate that supplier, we will attempt to notify you in writing whether or not such supplier is deemed approved by us. No supplier will be approved unless and until we have notified you in writing that such supplier is approved. We have the right to disapprove or withdraw our approval of any supplier at any time by providing you with written notice of our disapproval or withdrawal of approval. We may impose a charge for our evaluation of a new supplier that you propose, not to exceed the reasonable costs of inspection and testing, which would be paid by you or the supplier. We do not negotiate purchaser arrangements with suppliers for the benefit of franchisees. However, from time to time, we negotiate with suppliers for the franchisees with the option but not the obligation to enter into these agreements.

We estimate that your purchases from approved suppliers will represent approximately 45% to 67% of your total purchases in establishing your Center, and approximately 75% in the continuing operation of the Center. We do not provide or withhold any material benefits to any franchisees based upon whether or not they use our designated or approved suppliers. However, purchases of unapproved products or from unapproved vendors in violation of the Franchise Agreement will entitle us to terminate your Franchise Agreement.

For the year ending December 31, 2023, we collected \$4,200 from our franchisees for their purchases of products or services from us, and which collectively is <1.0% of our total revenues of \$6,622,957. These purchases were the optional FZ Newsletter.

We currently do not operate or maintain buying, purchasing or distribution cooperatives. However, we may negotiate prices paid by our franchisees by taking advantage of purchasing volumes. If we receive any volume discounts or purchasing rebates, there will be no restriction on our use of those funds.

### **Advertising**

You may not use any advertising material for Local Advertising unless we have expressly approved it in writing before publication or use, and it complies with our requirements concerning format, representations and media as contained in the Honest1 Marketing Manual or as we otherwise designate. Although we may approve your advertising material, our approval shall not be our representation that the approved advertising complies with applicable law or will generate any level of sales. Any materials you submit to us for our review will become our property.

## **Records**

All of your bookkeeping and accounting records, financial statements, and all reports you submit to us must conform to the requirements described in the Operations Manual or as directed by us. You must also use our pre-approved accounting service for a minimum of twelve months. You will pay the then current fees of approximately \$750 per month directly to the accounting service.

## **Computer Equipment**

You also must purchase or lease specific pieces of computer equipment and software that we designate; such as a point of sale customer computer system; a repair reference software; and a vehicle diagnostic scanner. These items will be purchased directly from the manufacturers. If we request, your equipment and software systems must be available to us directly via remote access, or similar technology as prescribed by us, and must otherwise meet our specifications.

## **Insurance Requirements**

Before opening your Center, you must purchase insurance with carriers acceptable to us including standard garage keepers' liability insurance. The amounts of insurance coverages are specified in Article XI of your Franchise Agreement.

### **ITEM 9 FRANCHISE OWNER'S OBLIGATIONS**

**This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Franchise Disclosure Document.**

<b>Obligation</b>	<b>Article in Franchise Agreement</b>	<b>Item in Franchise Disclosure Document</b>
(a) Site selection and acquisition/lease	Articles I and V (Attachments B and F)	Items 7, 8 and 11
(b) Pre-opening purchases/leases	Article V	Items 7 and 8
(c) Site development and other pre-opening requirements	Article V (Attachment A)	Items 6, 7 and 11
(d) Initial and ongoing training	Articles III and V	Items 6 and 11
(e) Opening	Article III	Item 11
(f) Fees	Articles IV and X (Attachment A)	Items 5, 6, 7 and 11
(g) Compliance with standards and policies/Operations Manual	Articles V, VII and VIII	Items 6, 8, 11 and 14
(h) Trademarks and proprietary information	Article VI and VIII	Items 13 and 14



<b>Obligation</b>	<b>Article in Franchise Agreement</b>	<b>Item in Franchise Disclosure Document</b>
(i) Restrictions on products/services offered	Article V	Items 8 and 16
(j) Warranty and customer service requirements	Article V	Item 8
(k) Territorial development and sales quotas	None	Items 5 and 12
(l) On-going product/service purchases	Article V	Item 8
(m) Maintenance, appearance and remodeling requirements	Article V	Item 11
(n) Insurance	Article XI	Items 7 and 8
(o) Advertising	Article X	Items 6, 7 and 11
(p) Indemnification	Article XVIII	Item 6
(q) Owner's participation/management/staffing	Article V	Items 11 and 15
(r) Records/reports	Articles IV and IX (Attachment D)	Item 6
(s) Inspection/audits	Articles III, V and IX	Item 6
(t) Transfer	Article XII	Items 6 and 17
(u) Renewal	Article II	Items 6 and 17
(v) Post-termination obligations	Article XIV	Item 17
(w) Non-competition covenants	Article XV (Attachments G and H)	Item 17
(x) Dispute Resolution	Article XXV	Item 17
(y) Liquidated damages	Article XIV	Item 6

## **ITEM 10**

### **FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligation.

## **ITEM 11**

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

**Except as listed below, H-1 Auto Care, LLC is not required to provide you with any assistance.**

### **Our Obligations Before Opening**

Before the opening of the franchised business, we will provide you with the following:

(All Sections referenced in this Item 11 are to the Franchise Agreement, unless otherwise noted.)

- (1) Standard specifications and sample layouts for an “Honest1” Center. (Section 3.1.3.)
- (2) Assistance in site selection. We must approve the site of the “Honest1” Center. We may also pre-approve specific sites for which you have the opportunity to lease or buy that site from a third party vendor. We do not typically own the site and lease it to you. (Section 3.1.1.)
- (3) Review of site plans and final construction plans. We must approve the site plans and final construction plans. (Section 3.1.3.)
- (4) Initial training program. (Section 3.1.4.)
- (5) Assistance in opening your Center, which includes providing a business coach on-site for three weeks during the initial set-up and operation of your Center. (Section 3.1.6.)
- (6) Various manuals, catalogs and materials that we may select. (Section 3.1.5.) (See “Confidential Manuals” below.)

### **Our Obligations During Operation**

During the operation of the franchised business, we will provide you with the following:

- (1) Guidelines and specifications for the operation and management of the franchised business, which guidelines and specifications must be adopted by you. (Section 3.1.2.)
- (2) Continuing assistance, which includes advisory assistance and consultation in the ongoing operation, advertising and promotion of the franchised business through emails and the telephone. (Section 3.2.1.)
- (3) Continuing efforts to establish and maintain high standards of quality, cleanliness, safety, customer satisfaction and service. (Section 3.2.2.)
- (4) Updates to manuals and training aids. (Section 3.2.3.)
- (5) Merchandising programs, marketing programs and other data and advice. (Section 3.2.4.)
- (6) Coordinating and conducting periodic training programs for our network of franchisees as we deem necessary in our sole discretion. (Section 3.2.5.)
- (7) Conducting as we deem advisable, quality control audits of the franchised business and its operations and evaluations of the methods and the staff employed therein. (Section 3.2.6.)
- (8) Product information, evaluation and recommendation. (Section 3.2.7.)

(9) We may provide bulletins, brochures, manuals and newsletters that we distribute regarding our plans, policies, research, developments and activities. We may provide guidance on suggested prices. (Section 3.2.8.)

(10) Other resources and assistance which we develop and offer to “Honest1” franchisees. (Section 3.2.9.)

(11) We will hold periodic conventions or meetings of our franchisees, which we expect to hold every 12 to 24 months, and you must attend all conventions/meetings, unless expressly excused from a specific convention/meeting in writing by us. If you do not meet the minimum attendance requirement, it will be a default under your Franchise Agreement.

### **Advertising and Promotion**

We direct all advertising, promotional and marketing programs, and make all decisions regarding concepts, materials and media for regional and national media coverage and overall branding. We direct the creation of print advertising campaigns. We direct the creation of and provide access to the materials you will use for advertising on and off the Center premises, including signs and posters, direct mail and promotional brochures. We also conduct market research, organize public relations activities, and we reserve the right to employ advertising agencies, consultants, printers and graphic design companies. You do not have the right to advertise or to sell merchandise directly to retail and/or wholesale customers on the internet or any electronic media.

We must approve in writing any marketing activities that you conduct in your local market (excluding the use of ad slicks and materials supplied by us). You must use only advertising materials prepared by us, or approved by us before you use them if they are not prepared by us. If you do not receive written disapproval of the materials from us within 15 business days after we receive them, they are deemed disapproved. If we later disapprove any advertising materials which we had previously approved, you must immediately discontinue their use. If we disapprove any advertising, you must bear any losses associated with discontinuing the advertising materials or campaigns. Any materials you submit to us for our review will become our property.

We will require you to spend between \$48,000 and \$72,000 on your grand opening advertising campaign and additional marketing, depending upon your location, during the first six months of operations. You must spend no less than \$4,000 a month on Local Advertising. We recommend that you spend at least \$8,000 to \$12,000 for the first 6 months and thereafter that you spend \$6,000 to \$8,000 per month. We may change our recommendations from time to time as stated in our Manual. You must provide proof of these expenditures to us.

We established a national advertising fund (“National Fund”) in August 2009 and both franchisee-owned and Franchisor-owned Centers must contribute an Advertising Fee in an amount up to 4% of Gross Sales to the National Fund, on a weekly basis. Certain existing franchisees are paying 1% of Gross Sales to the National Fund and we have the ability to increase this Advertising Fee to a maximum of 2% for certain franchisees. Other than our obligations under the National Fund, we are not obligated to conduct advertising for the franchise system. We are required to contribute to the National Fund for any Centers that we own at the same percentage as the majority of the franchisees contribute.

Although the National Fund is intended to be of perpetual duration, we maintain the right to terminate the National Fund. However, the National Fund will not be terminated until all monies in the National Fund have been expended in accordance with the National Fund’s governing documents and stated

purpose. We will prepare an annual statement of the operations of the National Fund that will be made available to you if you request it. We are not required to have the National Fund statements audited.

We are not obligated to spend any amount on advertising in the area where your Center is located, or to make expenditures for any franchisee in proportion to the amount of its contribution to the National Fund, or to ensure that any franchisee benefits directly or pro rata from expenditures by the National Fund. We have the right to use the National Fund at our discretion for the benefit of the System as a whole.

The National Fund is administered and controlled exclusively by us. We have the right to charge an administration fee against the National Fund to cover our overhead expenses in administering the National Fund. The Franchisee Advisory Committee (“FAC”) advises us on the National Fund. FAC members are elected from our general franchise community and/or appointed by us. They do not have the ability to approve or disapprove increases to the Advertising Fee.

If any monies remain in the National Fund at the end of a fiscal year, we will use the remainder amount for expenditures in the following year. For fiscal year ended December 31, 2023 we expended amounts from the National Fund as follows:

- 16% toward production;
- 18% toward media placement;
- 9% toward public relation;
- 17% toward administration expenses;
- 8% toward creative expenses; and
- 32% toward branding.

We use no monies from the National Fund for advertising that is principally for the sale of franchises.

We have the right to form, change, dissolve or merge local advertising groups. When there are two or more of you in a local Designated Market Area (“DMA”) as defined in the Franchise Agreement, we may require all of you in the local DMA to join a cooperative advertising group to carry out joint advertising in the local DMA. The membership of the local DMA advertising group will consist of all franchisees in the local DMA. The local DMA advertising group is administered by its members in accordance with written governing documents. Either the local DMA advertising group or we on its behalf will prepare an annual or more frequent accounting of the group’s expenditures. You may examine the local DMA advertising group’s written governing documents and accountings upon request if a local DMA advertising group has been established in the local DMA in which you will operate your franchise. Advertising strategies and expenditures are approved by a majority of the members of the local DMA advertising group and then must be submitted to us for approval. The costs of advertising must be approved by the local DMA advertising group. Your contributions to the local DMA advertising group will apply to your local advertising requirement.

We have the right to designate any geographical area as an “Honest1” advertising cooperative area, and to change the boundaries for the area at any time. If and when a cooperative exists where your Center is located, you may become a member and sign an advertising cooperative agreement in a form satisfactory to us. Each cooperative will be organized for the sole purpose of placing advertising and administering local advertising programs in accordance with plans approved by us. A portion of your Local Advertising contribution will be contributed to this cooperative and are estimated to be at least 3% of your Gross Sales.

You must maintain certain telephone directory listings as we require. If there are other franchisees in your local DMA, then you will be required to participate in a single listing and pay your proportional

share. You must participate in all customer survey programs, database marketing and other local programs as we may require and you will pay the costs for these programs. The expenses for the directory listings and local programs will apply to your local advertising requirements.

### **Websites and Social Media**

Websites (as defined below) are considered as “advertising” under the Franchise Agreement and are subject (among other things) to our review and prior written approval before they may be used (as described above). The term “Website” means an interactive electronic document contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the Franchised Business, Proprietary Marks, us, or the System. The term Website includes Internet and World Wide Web home pages as well as any social media site such as blogs, Facebook, YouTube, Pinterest, SnapChat, Instagram, LinkedIn, X and TikTok.

In connection with any Website, the Franchise Agreement provides that you may not establish a Website related to the Proprietary Marks or the System, nor may you offer, promote, or sell any products or services, or make any use of the Proprietary Marks, through the Internet without our prior written approval. We have the right to establish any requirement that we deem appropriate, including a requirement that your only presence on the Internet will be through one or more web pages that we establish on our Website. We currently provide a location specific internet Website and require you to use and pay us the then-current Technology Fee for this and other services, which currently is \$1,000 (and any data overage charges). We reserve the right to change the costs during the term of the franchise. You will pay the fee to us and we will contract with a third party vendor for these services. If during the term of the franchise we change our requirements for the Website, you must change to the then current Website service and pay the related fees. We may collect an administrative fee for our services in administering the Website.

We will have the right to establish a website or other electronic system providing private and secure communications (*e.g.*, an intranet) between us, our franchisees, and other persons and entities that we decide are appropriate. You will be responsible for all costs of the above advertising and to maintain any “home page” or domain featuring your business and will pay either us or our approved Website supplier directly, as applicable. If we require, you must establish and maintain access to the intranet in the manner we designate. Additionally, we may periodically prepare agreements and policies concerning the use of the intranet that you must acknowledge and/or sign.

You may promote your Franchised Business or use the proper Proprietary Marks only in the manner we designate. You may not advertise or place your own social media postings on any social and/or networking Websites, such as Facebook, YouTube, Pinterest, SnapChat, Instagram, TikTok, LinkedIn and X without our prior written consent and, if we were to grant consent, then you may only use the supplier or wording that we designate. You must provide us with any passwords to any social media accounts that you use to promote the Franchised Business. We may access this account to correct any misleading advertising or advertising that violates our policies. We may also operate this account after termination of the Franchise Agreement. We reserve the right to own the social media accounts used to promote the Franchised Business. If we own these accounts, then we also reserve the right to require you to pay the provider directly (and keep the account current) or to pay a fee directly to us. If we own these accounts, then we may provide you with the passwords and authority to use such accounts to promote the Franchised Business. If we manage these social media accounts for you, we may also charge a fee for our services. If we exercise these rights after commencement of the Franchised Business when you have existing and approved accounts, then we will provide you with at least thirty (30) days' notice before requiring assignment of the social media account to us. If you have established unapproved accounts, then we may require immediate transfer of the account ownership to us. You will provide all necessary passwords and account transfer confirmation as necessary to accomplish the transfer. Further policies and procedures for the social media accounts may

be stated in the Manual or will otherwise be communicated to you in writing. We will own any data collected through the internet. Any and all photographs and other media posted to any social media platform must comply with all applicable laws, including federal and state laws governing copyright. We may take photographs of our events in order to promote the event and the System. You consent to our usage of any photograph that contains an image of you that we take at an event or at the Franchised Business location such as training, conferences, seminars, events or at our office.

### **Computer Hardware and Software**

You must purchase the computer system we require, including the point of sale system, the point-of-sale software package, digital inspection and workflow management software, and information system; the repair reference software; and a vehicle diagnostic code scanner. These items will be purchased directly from the manufacturers. If we request, your equipment and software systems must be available to us directly via remote access, or similar technology as prescribed by us, and must otherwise meet our specifications. You must purchase a Windows-based computer, which can be either a laptop or a desktop unit. The computer should have at least a Core i5 or i7 and dual monitor capable processor, 16 GB of RAM, 500 GB hard drive or larger, and the latest version of Windows.

You must also use our approved intranet platform, website, CRM and learning management systems. You must pay us a Technology Fee, which will cover costs for system-related technology services, programs and platforms, which may include but not limited to website, intranet, business intelligence services, SEO, CRM, email, email marketing, phone call analytics, learning management systems, software, applications, social media, and such other technology services, programs and platforms as may be implemented by H1 from time to time. You will pay the then current fees, and currently these fees are approximately \$1,000 per month plus any data overages costs paid directly to us.

The point-of-sale and shop management systems, intranet, and digital inspection and workflow management software is web-based and is used to maintain and store all sales, financial, marketing, management, inspections, and other business information and all other data in your computer database. The initial cost of the systems including set-up, initial subscription fees and training ranges from \$2,500 to \$3,000, depending on the amount of instructor led training a franchisee elects. The estimated monthly cost is \$1,000 to maintain the software. If during the term of the franchise we change our requirements for the computer system, you must upgrade your computer hardware or software and pay the vendor whatever costs are associated with upgrading to the current specifications. There is no contractual obligation for us, our affiliates, or any other third party to provide ongoing maintenance, repairs, updates or upgrades to your computer system. Since a maintenance contract is not required for your computer system, we cannot estimate your annual cost for a maintenance contract. The cost will depend, in part, on the services you choose and the length of the contract. Some maintenance contracts average \$75 to \$150 per month. There are no contractual limits on the frequency and cost of your obligation to maintain, upgrade or update your computer systems to be in conformance with our directives.

You must also use our approved accounting service for a minimum of 12 months. You will pay the then current fees of approximately \$750 per month directly to the accounting service.

We will have independent access to information and data that is electronically collected. We intend to directly collect primarily revenue-related data electronically from our franchisees via remote access, or similar technology as prescribed by us, on a real-time basis. We reserve the right to directly collect electronically via remote access, or similar technology as prescribed by us, more specific operating, service, and accounting related data including operational, profit and expense data for benchmarking, reporting, and other analysis.

## **Confidential Manuals**

The Table of Contents of our confidential Operations Manual, ESA Manual, Marketing Manual and Signage and Décor Manual appear in Exhibit H. Our Operations Manual includes approximately 186 pages, plus forms. Our Marketing Manual includes approximately 19 pages, plus forms. Our Signage and Décor Manual includes approximately 42 pages. Our Environmentally Sustainable Actions (ESA) Manual includes approximately 9 pages. We also maintain an intranet site with electronic access to the manuals, its forms and other training videos.

## **Site Selection**

We must approve the site for your “Honest1 Center”, which must be in the general area described in the site development addendum to the Franchise Agreement. You will have a period of twelve (12) months after signing the Franchise Agreement to locate a site for the Franchised Business, to obtain our approval of the site and to sign the lease, including execution of Attachment F to the Franchise Agreement [Contingent Assignment of Lease]. We will give our approval or disapproval of a site within thirty (30) days of looking at the site. We approve or disapprove a site based on factors such as population density, demographics, traffic count and patterns, and proximity to other businesses. We may, but are not obligated to, inspect a proposed site. We may require you to reimburse us for our reasonable expenses, including travel, lodging and meal expenses, for site inspections. If we cannot agree on an area, then we may choose to terminate the Agreement.

At our request, which shall not be more often than once every five (5) years, you shall refurbish your franchised business, at your expense, to conform to the then-current franchised business design and decor, trade dress, color scheme and presentation of trademarks and service marks consistent with the design concepts then in effect for new franchised businesses licensed to operate under our franchise system and in accordance with our manuals, including, without limitation, such structural changes, remodeling, redecoration and other modifications to existing improvements as deemed necessary by us.

You shall, at your sole expense, obtain and maintain at all times during the term of the Franchise Agreement, such twenty-four (24) hour monitored electronic burglar alarm and other security system equipment and services as may from time to time be required by us.

## **Opening of Franchised Business**

You must open your “Honest1 Center” within 180 days after you sign the lease and twelve (12) months after you sign the Franchise Agreement (eighteen months if you pay the Extension Fee). Franchisees typically open their “Honest1” Centers 0 to 18 months after we sign their Franchise Agreements. Factors which may affect this time period include location of an approved site, ability to obtain financing, zoning and environmental permits, construction delays (weather, labor, materials), delivery and installation of equipment and signs, and whether or not the franchisee purchases a Center that is already operating.

## **Training**

We provide training to you as follows:

(1) Following your receipt of all confidential manuals, and any other material that we believe will be beneficial in training to you, you must successfully complete initial training at least four (4) weeks before starting to operate your “Honest1” Center. We decide whether you have successfully completed initial training. The training will last for approximately four weeks, for up to 40 to 50 hours per week and

training will be held on Monday through Friday of each week for a total of approximately 127.5 hours of classroom and on-site instruction along with approximately 67 hours of self-paced, online training through our Roadworthy University. This initial training will serve as a follow-up and emphasis of your review of the manuals and various meetings/discussions to be held with our instruction team immediately following the signing of the franchise agreement. We reserve the right to modify our training program based on the individual needs or experience of any trainee. We will give the initial classroom training at our corporate headquarters or at a location we designate. Our on-site training will be continued within an automotive center at our headquarters or at a location we designate.

(2) If you acquire a Center from an existing franchisee, you must attend and satisfactorily complete initial training before taking possession of the Center.

(3) We may require any of your principals or employees who become actively involved in the management of your Center to successfully complete any training programs we require. Your technicians and other employees must successfully complete all training programs, refresher courses, and technical or business seminars we may require; but as of the date of this F.D.D., we do not require attendance and completion of any training programs other than those disclosed in this F.D.D.

(4) Although there is no fee to attend any training program at the location we designate, you must pay for you and/or your employees' transportation, lodging and meal expenses, wages and employee benefits, and materials fees, including the cost of the applicable training manuals while in training programs (excluding the initial store operational training program). You may need to attend additional training programs as directed by us. If you are opening an additional center, there may be additional training sessions for which a training fee ranging from \$250-\$5,000 will apply. See Item 6. Such training sessions may be voluntary or may be mandatory.

(5) Our training materials include our confidential Operations Manual, Marketing Manual, Signage & Decor Manual, and any other materials that we believe will be beneficial in training our franchisees.

(6) You must pay us a coaching fee for three weeks of onsite coaching. We currently are the only approved vendor for the onsite coaching. The fee is \$15,000 and must be paid when you fully secure your location. In addition, you will be responsible for the actual travel expenses incurred by our business coach which are estimated to range from \$2,500 to \$5,000, but may be higher, and include airfare, ground transportation (including rental car), hotel, and meals. You must have an executed lease agreement or have purchased the property for us to consider your location secure. The coaching will be for up to one week prior to the opening of your Honest1 Center and up to two nonconsecutive weeks after opening. The exact amount of time will depend on performance reviews and evaluations. If you fail to properly schedule the coaching visit or fail to pay the coaching fee, then we have the right to declare you to be in default of your Franchise Agreement.



We anticipate providing the following initial training for our franchisees:

### TRAINING PROGRAM – FRANCHISEES

Owners School	Hours of Classroom Training		Hours of In-Store Training
	<i>In-Person</i>	<i>Virtual</i>	<i>In-Person</i>
Customer Experience	4:00	13:50	8:00
Workflow & Customer Education	9:00	7:50	16:00
H1 Business Systems	14:00	8:25	20:00
Business Management	10:25	5:50	0
Shop Management	6:00	19:00	8:00
Human Resources	7:00	4:00	0
Inventory Management	6:25	2:00	0
Marketing	6:00	2:00	0
Accounting / Financial	9:00	5:25	4:00
<b>Total Time (hours)</b> (Notes 1 and 2)	<b>71:50</b>	<b>67:00</b>	<b>56:00</b>
<b>Location</b>	<b>St Petersburg, FL</b>		<b>Approved Training Shop</b>

1. The hours devoted to each subject are estimates only and may vary substantially based on how quickly trainees grasp the material, their prior experience with the subject, and scheduling.
2. The instructors are Garrett Williams, Danielle Roca, Doug LeJeune, William Connor, Nick Cowan, Gabrielle Castriota, Barry Bennett, and Carlos Torres. The minimum experience of the instructors in the field that is relevant to the subject taught and our operations is from 6 to 20+ years.

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

You are granted the right, and you undertake the obligation, to operate an “Honest1” Center at a site we approve. You may relocate your “Honest1” Center to any Site that meets our site selection criteria and is approved by us in writing and does not infringe on another franchisee’s territory. You will have an exclusive territory as further described in this Item 12. We will not establish another “Honest1” Center, franchised or Franchisor owned, within a specified territory surrounding your Center location as set forth in your Franchise Agreement. The standard territory is a three (3) mile radius of your Center location but we reserve the right to adjust the territory (such adjustments will be identified by Franchisor in advance of you submitting a site or following submission of a site for review and approval) to a smaller radius and/or to an irregular market area (not a radius) defined by streets or other geographic features depending on several factors including, but not limited to, population density, geographical and local community characteristics. Once your territory is identified for your approved Center location and disclosed to you, we do not have the right to adjust the territory for further changes in population or geographic or local changes. Your Franchise Agreement does not prohibit you, us or other franchisees from servicing customers who reside outside your territory, but you are prohibited from actively soliciting outside of the territory. We will not solicit orders or conduct business within your territory. You have no rights to obtain additional franchisees unless Honest1 approves you for an additional location. If you are approved for an additional location, you will execute a separate Franchise Agreement.

If you do not have an approved site by the time you sign the Franchise Agreement, you must search for a site located in the designated “Site Selection Area” identified on Attachment “A” (the “Franchise Terms”) of the Franchise Agreement. The Site Selection Area limits the area within which you may choose a site. It does not prevent us from granting franchises to others for Centers, or from opening Franchisor owned centers, in the Site Selection Area. We must approve your site development documents and your lease agreement or purchase agreement.

An affiliate, SLC Opportunities Fund, L.P. (“SLCOF”), is an approved national supplier of real estate development services for new build-to-suit Centers to be leased or sub-leased to H1 or qualified H1 franchisees, if approved separately by SLCOF. In certain instances, our approved supplier may have already purchased a site in the geographic area that you are interested in. We will notify you before you sign a Franchise Agreement whether your site selection area has any sites that currently are or are likely to be owned by our approved supplier. If you are interested in that particular site, then you will have to be approved separately by our approved supplier for that site. In such a case, you will execute a separate agreement with the approved supplier for its services. If you elect to not contract with the approved supplier on that particular site, then you must locate a different site that is at least 3 miles away from the site owned by our approved supplier.

Neither we nor our affiliates have established other franchises or Franchisor owned centers or other channels of distribution selling or leasing products or services similar to “Honest1” products and services under a different trademark. There are no sales quotas or similar conditions for you maintaining your territory once it is determined but you must exert all reasonable efforts in developing your territory. There are no circumstances that permit us to alter your territory without your consent once your territory is determined. We have no obligation to grant you a right of first refusal to acquire additional franchises.

You may sell our products and services to customers and prospective customers who live anywhere but who choose to utilize your Center. You may not engage in any promotional activities or sell our proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the “Electronic Media”); through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, directed to or received from customers or prospective customers located anywhere. You may not place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located outside of your territory. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell our proprietary products to any business or other customer for resale (besides other Centers).

Although we have not done so, we and our affiliates may sell products under the Proprietary Marks within and outside your territory through any method of distribution other than a dedicated Honest1 Center, including sales through channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing sales (together, “alternative distribution channels”). You may not use alternative distribution channels to make sales outside or inside your territory except as described in the following paragraph and you will not receive any compensation for our sales through alternative distribution channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web or other computer network site or sell through any other alternative distribution channel, and we receive orders for any products or services offered by an Honest1 Center calling for delivery or performance in your territory, then we will offer the order to you at the price we establish. If you choose not to fulfill the order or are unable to do so, then we, one of our affiliates or a third party we designate (including another franchisee)

may fulfill the order, and you will not be entitled to any compensation in connection with this. This electronic commerce program has not yet been instituted, but we plan on doing so in the future.

We have not yet established other franchises or Franchisor owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. We describe earlier in this Item 12 what we may do anywhere and at any time.

Neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or Franchisor owned Centers which sell our products and services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.


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

We grant you the non-exclusive right, privilege and obligation to use the trademark, service mark and trade name “Honest1,” and other trademarks, service marks, trade names, logos, trade dresses and other commercial symbols (“Proprietary Marks”) that we may make available to you, in connection with providing products and services at your Center. You may not use any of our trademarks as part of your firm or corporate name. You may not use our trademarks for the sale of unauthorized products or services or in any manner not authorized in writing by us. All rights in and goodwill from the use of our Trademarks accrue solely to us.

Federal Registration. The following marks are registered, or have been applied for registration, on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”):

<b>Mark</b>	<b>Application Date</b>	<b>Serial Number</b>	<b>Registration Date</b>	<b>Registration Number</b>
Honest-1 Auto Care	August 16, 2002	78-155014	September 28, 2004	2,890,154
Home of Honest Mechanics	April 3, 2003	78-233674	March 16, 2004	2,823,409
Honest-1 Auto Care 	June 6, 2008	77-493364 77-493371	March 23, 2010 March 23, 2010	3,764,176 3,764,177
Slogan: “auto care the way it should be”	September 19, 2018	88-123288	May 7, 2019	5,744,906
Honest-1 Auto Care (Logo with words on side) 	June 6, 2008	77-493349 77-493354	March 30, 2010 April 6, 2010	3,768,330 3,772,456

Mark	Application Date	Serial Number	Registration Date	Registration Number
				
Eco-Friendly Auto Care (+)  ECO-FRIENDLY AUTO CARE	June 19, 2008	77-503541	October 20, 2009	3,700,491
Eco-TuneUp  ECO-TUNEUP	June 19, 2008	77-503545	January 20, 2009	3,564,549
Eco 360 ECO 360	June 19, 2008	77-503547	May 26, 2009	3,628,553
ESA ESA	June 27, 2008	77-509726	January 20, 2009	3,564,580
Honest1 auto care 	September 26, 2018	88-132425	December 3, 2019	5,928,138
Honest1 Auto Care (color) 	January 26, 2022	97-238738	May 14, 2024	7,388,611
Honest1 Auto Care (color) 	January 26, 2022	97-238880	November 7 , 2023	7,159,732
Honest1 (color) 	January 26, 2022	97-238912	October 17, 2023	7,197,297
Honest1 	January 26, 2022	97-238969	September 5, 2023	7,158,863
Honest1 Auto Care 	January 26, 2022	97-238825	September 5, 2023	7,158,862
H1 (black/white) 	September 29, 2022	97-611199	September 5, 2023	7,159,372

Mark	Application Date	Serial Number	Registration Date	Registration Number
H1 (color) 	February 6, 2023 February 6, 2023	97-782220 97-782201	September 17, 2024 Pending	7,509,318
ROADWORTHY+	June 9, 2022	97-451245	September 17, 2024	7,509,861
ROADWORTHY INSPECTION+	November 8, 2022	97-667879	July 2, 2024	7,435,021
ROADWORTHY WARRANY+	November 8, 2022	97-667889	June 25, 2024	7,430,597
ROADWORTHY GUARANTEE+	November 8, 2022	97-667899	June 25, 2024	7,430,598
ROADWORTHY CERTIFIED+	November 8, 2022	97-667940	June 25, 2024	7,430,599
ROADWORTHY EXPERTS+	July 24, 2023	98-098266	September 10, 2024	7,504,488
ROADWORTHY UNIVERSITY+	April 2, 2024	98-480420	Pending	Pending
Roadworthy, Nothing Less	February 24, 2023	97-810515	Pending	Pending
WE DO ROADWORTHY+	July 15, 2024	98-648368	Pending	Pending
Caring for People and Our Communities by Keeping Cars Roadworthy	February 24, 2023	97-810505	September 17, 2024	7,509,364

(+) Supplemental Register

We do not have a federal registration for certain of our principal trademarks. Therefore, some of our trademarks do not have many legal benefits and rights as a federally-registered trademark. If our right to use one of the non-registered trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

**Renewals and Affidavits**

We have filed all renewals and filed all affidavits required to maintain the above registrations. No other affidavits or renewals are pending. We intend to file all affidavits and to renew our registrations for the Proprietary Marks when they become due.

## **Agreements**

There are no agreements currently in effect which significantly limit our right to use or license the use of the Proprietary Mark(s) in any manner material to our franchisees.

## **Protection of Rights**

You must notify us promptly of any use by any person or legal entity, other than us or our franchisees, of any of our Trademarks or any variation of any of our trademarks. We will decide the actions to be taken against the use of any of our trademarks by any persons or legal entities other than us or our franchisees. Our current intent is to take strong and progressive actions (which may include bringing litigation) against that use. However, the Franchise Agreement does not require us to take affirmative action when we are notified of any uses or claims. Any actions that we take will be at our expense.

You must notify us promptly of any suit brought against you involving any of our Proprietary Marks, and you must deliver to us copies of any documents related to the suit that we request. We will decide whether to settle or defend any trademark litigation brought against you. If we decide to settle or defend any trademark litigation brought against you, we will do so at our expense, but you must cooperate with us.

We reserve the right to acquire or develop additional trademarks and to use those trademarks ourselves, make those trademarks available for use by you and other franchisees, or make those trademarks available for use by other persons or entities.

We reserve the right to modify or provide a substitute for any trademark and you shall incorporate any modification or substitution at your own expense. You must use and display at the Center, and on stationery and written or graphic materials, notices in forms we approve, that you are a franchisee using our trademarks under a Franchise Agreement. You may not directly or indirectly contest our rights in our trademarks.

## **Superior Prior Rights**

We do not know of any superior prior rights that could materially affect your use of the Proprietary Mark.

## **Infringing Uses**

We do not know of any infringing uses of the Proprietary Marks that could materially affect your use of the Proprietary Marks.

# **ITEM 14**

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

### **Patents**

No patents or pending patents are material to the franchise.

### **Copyrights**

Various marketing, sales, training, management and advertising materials created by us are and will be protected under the U.S. Copyright Act, whether or not registrations have been obtained. You may

use these copyrighted materials during the term of the franchise, in a manner consistent with your ownership rights, solely for the purpose of operating and promoting your “Honest1” Center. If we take a photograph at one of our events that includes you, we may use that photograph in our marketing.

There are no currently pending copyright applications relating to our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation involving the copyrighted materials which are relevant to their use by our franchisees.

There are no agreements currently in effect which significantly limit our right to use or license the use of our copyrighted materials in any manner material to the franchise. We do not know of any infringing uses of our copyrighted materials which could materially affect your use of those materials, and all of the provisions in Item 13 under the heading “Protection of Rights” apply to copyrighted materials as well.

### **Proprietary Information**

We loan you proprietary, copyrighted manuals, including manuals on franchise development, signage and décor, operations, marketing, real estate and other technical and business manuals. Item 11 describes these manuals and the manner in which you are permitted to use the proprietary information in them. All documents and information provided to you, including the information in the manuals, are for your exclusive use during the term of the franchise, and may not be reproduced, loaned or shown to any person outside the “Honest1” system. You must have all of your managers and employees, at the beginning of their employment, sign confidentiality and non-competition agreements in the form of Attachments G and H to the Franchise Agreement. You must operate your franchise business in strict accordance with our manuals.

### **Protection of Rights**

You must notify us promptly of any use by any person or legal entity, other than us or our franchisees, of any of our copyrighted materials or any variation of any of our copyrighted materials. You must also notify us promptly of any suit brought against you involving any of our copyrighted materials, and you must deliver to us copies of any documents related to the suit that we request.

The Franchise Agreement requires us to defend at our cost and to indemnify you for expenses and damages involving a copyright licensed to you if the claim or expense is based on our alleged infringement of any copyright owned or controlled by a third party. We will also decide whether to settle any copyright litigation brought against you. Our current intent is to take strong and progressive actions (which may include bringing litigation) against that use. Additionally, we will decide the actions to be taken against the use of any of our copyrighted materials by any persons or legal entities other than us or our franchisees.

Our obligation to defend and to indemnify you is not contingent on your modifying or discontinuing the use of the matter covered by our copyright. However, we have the right to control the copyrighted materials used in the franchised business and would anticipate requiring you to modify or discontinue any contested materials. We have the right to require you to promptly change any materials at your sole cost and expense, upon receipt of notice.

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

We strongly believe that the success of your franchised business will depend to a large extent on your personal and continued efforts, supervision and attention. If you are a corporation or other form of legal entity, you must appoint a designated representative for the entity. We recommend that the designated representative hold an ownership interest in the entity but we do not require it. The designated representative must successfully complete our initial training, devote his or her full time, energy and best efforts to the management and operation of your “Honest1” Center and is subject to our approval. Any additional business operations involving the direct or indirect ownership of real estate on which any Center in the Honest1 system is to be operated or the direct or indirect involvement in any construction business must be pre-approved in writing by us in our sole discretion due to the financial resources required and the complexity of such ownership and services. Our approval is not guaranteed. See Item 11.

We also recommend that you have at least one manager as an on-premises supervisor in addition to the designated representative. If you operate more than one “Honest1” Center, you are likely to need more than one manager. We must approve any manager. The on-premises manager does not need to have any equity interest in the franchise, but will be bound by the confidentiality and non-competition provisions of the franchise. The initial and any replacement manager must successfully complete initial training and any other seminars, refresher courses or training programs that we may require.

If you are a corporation, limited liability company or partnership, each shareholder, member, principal officer or partner and your spouse must personally guarantee your obligations under the Franchise Agreement and all other agreements executed between you and us, and also must be personally bound by, and personally liable for, breach of every term of the Franchise Agreement. This guaranty is included as Attachment E to the Franchise Agreement.

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

You are granted a franchise to operate an “Honest1” Center at a specific site. You must offer all required “Honest1” products and services. Required “Honest1” services include: various automotive tune-up and brake services, lubrication, oil changes and other related automotive services. We may at any time expand or reduce the types of products and services which you must or may offer, and you must discontinue offering any products or services (even if previously approved) promptly on notice from us. At no time may you offer or sell prohibited or unapproved products or services.

You must use the Center solely for the operation of the Franchised Business, must keep the Center open and in normal operation for the minimum hours and days we specify or approve in writing, and must refrain from using or permitting the use of the Center for any other purpose or activity at any time without our prior written consent.

You are not restricted as to the customers to whom you may offer products and services, but you may only conduct advertising in your territory. However, we reserve the right to specify, in our manuals or otherwise in writing, standards and policies for products and services sold to national fleet accounts.



**ITEM 17**  
**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**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.**

<b>Provision</b>	<b>Article in Franchise Agreement (“FA”)</b>	<b>Summary</b>
a. Length of the franchise term	FA: Article II;	20 years.
b. Renewal or extension of the term	FA: Article II	One additional 10 year term; if you are in good standing, are approved by us and sign the current form of Franchise Agreement.
c. Requirements for franchisee to renew or extend	FA: Article II	<p>You have been in substantial compliance with the Franchise Agreement, pay the renewal fee, sign a release, sign the new Franchise Agreement and, at our request, you may have to remodel your Center, at your expense.</p> <p>You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory will remain the same, and the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees (subject to state law, see Exhibit B).</p>
d. Termination by franchisee	FA. Article XIII	You must give notice of any default and provide 90 days to cure, unless such cure would reasonably require a longer time frame to cure. Subject to state law.
e. Termination by franchisor without cause	Not Applicable	Not Applicable.
f. Termination by franchisor with cause	FA: Article XIII	We can terminate only if you commit any one of several listed violations;
g. “Cause” defined - curable defaults	FA: Article XIII	30 days for operations defaults, 30 days for monetary defaults; under reporting of Gross Sales. We may suspend our obligations to you during

<b>Provision</b>	<b>Article in Franchise Agreement (“FA”)</b>	<b>Summary</b>
		the cure period or if you fail to cure the default.
h. “Cause” defined - non-curable defaults	FA: Article XIII	Conviction of a felony, abandonment, unapproved transfers, bankruptcy, assignment for benefit of creditors, repeated violations.
i. Franchisee’s obligations on termination/non-renewal	FA: Article XIV	Pay outstanding amounts, de-identification, return of confidential information and assignment of telephone numbers (see also below).
j. Assignment of contract by franchisor	FA: Article XII	No restriction on our right to assign. However, no assignment will be made except to an assignee who, in our good faith and judgment, is willing and able to assume our obligations under the Franchise Agreement.
k. Transfer by franchisee - defined	FA: Article XII	Includes transfer of contract or assets or any ownership change.
l. Franchisor approval of transfer by franchisee	FA: Article XII	We have the right to approve all transfers, our consent not to be unreasonably withheld.
m. Conditions for franchisor approval of transfer	FA: Article XII	Transferee qualifies, all amounts due to us are paid in full, purchase price not burdensome to transferee, transferee completes training, Transfer Fee paid, then-current contract signed, transferee disclosed, indemnification for any representations, release signed (subject to state law, see Exhibit B).
n. Franchisor’s right of first refusal to acquire franchisee’s business	FA: Article XII	We can match the terms of any bona fide offer.  Waived if you are a transferring one center to a legal entity you control.
o. Franchisor’s option to purchase franchisee’s business	FA: Article XIV	We can buy the business on termination or non-renewal. If we cannot agree on the fair market value within a reasonable time, an independent appraiser will be designated exclusively by the Franchisor, and the Franchisor’s

<b>Provision</b>	<b>Article in Franchise Agreement (“FA”)</b>	<b>Summary</b>
		appraiser’s determination will be final and binding. If you own the real estate, you will also lease the premises to us for commercially reasonable terms.
p. Death or disability of franchisee	FA: Article XII	Franchise must be assigned to an approved buyer within 6 months or transferred to an heir or representative.
q. Non-competition covenants during the term of the franchise	FA: Article XV	Can’t divert business or operate a competing business anywhere; may not solicit other franchisees’ employees; may not be involved in certain franchise, real estate or construction services without prior approval, which is not guaranteed. Subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	FA: Article XV	No competing business for 2 years, within 25 miles of any other Center, or from your Center; may not solicit other franchisees’ employees. Subject to state law.
s. Modification of the agreement	FA: Article XVI	No modifications generally but Operations Manual subject to change. Revisions to the Operations Manual will not unreasonably affect your obligations, including economic requirements under the Franchise Agreement.
t. Integration/merger clause	FA: Article XXIII	Only the terms of Franchise Agreement are binding (subject to state law). Any representations or promises made outside the F.D.D. and Franchise Agreement may not be enforceable.  Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	FA: None	Disputes are not required to be settled by arbitration or mediation, other than as may be required by Florida law. Franchisee acknowledges that Franchisor has the right to seek an

Provision	Article in Franchise Agreement (“FA”)	Summary
		injunction on certain issues such as trademark infringement, breach of confidentiality and violation of the noncompetition provisions (subject to state law, see Exhibit B).
v. Choice of forum	FA: Article XXV	Litigation in Franchisor’s principal place of business, currently Florida (subject to state law, see Exhibit B).
w. Choice of law	FA: Article XXV	Florida law applies (subject to state law, see Exhibit B).

### **ITEM 18** **PUBLIC FIGURES**

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

### **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.

For 2023, the following chart provides the actual annual gross sales achieved by the Honest1 franchised Centers that have been operating continuously for at least 1 year as of December 31, 2023 under the same owner. There were 64 total locations in the System as of December 31, 2023 (61 franchised and 3 company-owned). In 2023, one franchised location closed and one company-owned location opened. Fifty-nine franchised locations operating as of December 31, 2023 were included in the chart below, excluding only the one location that closed in 2023, one location that was not open all twelve months in 2023, as it is under reconstruction, and one that was not held by the same franchise owner for all twelve months.

<b>Franchised Annual Gross Sales as of 12/31/2023</b>							
Year	Total Franchised System Sales	Number of Locations Included	Mean (Average) Gross Sales of All Included Locations (Note 1)	# and (%) of Locations Meeting Average Annual Gross Sales Out of Total Franchised Locations	Median (Middle) Gross Sales of All Included Locations (Note 1)	Highest Annual Gross Sales (Of One Franchised Location)	Lowest Annual Gross Sales (Of One Franchised Location)
2023	\$87,970,193	59	\$1,491,020	24 and 41%	\$ 1,358,038	\$ 2,917,373	\$ 380,226

For 2022, the following chart provides the actual annual gross sales achieved by the Honest1 franchised Centers that have been operating continuously for at least 1 year as of December 31, 2022 under the same owner. There were 64 total locations in the System as of December 31, 2022 (62 franchised and 2 company-owned). In 2022, two franchised locations closed and one location opened. Sixty franchised locations operating as of December 31, 2022 were included in the chart below, excluding only the two locations that closed in 2022 and one location that was not open all twelve months in 2022, as it is under reconstruction.

<b>Franchised Annual Gross Sales as of 12/31/2022</b>							
Year	Total Franchised System Sales	Number of Locations Included	Mean (Average) Gross Sales Of All Included Locations (Note 1)	# and (%) of Locations Meeting Average Annual Gross Sales Out of Total Franchised Locations	Median (Middle) Gross Sales Of All Included Locations (Note 1)	Highest Annual Gross Sales (Of One Franchised Location)	Lowest Annual Gross Sales (Of One Franchised Location)
2022	\$84,593,144	60	\$1,409,886	25 and 42%	\$1,320,818	\$2,548,568	\$430,377

Note 1: “Gross Sales” means the amount of sales of all products and services sold in, on, about or from an “Honest1” Center by the Franchise Owner, either by cash or by charge, credit or time basis, without reserve or deduction for inability or failure to collect. Gross Sales does not include the amount of any excise or sales tax levied on retail sales and payable over to the appropriate governmental authority and does not include over rings, refunds, allowances, or discounts to customers (including coupon sales), provided that the total amounts have been included in Gross Sales and provided that franchisee complies with the requirements, including time limits, established by us from time to time in writing, relating to reporting and taking credits against Gross Sales.

**Some Centers have sold this amount. Your individual results may differ. There is no assurance you’ll sell as much.**

You should conduct an independent investigation of the costs and expenses you will incur in operating your “Honest1” Center. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

The sales figures provided in this statement have not been audited by us. The Centers report gross receipts information to us based upon a uniform reporting system. These Centers offered substantially the same products and services to the public as you will. There are no characteristics of the included locations that differ materially from the franchise being offered to you, except that we have updated our brand standards for an updated customer area and improved layout. Written substantiation of the data used in preparing these sales figures will be made available to you upon reasonable request.

Other than the preceding financial performance representation, H-1 Auto Care, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Michael Cowan at 100 2nd Avenue S, Suite 1203, St. Petersburg, Florida 33701 and 727-231-6950, the Federal Trade Commission, and the appropriate state regulatory agencies.

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

**Table No. 1**  
**Systemwide Franchise Outlet Summary**  
**For years 2021, 2022, 2023**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	64	63	-1
	2022	63	62	-1
	2023	62	61	-1
Company Owned	2021	2	2	0
	2022	2	2	0
	2023	2	3	1
Total Outlets	2021	66	65	-1
	2022	65	64	-1
	2023	64	64	0

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2021, 2022, 2023**

State	Year	Number of Transfers
Arizona	2021	0
	2022	0
	2023	0
California	2021	0
	2022	0
	2023	0
Colorado	2021	0
	2022	0
	2023	0
Florida	2021	0
	2022	0

State	Year	Number of Transfers
	2023	0
Georgia	2021	0
	2022	0
	2023	0
Illinois	2021	0
	2022	0
	2023	0
Indiana	2021	0
	2022	0
	2023	0
Minnesota	2021	0
	2022	0
	2023	0
Nevada	2021	0
	2022	0
	2023	0
New Jersey	2021	0
	2022	0
	2023	0
North Carolina	2021	0
	2022	0
	2023	0
Ohio	2021	0
	2022	0
	2023	0
Oregon	2021	0

State	Year	Number of Transfers
	2022	0
	2023	0
Pennsylvania	2021	0
	2022	0
	2023	0
South Carolina	2021	0
	2022	0
	2023	0
Tennessee	2021	0
	2022	0
	2023	0
Texas	2021	0
	2022	0
	2023	0
Utah	2021	0
	2022	0
	2023	0
Virginia	2021	0
	2022	0
	2023	1
Washington	2021	0
	2022	0
	2023	0
TOTAL	2021	0
	2022	0
	2023	1



**Table No. 3**  
**Status of Franchised Outlets**  
**For years 2021, 2022, 2023**

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Arizona	2021	2	0	0	0	0	1	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
California	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
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

Florida	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
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
Illinois	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	1	2
	2023	2	0	0	0	0	0	2
Indiana	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Minnesota	2021	16	0	0	0	0	0	16
	2022	16	0	0	0	0	0	16
	2023	16	0	0	0	0	0	16
Nevada	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
New Jersey	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
North Carolina	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Ohio	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Oklahoma	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Oregon	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Pennsylvania	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
South Carolina	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Tennessee	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	1	2
	2023	2	0	0	0	0	0	2
Texas	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
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	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Washington	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
TOTAL	2021	64	0	0	0	0	1	63
	2022	63	1	0	0	0	2	62
	2023	62	0	0	0	0	1	61

These totals do not reflect franchisees who have signed Franchise Agreements, but have not opened their Centers by year end. See Exhibit E.

**Table No. 4**  
**Status of Company Owned Outlets**  
**For years 2021, 2022, 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Florida	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	1	0	0	0	3
(reserved)	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
TOTAL	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	1	0	0	0	3

**Table No. 5**  
**Projected Franchised Outlet Openings as of**  
**December 31, 2023 for 2024**

State	Franchise Agreement Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Next Fiscal Year
Arizona	1	0	0
California	0	0	0
Colorado	1	0	0
Florida	2	0	0
Georgia	0	0	0
Illinois	0	0	0
Indiana	0	0	0
Iowa	0	0	0

State	Franchise Agreement Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Next Fiscal Year
Kentucky	0	0	0
Louisiana	0	0	0
Maryland	0	0	0
Minnesota	4	0	0
Nevada	0	0	0
New Hampshire	0	0	0
New Jersey	1	0	0
New Mexico	0	0	0
New York	0	0	0
North Carolina	0	0	0
North Dakota	0	0	0
Ohio	0	0	0
Oklahoma	0	0	0
Oregon	0	0	0
Pennsylvania	0	0	0
South Carolina	0	0	0
Tennessee	0	0	0
Texas	4	0	0
Utah	0	0	0
Vermont	0	0	0
Virginia	0	0	0
Washington	0	0	0
Wisconsin	0	0	0
TOTAL	13	0	0

A list of the names of all Franchise Owners and the addresses and telephones numbers of their businesses are provided in Exhibit E to this F.D.D.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every Franchise Owner who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date

of this F.D.D. are listed on Exhibit F to this F.D.D. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

Some Franchise Owners have signed confidentiality clauses during the last three fiscal years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with “Honest1” System. You may wish to speak with current and former Franchise Owners, but be aware that not all such Franchise Owners will be able to communicate with you.

There are no trademark-specific organizations formed by our Franchise Owners that are associated with the “Honest1” System and which have asked to be included in this F.D.D.

## **ITEM 21**

### **FINANCIAL STATEMENTS**

Exhibit G includes our audited financial statements as of December 31, 2021, December 31, 2022, and December 31, 2023 and unaudited interim financial statements for the six-months ending June 30, 2024.

Our fiscal year end is December 31<sup>st</sup>.

## **ITEM 22**

### **CONTRACTS**

Exhibit C is the Franchise Agreement and related agreements.

- Attachment A – Franchise Terms
- Attachment B – Site Selection Addendum
- Attachment C – Telephone Assignment Agreement
- Attachment D – Assignment of Franchise Agreement
- Attachment E – Guaranty
- Attachment F – Agreement and Contingent Assignment of Lease
- Attachment G – Confidentiality and Non-Competition Agreement
- Attachment H – Confidential Agreement for Certain Employees
- Attachment I – (reserved)
- Attachment J – State Specific Addendum

Exhibit I is a sample copy of the General Release.

## **ITEM 23**

### **RECEIPT**

The last two pages of this F.D.D. are detachable documents acknowledging your receipt of the F.D.D. Please sign and date both, keeping one for your files.

**EXHIBIT A TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS**

**H-1 Auto Care, LLC's statutory agent for service of process in Nevada, its state of formation is:**

**Cogency Global, Inc.  
321 W. Winnie Lane, #104  
Carson City, NV 89703**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and of our agents for service of process in the various states.

**CALIFORNIA**

**Agencies/State Administrators**

Commissioner of Financial Protection and Innovation  
Department of Financial Protection and Innovation  
320 West 4th Street, Suite 750  
Los Angeles, CA 90013  
Toll Free (866) 275-2677

2101 Arena Boulevard  
Sacramento, CA 95834  
Toll Free (866) 275-2677

1455 Frazee Road, Suite 315  
San Diego, CA 92108  
Toll Free (866) 275-2677

One Sansome Street, Suite 600  
San Francisco, CA 94104  
Toll Free (866) 275-2677

**Agent for Service of Process**

Commissioner of Financial Protection and Innovation  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, CA 90013-2344  
Toll Free (866) 275-2677

**CONNECTICUT**

**Agency/State Administrator**

State of Connecticut  
Department of Banking  
Securities & Business Investments Division  
260 Constitution Plaza  
Hartford, CT 06103-1800  
(860) 240-8230

**Agent for Service of Process**

Banking Commissioner  
Connecticut Department of Banking  
Securities Division  
260 Constitution Plaza  
Hartford, CT 06103-1800  
(860) 240-8230

## **HAWAII**

### **Agency/State Administrator**

Commissioner of Securities of the State of Hawaii  
Hawaii Department of Commerce and Consumer  
Affairs  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

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

Commissioner of Securities of the State of Hawaii  
Hawaii Department of Commerce and Consumer  
Affairs  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

## **INDIANA**

### **Agency/State Administrator**

Indiana Secretary of State  
302 Washington Street, E111  
Indianapolis, Indiana 46204  
(317) 232-6681

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

Indiana Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6681

## **MICHIGAN**

### **Agency/State Administrator**

Attn: Franchise  
Consumer Protection Division  
525 W. Ottawa Street  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
Lansing, Michigan 48933 (Fed Ex) 48913 (Reg Mail)  
(517) 373-7117

## **ILLINOIS**

### **Agency/State Administrator**

Illinois Attorney General, Franchise Division  
500 South Second Street  
Springfield, Illinois 62701  
(217) 782-4465 or 4462

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

Illinois Attorney General, Franchise Division  
500 South Second Street  
Springfield, Illinois 62701  
(217) 782-4465 or 4462

## **MARYLAND**

### **Agency/State Administrator**

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-7786

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

Securities Commissioner  
200 St. Paul Place  
Baltimore, Maryland 21202-2020  
(410) 576-6360

## **MINNESOTA**

### **Agency/State Administrator**

Minnesota Department of Commerce  
Securities Section  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101-2198  
(651) 539-1600

**Agent for Service of Process**

No Service of Process Office in Michigan

**NEW YORK**

**Agency/State Administrator**

NYS Department of Law  
Investor Protection Bureau  
28 Liberty St. 21<sup>st</sup> Floor  
New York, New York 10005  
(212) 416-8236

**Agent for Service of Process**

Secretary of State  
NYS Department of State  
41 State Street  
Albany, NY 12207  
(518) 474-0050

**OREGON**

**Agency/State Administrator**

Department of Consumer & Business Services  
Division of Finance and Corporate Securities  
350 Winter St. NE, Rm. 410  
Salem, OR 97301-3881  
(503) 378-4387

**Agent for Service of Process**

Minnesota Department of Commerce  
Securities Section  
85-7th Place East, Suite 280  
St. Paul, MN 55101-1600  
(651) 539-1600

**NORTH DAKOTA**

**Agency/State Administrator**

North Dakota Securities Department  
State Capitol, 14<sup>th</sup> Floor  
600 East Boulevard Avenue  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

**Agent for Service of Process**

North Dakota Securities Department  
State Capitol, 14<sup>th</sup> Floor  
600 East Boulevard Avenue  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

**RHODE ISLAND**

**Agency/State Administrator**

Department of Business Regulation  
Securities Division  
1511 Pontiac Avenue, Building 69-1  
Cranston, Rhode Island 02920  
(401) 462-9527

**Agent for Service of Process**

Department of Business Regulation  
Securities Division  
1511 Pontiac Avenue, Building 69-1  
Cranston, Rhode Island 02920  
(401) 462-9527



## **SOUTH DAKOTA**

### **Agency/State Administrator**

Department of Labor and Regulation  
Division of Securities  
124 South Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-3563

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

Department of Labor and Regulation  
Division of Securities  
124 South Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-3563

## **WASHINGTON**

### **Agency/State Administrator**

Department of Financial Institutions  
P.O. Box 41200  
Olympia, Washington 98504-1200  
(360) 902-8760

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

Department of Financial Institutions  
150 Israel Rd. S.W.  
Tumwater, WA 98501-6456  
(360) 902-8750

## **VIRGINIA**

### **Agency/State Administrator**

State Corporation Commission  
Division of Securities and Retail Franchising  
1300 East Main Street, 9th Floor  
Richmond, Virginia 23219  
(804) 371-9051

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

The Clerk of the State Corporation Commission  
1300 East Main Street, 1<sup>st</sup> Floor  
Richmond, Virginia 23219  
(804) 371-9733

## **WISCONSIN**

### **Agency/State Administrator**

Division of Securities  
State of Wisconsin  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705  
(608) 266-0443

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

Division of Securities  
State of Wisconsin  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705  
(608) 266-0443

**EXHIBIT B TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**STATE SPECIFIC ADDENDUM**

## **EXHIBIT B**

### **ADDENDUM TO THE H-1 AUTO CARE, LLC FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF CALIFORNIA**

#### **THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRED A COPY OF ALL PROPOSED AGREEMENTS RELATING THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.**

1. California Business and Professions Code Sections 20000 through 20043 provide rights to 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.A. Sec. 101 et seq.).
3. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.
4. The Franchise Agreement contains a provision in Section 15.2.2 prohibiting Franchise Owner from employing or seeking to employ any person who is at that time employed by Franchisor or any other Franchise Owner, or otherwise directly or indirectly induce any person to leave his/her employment. This provision may go against California public policy and accordingly, Section 15.2.2 of the Franchise Agreement is removed for those franchises located in California, for California residents, or where the Franchise Agreement is entered into in California.
5. Section 31125 of the California Corporation Code requires the franchisor to give you a disclosure document in a form obtaining the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
6. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.
7. The Franchise Agreement requires binding arbitration. The arbitration will occur in Florida with the costs being borne by the franchisee and franchisor. 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. Section 26.3 of the Franchise Agreement is hereby amended.
8. The Franchise Agreement requires application of the laws of Florida. This provision may not be enforceable under California law.
9. California's Franchise Investment Law (Corporations Code Sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law s contrary to public policy and is voice and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its

agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

10. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516), including limitation of actions (Sections 31303, 31304). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043). Any waiver of a jury trial, limitation of action, punitive damage, exemplary damages and class-wide basis claims may not be enforceable under the above laws.
11. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
12. Section 26.3 is amended to read as follows:

No action shall be maintained to enforce any liability created under Section 31300 unless brought before the expiration of four years after the act or transaction constituting the violation, expiration of one year after the discovery by the plaintiff of the facts constituting such violation, or 90 days after delivery to the franchisee of a written notice disclosing any violation of Section 31201 or 31202 which notice shall be approved as to form by the commissioner, whichever shall first expire. (California Corp. Code Section 31303). No action shall be maintained to enforce any liability under Section 31301 unless brought before the expiration of two years after the violation on which it is based, expiration of one year after the discovery by the plaintiff of the facts constituting such violation, or 90 days after delivery to the franchisee of a written notice disclosing any violation of Section 31201 or 31202 which notice shall be approved as to form by the commissioner whichever shall first expire. (California Corp. Code Section 31304). For all other causes of action, Franchise Owner shall not assert any claim or cause of action against Franchisor, its officers, directors, shareholders, employees or affiliates after one (1) year following the event giving rise to such claim or cause of action.

13. The following sections are hereby removed from the Franchise Agreement for those franchises located in California, for California residents, or where the Franchise Agreement is entered into in California:

The sixth paragraph in the Recitals, beginning with: "**WHEREAS**, the Franchise Owner hereby acknowledges that it has read this Agreement ...."

Article XXI, Release of Prior Claims, in its entirety.

Article XXII, Acknowledgements, in its entirety.

The following provision in Article XXIII: "**AND FRANCHISE OWNER AGREES THAT IT HAS EXECUTED THIS AGREEMENT WITHOUT RELIANCE UPON ANY SUCH REPRESENTATION OR PROMISE**"

The following provisions in Article XXVII: the first, second, fourth, fifth and sixth paragraphs.

14. Before operating your Honest-1 Center, you must obtain an automotive repair license from the California Department of Consumer Affairs, Bureau of Automotive Repair Licensing Unit. If your Center will offer emission testing services, there may be Federal, state and local emission testing laws and regulations governing the manner in which these services are offered. There are a variety of laws and regulations that govern the use, generation, storage and disposal of hazardous materials, and which may require you to file periodic reports and comply with a variety of operating restrictions and duties, and obtain environmental risks insurance.
15. The California Franchise Investment Law provides that internet advertisements may be exempt from the requirements of Corp. Code § 31156 for filing advertisements with the Commissioner, provided that the franchisor meets all of the requirements under Corp. Code § 310156.3.

**OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dpfi.ca.gov](http://www.dpfi.ca.gov).**

16. The financial performance representations do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees listed in the Disclosure Document, may be one source of this information.
17. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
18. Financial Performance Representations. The earnings claims figure(s) do not reflect cost of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain you net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.
19. Interest Rate. The California Franchise Investment Law provides that the highest interest rate permitted by law is 10%.
20. Counterparts/Duplicate Originals. This Addendum may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same Addendum.
21. Signatures. A .pdf of an executed signature shall have the same force and effect as an originally signed signature.

**REGISTRATION OF THIS FRANCHISE DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER OF THE DEPARTMENT OF PROTECTION AND INNOVATION.**

[SIGNATURE PAGE TO ADDENDUM TO THE H-1 AUTO CARE, LLC  
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF CALIFORNIA]  
(Exhibit B to Franchise Disclosure Document)

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this  
Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

H-1 AUTO CARE, LLC

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

By: \_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

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

FRANCHISE OWNER:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its \_\_\_\_\_

**ADDENDUM TO THE H-1 AUTO CARE, LLC FRANCHISE DISCLOSURE DOCUMENT  
AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF ILLINOIS**

**Choice of Law and Forum**

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, arbitration may occur outside of Illinois. 815 ILCS 705/4 (West 2014).

**Waivers and Releases**

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void. 815 ILCS 705/41 (West 2014).

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**Termination and Nonrenewal**

Your rights upon termination and non-renewal of a Franchise Agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act. 815 ILCS 705/19, 20 (West 2014).

Counterparts/Duplicate Originals. This Addendum may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same Addendum.

Signatures. A .pdf of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO ADDENDUM TO THE H-1 AUTO CARE, LLC  
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF ILLINOIS]  
(Exhibit B to Franchise Disclosure Document)

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

H-1 AUTO CARE, LLC

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

By: \_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

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

FRANCHISE OWNER:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its \_\_\_\_\_



**ADDENDUM TO THE H-1 AUTO CARE, LLC FRANCHISE DISCLOSURE DOCUMENT  
AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF INDIANA**

1. To be added to Item 3 of the Disclosure Document, is the following statement:

There are presently no arbitration proceedings to which the Franchisor is a party.

2. Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2.7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee's exclusive territory.
3. Item 17 is amended to state that this is subject to Indiana Code 23-2-2.7-1 (10).
4. Under Indiana Code 23-2-2.7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. This amends Articles XXV and XXVI of the Franchise Agreement.
5. Under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.
6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. Counterparts/Duplicate Originals. This Addendum may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same Addendum.
8. Signatures. A pdf of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO ADDENDUM TO THE H-1 AUTO CARE, LLC  
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF INDIANA]  
(Exhibit B to Franchise Disclosure Document)

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

H-1 AUTO CARE, LLC

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

By: \_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

FRANCHISE OWNER:

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

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its \_\_\_\_\_

**EXHIBIT B**

**ADDENDUM TO THE H-1 AUTO CARE, LLC FRANCHISE DISCLOSURE DOCUMENT  
AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF MARYLAND**

See Attachment J to the Franchise Agreement.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO ADDENDUM TO THE H-1 AUTO CARE, LLC  
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF MARYLAND]  
(Exhibit B to Franchise Disclosure Document)

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

H-1 AUTO CARE, LLC

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

By: \_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

FRANCHISE OWNER:

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

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its \_\_\_\_\_

## **EXHIBIT B**

### **ADDENDUM TO THE H-1 AUTO CARE, LLC FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MICHIGAN**

**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 franchises.
- (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 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 thirty (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 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 five (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 six (6) months' advance 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 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.
- (g) 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:
  - (i) 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 subfranchisor.

(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 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).

(i) 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.

**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.**

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division  
Attn: Marilyn McEwen  
670 Law Building  
Lansing, Michigan 48913  
(517) 373-7117

(j) No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

(k) Counterparts/Duplicate Originals. This Addendum may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same Addendum.

(l) Signatures. A pdf of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO ADDENDUM TO THE H-1 AUTO CARE, LLC  
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF MICHIGAN]  
(Exhibit B to Franchise Disclosure Document)]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

H-1 AUTO CARE, LLC

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

By: \_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

FRANCHISE OWNER:

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

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its \_\_\_\_\_

## **EXHIBIT B**

### **ADDENDUM TO THE H-1 AUTO CARE, LLC FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MINNESOTA**

This addendum to the Disclosure Document is agreed to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, and effectively amends and revises said Disclosure Document and Franchise Agreement as follows:

1. Item 13 of the Disclosure Document and Article VI of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“In accordance with applicable requirements or Minnesota law, Franchisor shall protect Franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding such use.”

2. Item 17 of the Disclosure Document and Article XIII of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota 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 Disclosure Document.”

3. Item 17 of the Disclosure Document and Article XXV of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minn. Stat. Sec. 80C.21 and Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of jurisdiction.”

4. Item 17 of the Disclosure Document and Article XII of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release.”

5. Any reference to liquidated damages in the Franchise Agreement are hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages.

6. Section 19.3 of the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits waiver of a jury trial.

7. Article XXI of the Franchise Agreement regarding Limitations of Claims is hereby amended to comply with Minn. Stat. §80C.17, Subd. 5.



8. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

9. Mandatory Minimum Payments. You must make minimum payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

10. Counterparts/Duplicate Originals. This Addendum may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same Addendum.

11. Signatures. A pdf of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO ADDENDUM TO THE H-1 AUTO CARE, LLC  
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF MINNESOTA]  
(Exhibit B to Franchise Disclosure Document)

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

H-1 AUTO CARE, LLC

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

By: \_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

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

FRANCHISE OWNER:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its \_\_\_\_\_

## **EXHIBIT B**

### **ADDENDUM TO THE H-1 AUTO CARE, LLC FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF NEBRASKA**

The following Items are required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

Section 15.3 of the Franchise Agreement is amended as follows:

15.3 For a continuous uninterrupted period of two (2) years commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, and within a radius of twenty-five (25) miles of the approved site, the Franchise Owner covenants that, except as otherwise approved in writing by the Franchisor, the Franchise Owner will not either directly or indirectly, for itself or through, on behalf of or in conjunction with any person, persons, spouse, partnership or corporation: (a) become a franchise owner, consultant, officer, director, partner, trustee or shareholder or any other type of owner, nor own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to or have any interest in any business which will sell, market or propose to sell or market products that compete or will compete with the Franchise Owner's or Company's then existing or reasonably anticipated products or services ("Competing Products"), (b) sell, market or propose to sell or market products that compete or will compete with the Franchise Owner's or Company's then existing or reasonably anticipated Competing Products; (c) design or develop Competing Products, or (d) become a franchise owner, consultant, officer, director, partner, trustee or shareholder or other type of owner of more than five percent (5%) of the outstanding common stock of, or provide services or information to any person or entity that is designing or developing Competing Products. The scope of this provision may be reduced as stated in Section 15.7 below.

Section F of the Confidentiality and Noncompetition Agreement, Attachment G to the Franchise Agreement is amended to state (and Franchisor is authorized to tailor the Attachment upon execution as follows):

F. Noncompetition After Position Ends. For a continuous uninterrupted period of two (2) years after Key Individual's Position with Franchise Owner terminates, the Key Individual covenants that, except as otherwise approved in writing by the Franchisor, the Key Individual will not, directly or indirectly, for itself or through, on behalf of or in conjunction with any person, persons, spouse, partnership or corporation, (a) become a Key Individual, franchise owner, consultant, officer, director, partner, trustee or shareholder or other type of owner, nor own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to or have any interest in any Competing Business; (b) sell, market or propose to sell or market products that compete or will compete with the Franchise Owner's or Company's Competing Products; (c) design or develop Competing Products, or (d) become a Key Individual, Franchise Owner, consultant, officer, director, partner, trustee or shareholder or other type of owner of more than five percent (5%) of the outstanding common stock of, or provide services or information to any person or entity that is designing or developing Competing Products.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Counterparts/Duplicate Originals. This Addendum may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same Addendum.

Signatures. A pdf of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO ADDENDUM TO THE H-1 AUTO CARE, LLC FRANCHISE  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF NEBRASKA]  
(Exhibit B to Franchise Disclosure Document)

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this  
Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST

H-1 AUTO CARE, LLC

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

By:\_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

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

FRANCHISE OWNER:

By:\_\_\_\_\_  
Name:\_\_\_\_\_  
Its\_\_\_\_\_

## **EXHIBIT B**

### **ADDENDUM TO THE H-1 AUTO CARE, LLC FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF NEW YORK**

The following Items are required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

#### **COVER PAGE**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A 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 FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 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.**

#### **LITIGATION**

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its 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: violation of a 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 license as a real estate broker or sales agent.

### BANKRUPTCY

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. 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 a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

### INITIAL FEES

4. 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.

### RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTIONS

5. 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.

6. 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.

7. 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.

8. The following is 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.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Counterparts/Duplicate Originals. This Addendum may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same Addendum.

Signatures. A pdf of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]



[SIGNATURE PAGE TO ADDENDUM TO THE H-1 AUTO CARE, LLC  
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF NEW YORK]  
(Exhibit B to Franchise Disclosure Document)

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

H-1 AUTO CARE, LLC

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

By: \_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

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

FRANCHISE OWNER:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its \_\_\_\_\_

**EXHIBIT B**

**ADDENDUM TO THE H-1 AUTO CARE, LLC FRANCHISE DISCLOSURE DOCUMENT  
AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF RHODE ISLAND**

The following amends Item 17 and is required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

Section 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 of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Counterparts/Duplicate Originals. This Addendum may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same Addendum.

Signatures. A pdf of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO ADDENDUM TO THE H-1 AUTO CARE, LLC  
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF RHODE ISLAND]  
(Exhibit B to Franchise Disclosure Document)

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

H-1 AUTO CARE, LLC

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

By: \_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

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

FRANCHISE OWNER:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its \_\_\_\_\_

## **EXHIBIT B TO THE DISCLOSURE DOCUMENT**

### **ADDENDUM TO THE H-1 AUTO CARE, LLC FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF VIRGINIA**

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for H-1 Auto Care, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17.h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause or to use undue influence to induce a franchisee to surrender any right given to him by any provision contained in the franchise. If any grounds for default or termination stated in the franchise agreement and development agreement does not constitute “reasonable cause,” as that the term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable.

2. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
3. Counterparts/Duplicate Originals. This Addendum may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same Addendum.
4. Signatures. A pdf of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO ADDENDUM TO THE H-1 AUTO CARE, LLC  
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF VIRGINIA]  
(Exhibit B to Franchise Disclosure Document)

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

H-1 AUTO CARE, LLC

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

By: \_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

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

FRANCHISE OWNER:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its \_\_\_\_\_

**EXHIBIT B**

**ADDENDUM TO THE H-1 AUTO CARE, LLC FRANCHISE DISCLOSURE DOCUMENT  
AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF WASHINGTON**

This document will serve as the State Addendum for H-1 Auto Care, LLC for the State of Washington (this “Addendum”) for H-1 Auto Care, LLC’s Franchise Disclosure Document and for its Franchise Agreement. This Addendum is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

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

RCW 19.100.180 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 or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder 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, or 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.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Counterparts/Duplicate Originals. This Addendum may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same Addendum.

Signatures. A pdf of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURE ON THE FOLLOWING PAGE]

[SIGNATURE PAGE TO ADDENDUM TO THE H-1 AUTO CARE, LLC  
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF WASHINGTON]  
(Exhibit B to Franchise Disclosure Document)

ATTEST

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

H-1 AUTO CARE, LLC

By:\_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

FRANCHISE OWNER:

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

By:\_\_\_\_\_  
Name:\_\_\_\_\_  
Its\_\_\_\_\_



**H-1 AUTO CARE, LLC**

**FRANCHISE AGREEMENT**

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#### ATTACHMENTS

ATTACHMENT	“A”	–	Franchise Terms
ATTACHMENT	“B”	–	Site Selection Addendum
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ATTACHMENT	“D”	–	Assignment of Franchise Agreement
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ATTACHMENT	“F”	–	Agreement and Contingent Assignment of Lease
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ATTACHMENT	“H”	–	Confidential Agreement for Certain Employees
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ATTACHMENT	“J”	–	State Specific Addendum

**H-1 AUTO CARE, LLC**  
**FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (“Agreement”) is made and entered into as of \_\_\_\_\_, 20\_\_\_\_ (“Effective Date”) by and between H-1 Auto Care, LLC, a limited liability company formed under the laws of Nevada whose principal place of business is 100 2nd Avenue S., Suite 1203, St. Petersburg, Florida 33701 (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_, with a current address of \_\_\_\_\_ (“Franchise Owner”).

**W I T N E S S E T H:**

**WHEREAS**, the Franchisor holds the exclusive franchise rights to a proprietary system which it has developed through significant expenditures of time, skill, effort and money (hereinafter the “System”) relating to the establishment, development, operation, promotion and maintenance of automotive service centers;

**WHEREAS**, Franchisor has developed a distinctive exterior and interior design, decor, color scheme, fixtures and furnishings for the operation of automotive service centers, and has developed the uniform standards, specifications, methods, policies and procedures for the Center operations, inventory and management control, training and assistance and advertising and promotional programs, all of which may be changed, improved upon, and further developed from time to time;

**WHEREAS**, Franchisor, through its dedicated operations, marketing methods and merchandising policies, has developed the reputation, public image and goodwill of its System and established a firm foundation for its franchised retail operations consisting of the highest standards of training, management, supervision, appearance, services and quality of products;

**WHEREAS**, the System is identified by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including the mark “HONEST-1,” “HONEST1” and logo, and such other trademarks, service marks, trade names, logos, trade dress and other commercial symbols, existing or to be developed, designated for use in connection with the System, as further described in Article VI (the “Proprietary Marks”), which Proprietary Marks are owned by Franchisor;

**WHEREAS**, Franchisor continues to develop, expand, use, control and add to the Proprietary Marks and the System for the benefit of and exclusive use by the Franchisor and its Franchise Owners in order to identify for the public the source of the products marketed thereunder and to represent the System’s high standards of quality and service;

**WHEREAS**, the Franchise Owner desires to operate a Franchised Business under the System and the Proprietary Marks and to obtain a license from the Franchisor for that purpose, as well as to receive the training and other assistance provided by the Franchisor in connection therewith;

**WHEREAS**, the Franchise Owner hereby acknowledges that it has read this Agreement and the Franchisor’s Franchise Disclosure Document, and that it has no knowledge of any representations about the Franchised Business or about the Franchisor or its franchising program or policies made by the Franchisor or by its officers, directors, shareholders, employees or agents which are contrary to the statements in the Franchisor’s Franchise Disclosure Document or to the terms of this Agreement, and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain the Franchisor’s high standards of quality and service and the uniformity of those standards at all facilities which operate pursuant to the System and thereby to protect and preserve the goodwill of the Proprietary Marks; and

**WHEREAS**, the Franchise Owner understands and acknowledges the importance of the Franchisor's uniformly high standards of quality and service and the necessity of operating the Franchised Business granted hereunder in strict conformity with the Franchisor's quality control standards and specifications.

**NOW, THEREFORE**, the parties, in consideration of the promises, undertakings and commitments of each party to the other set forth herein, hereby mutually agree as follows:

### **DEFINED TERMS**

1. "Advertising Fee" shall mean a fee between two percent (2%) and up to four percent (4%) of weekly Gross Sales commencing as of the date the Franchised Business opens for business and continuing throughout the initial and renewal term of this Agreement, as further described in Section 10.1.

2. "Agreement" shall mean the Franchise Agreement, including all Attachments thereto, being signed on the date set forth above.

3. "Anti-Terrorism Laws" shall mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war, as further described in Section 24.5.

4. "Application Fee" shall mean the fee paid by Franchise Owner to Franchisor in connection with the application to transfer any interest in the Franchise Owner equal to Two Thousand Dollars (\$2,000) immediately payable upon the application for transfer, as further described in Section 12.2.1.

5. "Approved Location" shall mean the location chosen for the Franchised Business that has been approved by the Franchisor, as further described in Section 1.3.

6. "Competing Products" shall mean products or services that are similar to or that compete or will compete with the System's products or services currently offered, existing, known to be in production, or reasonably anticipated products or services, as further described in Section 15.3.

7. "Confidential Information" shall mean the information, knowledge, know-how, systems, programs and other methods, Trade Secrets and techniques which the Franchisor designates as confidential, or proprietary knowledge developed or acquired by Franchisor, its Affiliates and/or its developers and franchisees, including but not limited to, distinctive interior designs, equipment layout plans, invoices, operational forms, advertising signs, uniforms and other items used in operating procedures and certain business techniques, including procedures and instructions set forth in the Franchisor's Manual, proprietary software, financial data, instructional materials and training programs, research and development, product development plans and other Trade Secrets, as further described in Section 8.2.

8. "Data and Information" shall mean all sales, financial, marketing, management and other business information and all other data maintained and stored by the Franchise Owner in his/her computer databases, regarding customers, employees and all business operations, as further described in Section 5.23.

9. "Designated Market Area" or "DMA" shall mean each television market exclusive of another based upon a preponderance of television viewing hours as defined by the A.C. Nielsen ratings service or such other ratings service as may be designated by the Franchisor, as further described in Section 10.6.

10. "Designated Representative" shall mean a single individual, who has completed Franchisor's initial training, appointed by a corporate (or other type of entity) and be primarily responsible for Franchise Owner's performance under this Agreement, as further described in Section 5.6.

11. “DMA Advertising Fee” shall mean a fee that Franchise Owner pays during the term of the Franchise Agreement to the Local DMA Advertising Group equal to at least three percent (3%) of the Center’s monthly Gross Sales for the previous month, as further described in Section 10.6.3.

12. “E-names” shall mean all domain names, websites, addresses, metatags, links, email address and any other means of electronic identification or origin related to the Franchised Business and System, as further described in Section 5.22.1.

13. “Effective Date” shall mean the date the Franchise Agreement is signed.

14. “Expenses” shall mean reasonable expenses of Franchisor (including, without limitation, search costs and the fees and expenses of legal counsel for Franchisor) relating to this Agreement, and all related agreements and documents, including, without limitation, expenses incurred in the analysis, negotiation, preparation, closing, administration and enforcement of this Agreement and the other franchise related documents, the enforcement, protection and defense of the rights of Franchisor in and to the Franchise Agreement or otherwise hereunder, and any reasonable expenses relating to extensions, amendments, waivers or consents pursuant to the provisions hereof, or any related agreements and documents or relating to agreements with other creditors, or termination of this Agreement, as further described in Section 4.12.

15. “Force Majeure” shall mean a hurricane, tornado, typhoon, flooding, lightning, blizzard and other unusually severe weather, earthquake, avalanche, volcanic eruption, fire, riot, civil unrest, insurrection, war, explosion, unavoidable calamity or other act of God, as further described in Section 24.4.

16. “Franchise Disclosure Document” or “F.D.D.” shall mean the federal franchise disclosure document and its exhibits provided to Franchise Owner as part of the federal and state franchise disclosure laws.

17. “Franchisor” shall mean H-1 Auto Care, LLC, a limited liability company formed under the laws of the State of Nevada.

18. “Franchise Owner” shall mean the person(s) or entity that own and operate the Honest1 Auto Care Center under this Agreement. Franchise Owner shall include all persons who succeed to the interest of the original Franchise Owner by transfer or operation of law and shall be deemed to include not only the individual or entity identified as the Franchise Owner but shall also include all partners, shareholders, officers, directors, managers and members of the entity, as further described in Section 24.3.

19. “Franchise Terms” shall mean Attachment A to this Agreement which contains certain particular terms for the Franchise Owner.

20. “Franchised Business” or “Center” shall mean the automotive service center that the Franchise Owner establishes, develops operates, promotes and maintains under the terms of this Agreement.

21. “Good Standing” shall mean that the Franchise Owner is not in default of any provisions of the Franchise Agreement (including any provisions contained in the Manual), as further described in Section 2.2.3. Good Standing shall also mean that Franchise Owner is in full compliance with any federal, state or local laws, regulations or required permits, licenses or procedures and has also not received any notices, warnings or unpaid fines.

22. “Gross Sales” shall mean the amount of sales of all products and services sold in, on, about or from the Franchised Business by the Franchise Owner, either by cash or by charge, credit or time basis, without reserve or deduction for inability or failure to collect, as further described in Section 4.3.

23. “Honest-1” and “Honest1” shall mean the Proprietary Marks and the System.

24. “Initial Franchise Fee” shall mean the fee paid by Franchise Owner for the franchise program stated on Attachment A and as further described in Section 4.1.

25. “Local Advertising” shall mean radio and television advertising and print advertising such as newspaper or magazine advertisements, direct mailings, handbills, internet advertising (including social media) or similar types of advertising including telephone directory advertising in the Franchised Business’ local area, as further described in Section 10.4.

26. “Local DMA Advertising Group” shall mean an advertising group which will conduct and administer media advertising, promotion, marketing and public relations and telemarketing for the benefit of franchisees located in the Franchise Owners’ Designated Marketing Area, as further described in Section 10.6.

27. “Manual” or “Manuals” shall mean H-1 Auto Care, LLC’s manuals for the System which may be in separate manuals for franchise development, signage and décor, operations, marketing and real estate, and which may be distributed in print or provided in a digital or online format, and which the Franchisor may supplement the information with other written directives. For the purpose of this Agreement, reference to the Manual includes, without limitation, and collectively, other related manuals, notices, video or audio recordings, letter, digital communications, books, bulletins, memoranda and other publications, documents prepared by Franchisor or on its behalf for use by franchisees generally or for the Franchise Owner in particular, setting forth standards, requirements, operating procedures, instructions, information, advice, or policies relating to the operation of the Franchised Business, as may be amended from time to time, as further described in Article VII.

28. “National Fund” shall mean an account which is funded by the Advertising Fees paid by Franchise Owners, as further described in Section 10.1.

29. “Personal Identifiable Information” or “PII” shall mean any information that can be used to identify an individual, including names, addresses, telephone numbers, email addresses, social security numbers, vehicle identification numbers, account numbers, biometric or health data, government-issued identification numbers and credit-report information, as further described in Section 5.27.

30. “Protected Territory” shall mean a specified market area surrounding an Approved Location, as further described in Section 1.3.

31. “Region Developer” shall mean the entity or person(s) that Franchisor has assigned to provide certain training, inspection, and support services to Franchise Owner and other franchisees in the System, as further described in Section 3.3.

32. “Reporting Company” shall mean a company subject to the periodic reporting requirements of the Securities and Exchange Act of 1934, as further described in Section 12.2.1.

33. “Royalty Fee” shall mean the fee paid by Franchise Owner during the initial term of this Agreement to Franchisor based on a percentage of Gross Sales of the Franchised Business, which shall equal six percent (6%) of the weekly Gross Sales of the Franchised Business, including all labor charges, as further described in Section 4.3.

34. “SDN List” shall mean the federally maintained list of specially designated nationals and blocked entities, which is currently available at [www.treasury.gov](http://www.treasury.gov), as further described in Section 17.3.

35. “Substituted Site” shall mean alternative location within the Protected Territory for the operation of the Franchised Business, as further described in Section 13.1.2.

36. "System" shall mean the proprietary system that Franchisor has developed through time, skill, effort and money, as further described in the Recitals to this Agreement.

37. "Technology Fee" shall mean the ongoing fee paid by Franchise Owner to Franchisor for system-related technology services, programs and platforms, which may include but is not limited to website, intranet, business intelligence, SEO, CRM, email, email marketing, phone call analytics, learning management systems, software, applications, social media, and such other technology services, programs and platforms as may be implemented by Franchisor from time to time.

38. "Third Party Vendors" shall mean vendors, suppliers, lenders, landlords, equipment lessors, customers, accountants, representatives or agents as further described in Section 5.38.

39. "Trade Secrets" shall mean certain confidential and proprietary products, services, operational systems and management techniques developed by Franchisor currently in place or those developed in the future, including any data collected via e-commerce related to the System, such as any customer data and information (including without limitation, any customer service history, customer invoices, customer warranty information, and customer contact information), click-stream data, cookies, user data and hits, as further described in Section 5.16.

40. "Transaction Services Fee" shall mean the fee paid by Franchise Owner to Franchisor if Franchise Owner authorizes Franchisor to find an outside buyer or Franchisor provides Franchise Owner with a buyer from its interested candidates (not including current Honest1 franchisees) and is calculated as the greater of five percent (5%) of the value of the business transaction or Thirty-Five Thousand Dollars (\$35,000) as further described in Section 12.2.1.

41. "Transfer Fee" shall mean the fee paid by Franchise Owner to Franchisor in connection with a transfer of any interest in the Franchise Owner equal to Twenty-five Thousand Dollars (\$25,000) immediately payable upon the closing of the sale, as further described in Section 12.2.2.j.

42. "Unauthorized Marketing Fee" shall mean a fee imposed upon a Franchise Owner who fails to obtain Franchisor's prior approval on any advertising material before use or if a Franchise Owner fails to stop using advertising materials that the Franchisor has withdrawn its approval to use, as further described in Section 4.11.

43. "Warranty Program" shall mean the program by which Franchise Owners provide customers with necessary adjustments and/or replacement products or services in accordance with terms of the warranty extended to the customer, even if the original products or services were provided to the customer by another Center, as further described in Section 4.9.

44. "Veteran" shall mean a person that has served in active military, naval or air service and who was discharged or released under conditions other than dishonorable as stated in and as may be defined in the future in Title 38 of the Code of Federal Regulations, who may qualify for a reduced franchise fee, as further described in Section 4.2C.

## **ARTICLE I**

### **GRANT OF FRANCHISE**

1.1 The Franchisor hereby grants to the Franchise Owner and Franchise Owner accepts, upon the terms and conditions herein contained, the nonexclusive and personal license, right and authority to operate a Franchised Business in strict conformity with the Franchisor's quality control standards and specifications which are a material part of the System, which may be changed, improved and further developed from time to time, only at the specific location which will be selected by the Franchise Owner and will be more particularly described in the Site Selection Addendum attached hereto as Attachment "B".



The Franchise Owner hereby accepts such license and agrees to perform all of its obligations in connection therewith as set forth herein.

1.2 Subject to the terms of this Agreement, the Franchisor hereby grants to the Franchise Owner the nonexclusive right and license to select a site to operate the Franchised Business within the jurisdictional boundaries of the area stated in Attachment A (the “Franchise Terms”). The Franchise Owner must locate a site for the Franchised Business, obtain the Franchisor’s approval of the site and sign the lease within either twelve (12) months following the execution of this Agreement if Franchise Owner has elected to purchase the rights to operate one Center. Franchisor may grant one six-month extension provided that Franchise Owner pays an extension fee. Once the site has been approved, the Franchise Owner shall have no further interest in the Site Selection Area. Franchisor may grant franchises to others for Centers, or open Franchisor-owned Centers, in the Site Selection Area.

1.3 As long as this Agreement is effective, Franchisor agrees not to grant another franchise location or affiliated corporate location for a “HONEST1” Center within a specified market area surrounding the Approved Location set forth in the Site Selection Addendum (Attachment B to this Agreement). The standard Protected Territory is a three (3) mile radius of the Approved Location but we reserve the right to adjust the Protected Territory (such adjustments will be identified by Franchisor in advance or following submission of a site for review and approval) to a smaller radius and/or to an irregular market area (not a radius) defined by streets or other geographic features depending on several factors including, but not limited to, population density, geographical or local community characteristics. The Franchisor reserves the right to establish Franchisor-owned units, or license other franchisees to establish Franchised Businesses, at any site the Franchisor deems appropriate outside of the Protected Territory set forth above, even if the sites have a negative effect on Franchise Owner sales or an effect on competition. Franchisor expressly reserves the exclusive, unrestricted right, directly and indirectly, through franchisees, licensees, assignees, agents and others, to own or operate, and to franchise or license others to own or operate businesses operating under names other than “Honest1” at any location, regardless of the nature of the business or their proximity to the Franchised Business developed pursuant hereto, including businesses offering motor vehicle tune-up, brake services, lubrication and oil changes. The Franchisor makes no representation or warranty to the Franchise Owner that there will be any right to participate in such businesses.

1.4 Franchise Owner may relocate the Center to a new location upon the following conditions:

1.4.1 Franchise Owner shall not be in default of any provision of this Agreement or the lease for the former location;

1.4.2 Franchise Owner shall deliver to Franchisor a current financial statement, including a profit and loss statement for the Center during the last twelve (12) months of operation at the former location, any site specific information requested by Franchisor and a copy of the proposed lease for the new location;

1.4.3 The location of the new Center must meet Franchisor’s current market specifications and requirement, be approved by Franchisor, (including approval of any purchase agreement or lease, as evidenced by the execution of Attachment B [See Section 5.3.1]), and once approved, must be constructed, and equipped in accordance with Franchisor’s then-current design and other standards;

1.4.4 Franchise Owner must be current on all of Franchise Owner’s financial obligations to Franchisor and its affiliates; and

1.4.5 Does not unduly conflict, in Franchisor’s sole discretion, with an existing franchisee’s Franchised Business.

1.4.6 Franchise Owner must give Franchisor written notice of the proposed relocation ninety (90) days before the relocation date. In the event that Franchise Owner fails to timely deliver such notice, this shall be grounds for default with opportunity to cure as set forth in Section 13.2 herein. Relocation without notice to the Franchisor shall be grounds for default without opportunity to cure as set forth in Section 13.1 herein.

1.4.7 The Center must open for business in the new location within thirty (30) days (which may be extended for another thirty (30) days for good cause) of the date on which the Center in the old location closed.

## **ARTICLE II**

### **TERM AND RENEWAL**

2.1 Except as otherwise provided herein, the term of this Agreement shall be for twenty (20) years commencing on the date the Center opens for business; provided, however, that if the Franchise Owner leases its business premises and in the event that the lease agreement for the Franchise Owner's business premises is terminated prior to the expiration of the term of this Agreement, then the Franchisor may, at its option, terminate this Agreement under Section 13.1. This term may be extended by Franchisor in writing for a limited time not to exceed six months to take into account the term of any applicable lease for the Franchised Business.

2.2 The Franchise Owner may, at its option, continue the Franchised Business for one (1) additional ten (10) year term subject to the following conditions which must be met prior to the renewal period, unless and to the extent expressly waived in writing by the Franchisor:

2.2.1 The Franchise Owner shall give the Franchisor written notice of its election to renew this Agreement not less than six (6) months prior to the end of the current term of this Agreement;

2.2.2 Upon receiving Franchise Owner's request to renew, the Franchisor shall inspect the Franchised Business and give notice of all required modifications to the nature and quality of the products and services offered at the Franchised Business, the Franchise Owner's advertising, marketing and promotional programs, its financial and inventory control systems, and the maintenance, refurbishing, equipment upgrade and replacement, renovating and remodeling necessary to comply with the Franchisor's then-current standards and specifications and with the requirements of the lease for the Franchised Business. If the Franchise Owner elects to renew this Agreement, then the Franchise Owner shall complete, to the Franchisor's satisfaction, all such required modifications, as well as adopt and implement any new methods, programs, modifications, techniques or operational systems required by the Franchisor's notice no later than two (2) months prior to expiration of the current term of this Agreement;

2.2.3 The Franchise Owner shall be in "Good Standing." "Good Standing" means that the Franchise Owner is not in default of any provision of this Agreement (including any provision stated in the Manual), any amendment hereof or successor hereto, or any other agreement between the Franchise Owner and the Franchisor or its subsidiaries, affiliates and suppliers. The Franchise Owner must have also substantially complied with all of the terms and conditions of such agreements during the terms thereof to be in Good Standing;

2.2.4 The Franchise Owner shall have satisfied all monetary obligations owed by the Franchise Owner to the Franchisor and its subsidiaries, affiliates and suppliers and shall have timely met those obligations throughout the term of this Agreement;

2.2.5 The Franchise Owner must execute upon renewal the Franchisor's then-current form of Franchise Agreement except that an initial franchise fee will not be charged. The new Franchise Agreement shall supersede in all respects this Agreement, and the terms of which may differ from the terms

of this Agreement, including, without limitation, the requirement of a higher percentage Royalty Fee and/or Advertising Fee;

2.2.6 The Franchise Owner and its approved manager shall attend the Franchisor's then-current qualification and training programs at the Franchise Owner's expense;

2.2.7 The Franchise Owner, its owners, directors and officers shall execute a general release, in a form prescribed by the Franchisor, of any and all claims against the Franchisor and its subsidiaries and affiliates, and their respective officers, directors, agents and employees. The Franchise Owner shall not be required, however, to release the Franchisor for violations of or failure to comply with federal or state franchise registration and disclosure laws;

2.2.8 The Franchise Owner shall present evidence satisfactory to the Franchisor that it has the right to remain in possession of the premises where the Franchised Business is located for the duration of the renewal term;

2.2.9 The Franchise Owner's operation and management of the Franchised Business shall be in full compliance with the System;

2.2.10 The Franchise Owner shall maintain and be in Good Standing with all of its necessary and applicable licenses and permits; and

2.2.11 The Franchise Owner shall remit to Franchisor a renewal fee equal to twenty-five percent (25%) of the then current franchise fee.

In the event that any of the foregoing conditions to renewal have not been met at least two (2) months prior to the expiration of the current term of this Agreement, then the Franchisor shall have no obligation to renew this Agreement and shall give the Franchise Owner at least thirty (30) days' prior written notice of its intent not to renew this Agreement, which notice shall set forth the reasons for such refusal to renew. Any continuance of business relations between Franchisor and Franchise Owner after the termination or expiration of this Agreement will not constitute, and may not be construed as, a reinstatement, renewal, or extension of the Agreement (except for the limited circumstances stated above) unless Franchise Owner and Franchisor agree in writing to such reinstatement, renewal, or extension.

### **ARTICLE III**

#### **DUTIES OF FRANCHISOR**

3.1 The duties of the Franchisor prior to the opening of the Franchised Business are as follows:

3.1.1 To provide the Franchise Owner with assistance in site selection, consultation, and evaluation in locating a proposed site within the Franchisor's approved guidelines. The Franchisor's approval of the site is required and is affirmation only that the site meets the Franchisor's current site criteria.

3.1.2 To provide to the Franchise Owner guidelines and specifications for the operation and management of the Franchised Business, which guidelines and specifications must be adopted by Franchise Owner;

3.1.3 To make available, at no charge to Franchise Owner, standard specifications and layouts for the construction of a typical Center, including the exterior and interior design and layout, decor, color scheme, fixtures, furnishings and signage. Franchisor shall review Franchise Owner's construction and build-out plans to ensure that they meet Franchisor's requirements for design and presentation of the Proprietary Marks. Franchisor's review and/or approval of Franchise Owner's plans is not meant to address or assess compliance with any applicable laws or building codes;

3.1.4 To provide an initial training program for the Franchise Owner and for two (2) additional persons in the operation of the Franchised Business;

3.1.5 To provide access to the Manual; and

3.1.6 Subject to the Franchise Owner making the required payment, Franchisor will provide onsite business coaching through its personnel. This onsite coaching program will be for up to one week prior to the opening of Franchise Owner's Honest1 Center and up to two nonconsecutive weeks after opening. The exact amount of time will depend on performance reviews and evaluations.

3.2 The obligations of the Franchisor following the opening of the Franchised Business are as follows:

3.2.1 The Franchisor will provide such general advisory assistance and consultation deemed by it to be helpful to the Franchise Owner in the ongoing operation, advertising and promotion of the Franchised Business through emails and the telephone;

3.2.2 The Franchisor will continue its efforts to establish and maintain high standards of quality, cleanliness, safety, customer satisfaction and service;

3.2.3 The Franchisor will provide to the Franchise Owner updates, revisions and amendments to its Manual either in hard copy, through email or in another format such as an intranet site;

3.2.4 The Franchisor will conduct advertising, branding, marketing and promotional programs with the Advertising Fees remitted by its Franchise Owners;

3.2.5 The Franchisor shall coordinate and conduct periodic training programs for its network of Franchise Owners as it deems necessary in its sole discretion;

3.2.6 On a periodic basis, the Franchisor will conduct, as it deems advisable in its sole discretion, quality control audits of the Franchised Business and its operations and evaluations of the methods and the staff employed therein. All of the obligations of the Franchisor hereunder are to the Franchise Owner, and no other party is entitled to rely on, enforce or obtain relief for breach of such obligations either directly or by subrogation;

3.2.7 The Franchisor will provide the Franchise Owner with product information, evaluation and recommendation as it deems advisable in its sole discretion;

3.2.8 The Franchisor may distribute bulletins, brochures, manuals and newsletters regarding plans, policies, developments and activities; and

3.2.9 The Franchisor may, as it deems advisable in its sole discretion, provide other resources and assistance as Franchisor may develop and offer to all Franchise Owners from time to time.

3.3 Franchisor may assign the fulfilment of certain duties and obligations to a Region Developer, including but not limited to, certain training, inspection and support services to Franchise Owner ("Region Developer"). Region Developers are not authorized to make management level decisions, revise any agreement with Franchise Owner or bind the Franchisor in any manner.

## **ARTICLE IV**

### **FEES**

4.1 Franchise Owner shall pay to Franchisor an initial franchise fee whose amount depends on the franchise program selected and which selection will be stated in Attachment A to this Agreement ("Franchise Terms"). The Initial Franchise Fee shall be deemed paid to Franchisor upon Franchisor's

acceptance and execution of this Agreement. Thereafter, the Initial Franchise Fee shall be deemed fully earned and non-refundable in consideration of administrative and other expenses incurred by Franchisor in granting this franchise. If you are eligible for more than one discount, then only the largest discount will be provided to you unless specified below. The amounts of franchise fees are as follows:

A. Individual Franchise. If Franchise Owner elects to purchase the right to operate one franchise Center, Franchise Owner will pay the sum of Seventy-Five Thousand Dollars (\$75,000) as an Initial Franchise Fee upon execution of this Agreement. The Franchise Owner will execute only one Franchise Agreement with the applicable exhibits.

B. Existing Franchisee. If Franchise Owner is an existing franchisee under the System and is operating another Honest1 Center as of the Effective Date of this Agreement, and elects to purchase the right to operate another franchise Center, for each additional franchise Center the Franchise Owner will pay an Initial Franchise Fee of Eighty-Five Percent (85%) of the then-current Initial Franchise Fee being charged at that time for Individual Franchises. At the current initial franchise fee of Seventy-Five Thousand Dollars (\$75,000), the Initial Franchise Fee for the second location would be Sixty-Three Thousand Seven Hundred Fifty Dollars (\$63,750).

C. Veteran Franchisee. If Franchise Owner is a qualified United States Veteran, and elects to purchase the right to operate one location, Franchise Owner will pay the Initial Franchise Fee payable for an Individual Franchise reduced by ten percent (10%) to Sixty-Seven Thousand Five Hundred Dollars (\$67,500).

4.2 If Franchise Owner is unable to open the Center by the required deadline, Franchisor may grant an extension for six months provided that Franchise Owner pays an extension fee of \$5,000 for a six month extension. The extension fee is due upon the submittal of the extension request. If Franchisor declines to extend the development deadline then Franchisor will return the extension fee.

4.3 Commencing as of the date when the Center opens for business and continuing throughout the initial term of this Agreement, Franchise Owner shall pay to Franchisor a royalty fee equal to six percent (6%) of the weekly Gross Sales of the Franchised Business ("Royalty Fee"). The term "Gross Sales" shall mean the amount of sales of all products and services sold in, on, about, or from the Center by Franchise Owner, whether for cash or on a charge, credit or time basis, without reserve or deduction for inability or failure to collect, and including income of every kind and nature related to the Franchised Business.

At no time during the term of this Agreement shall the Royalty Fee Franchise Owner shall pay to Franchisor exceed six percent (6%) of the weekly Gross Sales of the Franchised Business.

4.4 Commencing as of the date when the Center opens for business, and continuing throughout the initial and renewal term of this Agreement, Franchise Owner shall pay to Franchisor or its designee its weekly then-current fee for advertising and brand development ("Advertising Fee") as further described in Article X. The Advertising Fee is currently two percent (2%) of weekly Gross Sales. The Franchisor reserves the right to increase the Advertising Fee and will announce the increase at least thirty (30) days prior to implementation. Franchisor is not obligated to provide legal notice directly to Franchise Owner of this change but may announce the change to the System.

4.5 During the term of this Agreement, Franchise Owner shall have a dedicated email account in the format that Franchisor shall designate using the Proprietary Marks. Franchise Owner shall pay to Franchisor the then-current Technology Fee for system-related technology services, programs and platforms, which may include but is not limited to website, intranet, business intelligence services, SEO, CRM, email, email marketing, phone call analytics, learning management systems, software, applications, social media, and such other technology services, programs and platforms as may be implemented by Franchisor from time to time. Any data overages costs will be paid in addition to the Technology Fee.

Franchise Owner acknowledges that Franchisor retains all rights over the Honest1 domain name and use of the Proprietary Marks. The Technology Fee may be increased or decreased during the term of this Agreement and the payment frequency may change, and Franchise Owner agrees to pay such amended fee. Franchisor may retain a portion of the Technology Fee for its administrative services. Any data overage charges will also be assessed and must be paid in addition to the Technology Fee.

4.6 All continuing payments required under this Article IV shall be paid via electronic funds transfer on or before each Monday with respect to Gross Sales during the previous week. All payments shall be accompanied by such reports or statements as are required under Article IX hereof and submitted to Franchisor to such place as Franchisor may designate in writing. Any payment or report not actually received in full by Franchisor or its designee by Monday of any week (with respect to Gross Sales during the previous week) shall be deemed overdue. If any Royalty Fee payment is overdue, Franchise Owner shall pay Franchisor, in addition to the overdue amount, the sum of Ten (\$10) Dollars per day for each day any unpaid amount is overdue and an additional Ten (\$10) Dollars per day for each day any report is late. Franchise Owner shall also pay to Franchisor interest on any overdue amount to be made pursuant to Article X hereof, until paid, at the rate of eighteen (18%) percent per annum, or the maximum rate permitted under applicable federal or state law if it is less than eighteen percent (18%) per annum. If Franchise Owner fails to submit to Franchisor the reports Franchisor requires on Franchise Owner's Gross Sales figures for the prior week as required by this Section 4.6, Franchisor has the right to withdraw from Franchise Owner's bank account an amount of estimated Royalty Fees and Advertising Fees. Franchisor will calculate this estimated amount based on the last reported full week Gross Sales plus twenty percent (20%) each week as an estimate of the prior calendar week's Royalty Fees and Advertising Fees as well as any late charges or interest due. The foregoing shall be in addition to any other remedies Franchisor may have, including, without limitation, the right of set-off to withdraw or retain, from time to time and without notice to Franchise Owner, any amounts due and unpaid by Franchise Owner from any accounts or amounts otherwise payable to Franchisor.

4.7 Gross Sales shall not include the amount of any excise or sales tax levied on retail sales and payable over to the appropriate governmental authority. In computing Gross Sales, Franchise Owner may deduct the amount of over rings, refunds, allowances, or discounts to customers (including coupon sales), provided that such amounts have been included in Gross Sales and provided that Franchise Owner complies with the requirements, including time limits, established by Franchisor from time to time in writing, relating to reporting and taking credits against Gross Sales.

4.8 The Franchise Owner will, from time to time during the term of this Agreement, execute such documents as the Franchisor may request to provide the Franchise Owner's unconditional and irrevocable authority and direction to its bank authorizing and directing the Franchise Owner's bank to pay and deposit directly to the account of the Franchisor, and to charge to the account of the Franchise Owner, the amount of any fees due and payable by the Franchise Owner pursuant to this Agreement before the close of business on Monday of each week for the preceding week. The authorizations will be in the form prescribed by the Franchisor's bank and will permit the Franchisor to designate the amount to be debited or drafted from the Franchise Owner's account. If the Franchise Owner fails at any time to provide the Gross Sales reports as required under this Agreement, then the Franchisor will have the absolute right to estimate the amount of Royalty Fees, Advertising Fees and any late charges and/or interest due in accordance with Section 4.6. The Franchise Owner will, at all times during the term of this Agreement, maintain a balance in its bank account sufficient to allow the appropriate amount to be debited from the Franchise Owner's account for payment of fees payable by the Franchise Owner to Franchisor.

4.9 The Franchise Owner shall join a national warranty program ("Warranty Program") as designated by Franchisor or selected from Franchisor's approved supplier list. Currently, the fees for the Warranty Programs are paid by the National Fund for each Franchise Owner. If the Warranty Program fees are no longer paid by National Fund fees during the terms of this Agreement, Franchise Owner shall, within

thirty (30) days of receipt of written notice from the Franchisor, commence paying the Warranty Program fees for the selected Warranty Program. The costs for the Warranty Programs will vary depending on the supplier's fees and Franchisor's negotiated costs.

4.10 Franchisor or a Region Developer may charge additional fees for optional operational products or services it provides to franchisees if those products and services are outside of a Region Developer's or Franchisor's responsibilities under this Agreement. These optional products or services might include, but are not limited to, used equipment sales and temporary staffing. Franchisor may choose to offer such optional products or services at cost or at a profit.

4.11 Unauthorized Marketing Fee. If Franchise Owner fails to obtain Franchisor's prior approval on any advertising material before use or Franchise Owner fails to stop using any advertising materials that Franchisor has withdrawn its approval to use ("Unauthorized Marketing"), then Franchisor will impose a \$500 unauthorized marketing fee per violation ("Unauthorized Marketing Fee"). Such a fee will continue to be imposed on a monthly or per use basis if Franchise Owner continues to use unauthorized materials or fail to correct the Unauthorized Marketing after notification.

4.12 Expenses of Franchisor. As of the Effective Date and from time to time thereafter, Franchise Owner will pay all reasonable expenses of Franchisor on demand (including, without limitation, search costs and the fees and expenses of legal counsel for Franchisor) relating to this Agreement, and all related agreements and documents prepared for and due to Franchise Owner's actions, including, without limitation, expenses incurred in the analysis, negotiation, preparation, closing, administration and enforcement of this Agreement and the other franchise related documents for Franchise Owner, the enforcement, protection and defense of the rights of Franchisor in and to this Agreement or otherwise hereunder, and any reasonable expenses relating to extensions, amendments, waivers or consents pursuant to the provisions hereof, or any related agreements and documents or relating to agreements with other creditors of Franchise Owner, or termination of this Agreement related to Franchise Owner's default of this Agreement (collectively, the "**Expenses**"). Any Expenses not paid upon demand by Franchise Owner shall bear interest at a per annum rate of interest of eighteen percent (18%) or the maximum rate permitted under applicable federal or state law if it is less than eighteen percent (18%) per annum.

## **ARTICLE V**

### **DUTIES OF FRANCHISE OWNER**

5.1 The Franchise Owner understands and acknowledges that every detail of the appearance and operation of the Franchised Business in compliance with the System is critical to the Franchisor, the Franchise Owner and other Franchise Owners in order to:

5.1.1 Develop and maintain high and uniform operating standards;

5.1.2 Increase the demand for the products and services sold by Franchise Owners; and

5.1.3 Protect the Proprietary Marks and the System, and the Franchisor's Trade Secrets, reputation and goodwill.

5.2 The Franchise Owner will have a period of twelve (12) months after signing the Franchise Agreement to locate a site for the Franchised Business, to obtain Franchisor's approval of the site and to either sign a purchase agreement or lease, including execution of Attachment F. The Franchisor's approval of the Franchise Owner's site and the purchase agreement (including any ancillary documents) or lease for such site is required. Franchisor may require that Franchise Owner own the real estate in a separate legal entity that executes a lease agreement with Franchise Owner. The Franchisor will be available from time to time, and at its sole discretion, to provide general site selection assistance to the Franchise Owner. The Franchise Owner must commence the operation of the Franchised Business within one hundred eighty (180)

days after executing a purchase agreement or signing the lease for the Franchised Business site. Franchise Owner is responsible for negotiating the terms of a separate agreement regarding the development and lease of the site. Any site development documents are also subject to Franchisor's review and approval. Even if Franchisor has an approved supplier of real estate location and development services, Franchise Owner must still apply and be accepted by such supplier into its program. Franchise Owner acknowledges that the approved supplier may be partially owned by an officer or owner of Franchisor and that the approved supplier may earn income on its services. If Franchise Owner evaluates a site that has been pre-approved by Franchisor and already purchased by an approved supplier of real estate location and development services, then Franchise Owner must either develop the pre-qualified site with the site owner (for which use of the site supplier's services may be a condition of developing the site) or locate a different site that is at least 3 miles away from the pre-approved site.

5.3 Before commencing any construction or leasehold improvements of the Franchised Business, the Franchise Owner, at its expense, shall comply with all of the following requirements:

5.3.1 The Franchise Owner shall have received the Franchisor's prior written approval of the site selected by the Franchise Owner for the operation of the Franchised Business and any purchase agreement or lease for such site, in accordance with the terms of this Agreement. Such approval shall be evidenced by the Franchisor's and the Franchise Owner's execution of the Site Selection Addendum, attached hereto as Attachment "B";

5.3.2 The proposed site must be in compliance with all applicable local and state laws, regulations and ordinances including, but not limited to, all zoning, signage and parking requirements;

5.3.3 The Franchise Owner shall be responsible for all reasonable expenses pertaining to the Franchisor's travel to the site to monitor and review the construction of the approved site and the final inspection of the site prior to the opening of the Franchised Business;

5.3.4 The Franchise Owner shall employ a qualified general contractor or such other qualified person as the Franchisor may approve in its absolute and sole discretion for the purposes of supervising the construction of the Franchised Business and ensuring the completion of all construction or leasehold improvements, and the Franchise Owner shall submit to the Franchisor a statement identifying the general contractor and describing the general contractor's qualifications and financial responsibility; and

5.3.5 The Franchise Owner shall obtain all business licenses, permits and certifications required for lawful construction and ongoing operation of the Franchised Business (including, without limitation, zoning, access, variances, health and safety, sign and fire requirements) and shall certify in writing to the Franchisor that all such licenses, permits and certifications have been obtained.

5.4 Franchise Owner shall completely construct and equip, at Franchise Owner's expense, the approved site in accordance with Franchisor's standards and specifications. Franchise Owner must use the designated architectural and engineering firm selected by Franchisor should the Franchisor require. During the period of construction, Franchise Owner shall provide to Franchisor such periodic progress reports as Franchisor may, in its discretion, require, signed by Franchise Owner and its general contractor, warranting that construction is proceeding on schedule and in accordance with the approved final plans and with all applicable laws, ordinances and regulations. Franchisor and its agents shall have the right to inspect the construction at all reasonable times. Franchise Owner shall complete construction (including all exterior and interior carpentry, electrical, painting, and finishing work, and installation of all fixtures, equipment, and signs) in accordance with the approved final plans before the opening of the Franchised Business. Franchise Owner shall promptly notify Franchisor of the date of completion of construction and Franchisor shall have the right to conduct a final inspection of the store and its premises. Franchise Owner shall not open the Franchised Business without the express written authorization of Franchisor, and Franchisor's



authorization to open may be conditioned upon Franchise Owner's strict compliance with all initial inventory, fixtures, furnishings, and equipment requirements. Franchisor and Franchise Owner agree that time is of the essence in the construction and opening of the Franchised Business. Franchisor may require Franchise Owner to submit a report to Franchisor detailing the initial investment costs to develop and open the Franchised Business in the format Franchisor prescribes and by the deadlines prescribed, as such will be stated in the Manuals and/or provided to Franchise Owner and which is anticipated to be the categories currently described in Item 7 of the Franchise Disclosure Document. If required by Franchisor, Franchise Owner must also provide such other information as Franchisor may require on these costs.

5.5 In accordance with the terms and conditions set forth in Article III hereinabove, the Franchise Owner or its designee shall attend and complete to the Franchisor's reasonable satisfaction the Franchisor's initial training program at least thirty (30) days prior to the opening of the Franchised Business. Franchise Owner or its designee will be evaluated on the ability to speak and write English fluently, Franchise Owner's aptitude for the operation of the franchise, whether Franchise Owner is a good fit within the System, or whether the Franchise Owner's operation might adversely affect the goodwill or reputation of the System.

5.6 If the Franchise Owner is a corporation or other legal entity, or if Franchisor approves an assignment to such an entity, the Franchise Owner must designate a single individual (the "Designated Representative") who must successfully complete initial training, and be primarily responsible for Franchise Owner's performance under this Agreement. The Designated Representative shall devote his or her full time best efforts and energy to, and be responsible for the direct, on-premises and day-to-day full time supervision and management of the Franchised Business. The appointment of a Designated Representative shall be subject to Franchisor's approval. Franchisor strongly recommends that the Designated Representative have an ownership interest in the Franchise Owner. Franchisor also strongly recommends that the Franchise Owner designate an individual who will be an additional on-premises manager of the Franchised Business. Any on-premises manager must also successfully complete initial training. During the term of the Franchise Agreement, Franchise Owner must provide Franchisor with 90 days' notice and obtain Franchisor's express written approval, which may be withheld in Franchisor's sole discretion, before Franchise Owner purchases any other franchise in any other system, or owns more than 20% of any other business.

5.7 The Franchise Owner shall cause its employees (including the Designated Representative and any person acting as a manager of the Franchised Business) to attend and complete, to the Franchisor's reasonable satisfaction, such special programs or periodic additional training as the Franchisor may require in writing from time to time including but not limited to our annual franchise convention. For refresher training, the Franchisor shall provide and pay for instruction and training materials in connection with such additional training. If Franchise Owner is opening an additional Center, there may be additional training sessions for which a training fee must be paid. For any type of training, the Franchise Owner and/or its employees shall be responsible for any and all other expenses incurred in training, including the costs of meals, entertainment, lodging, travel and wages.

5.8 The Franchise Owner shall use the Franchised Business solely for the operation of the Franchised Business that is licensed hereunder in strict accordance with the Manual and shall refrain at all times from using or permitting the use of the premises of the Franchised Business for any other purpose or activity other than as contemplated by this Agreement. Franchise Owner shall not cobrand or associate the Franchised Business with any other personal or business activity in any manner which is likely to cause the public to perceive that the other personal or business activity is related to or associated with the Franchise Owner or System. For any Franchise Owner that is also a legal entity, the legal entity shall be a "single purpose entity" and may not operate, own or receive any revenue from any other business except for authorized purposes of the Franchised Business. The Franchise Owner shall keep the Franchised Business open and in normal operation for such minimum hours and days as the Franchisor may from time to time

prescribe. Currently, Franchise Owner is expected to be open Monday through Friday and Saturday hours are strongly encouraged but are currently at the Franchise Owner's discretion.

5.9 The Franchise Owner shall continuously maintain the Franchised Business in the highest degree of sanitation, repair and condition as the Franchisor may reasonably require, and in connection therewith shall make such additions, alterations, repairs and replacements thereto (but not without the Franchisor's prior written consent) as may be required for that purpose, including, without limitation, such periodic redecorating, replacement of inventory and replacement of obsolete signs, fixtures or materials as the Franchisor may reasonably direct, or as otherwise required under the lease for the Franchised Business.

5.10 The Franchise Owner shall meet and maintain the highest safety standards and ratings applicable to the operation and management of the Franchised Business and its personnel as the Franchisor may reasonably require.

5.11 After execution of this Agreement, the Franchise Owner shall maintain sufficient levels of working capital and net worth for use in connection with the development, management and operation of the Franchised Business as the Franchisor may reasonably require by direct notice to the Franchise Owner, or if no direct notice is provided, in the minimum standards as stated in the Manual.

5.12 At the Franchisor's request, which shall not be more often than once every five (5) years (but which shall in any event be whenever required by the lease for the Franchised Business), the Franchise Owner shall refurbish the Franchised Business, at its expense, to conform to the then-current Franchised Business design and decor, trade dress, color scheme and presentation of trademarks and service marks consistent with the design concepts then in effect for new franchised businesses licensed to operate under the System and in accordance with the Manual, including, without limitation, such structural changes, remodeling, redecoration and other modifications to existing improvements as deemed necessary by the Franchisor. Franchisor agrees to provide reasonable notice on the required refurbishments and provide a reasonable time period for the Franchise Owner to comply.

5.13 The Franchise Owner shall operate the Franchised Business in conformity with such uniform methods, standards and specifications as the Franchisor may from time to time prescribe to ensure that the highest degree of product quality and service is uniformly maintained. The Franchise Owner shall conduct its business in a manner which reflects favorably at all times on the System and the Proprietary Marks. The Franchise Owner shall at no time engage in deceptive, misleading or unethical practices or conduct, or undertake any other act which may have a negative impact on the reputation and goodwill of the Franchisor or any other Franchise Owner operating under the System. Pursuant to this ongoing responsibility, the Franchise Owner agrees:

5.13.1 To maintain in sufficient supply as the Franchisor may prescribe in the Manual or otherwise in writing and use at all times only such products and supplies as conform to the Franchisor's standards and specifications as contained in the Manual, and to refrain from deviating therefrom without the Franchisor's prior written consent;

5.13.2 To sell or offer for sale only such products and services as meet the Franchisor's uniform standards of quality and quantity which have been expressly approved for sale in writing by the Franchisor in accordance with the Franchisor's methods and techniques; to sell or offer for sale all approved items; to refrain from any deviation from the Franchisor's standards and specifications for serving or selling such products or services; and to discontinue selling and offering for sale any such products or services as the Franchisor may, in its sole discretion, disapprove in writing at any time;

5.13.3 To lease or purchase and install at the Franchise Owner's expense all fixtures, furnishings, signs and equipment as the Franchisor may reasonably specify from time to time in the Manual or otherwise in writing, and to refrain from installing or permitting to be installed on or about the Franchised

Business without the Franchisor's prior written consent any fixtures, furnishings, signs, cards, promotional literature, equipment or other items not previously specifically approved as meeting the Franchisor's standards and conforming to the Franchisor's specifications;

5.13.4 To employ a sufficient number of competent and trained employees, attired as provided in the Manual, so as to serve customers efficiently and in a manner consistent with System standards and to comply with all applicable federal, state and local laws, rules and regulations with respect to such employees. Franchisor has no right to control Franchise Owner's employment policies, including hiring, scheduling, pay rates, discipline or termination of Franchise Owner's employees, except the Franchise Owner must adhere to the System standards in the Franchise Business;

5.13.5 To use only the standard service order, warranty and other forms approved or provided by the Franchisor and no other forms or documents, except with the express prior written permission of Franchisor;

5.13.6 To maintain all licenses and permits in Good Standing;

5.13.7 To regularly access (at least weekly) the Franchisor's online System, to read all updates and System communications and implement any new requirements, and to respond to any of Franchisor's communications within 48 hours of Franchisor's sending; and

5.13.8 Should Franchise Owner fail to maintain the Franchisor's standards, and, after receiving a written notice to become compliant with the standards, Franchisor deems it reasonably necessary to hire a third party to inspect or to send a representative to Franchise Owner's Center for evaluation or inspection of the Center in order to confirm whether or not Franchise Owner has cured the default, then in addition to Franchisor's right to terminate, Franchise Owner is responsible for reimbursing Franchisor for its actual costs for such an inspection.

5.14 Franchise Owner must purchase or lease all equipment, inventory, supplies, tools, and other products and materials required for the operation of the Franchised Business solely from suppliers (including distributors, manufacturers, and other sources) who demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's reasonable standards and specifications for such items; who possess adequate quality control and capacity to meet Franchise Owner's needs promptly and reliably; and who have been approved in writing by Franchisor and not thereafter disapproved. Franchisor may also collect rebates based on purchases and sales by Franchise Owner. Franchisor may withdraw approval of any approved supplier and require Franchise Owner to purchase equipment, inventory and/or supplies only from Franchisor or an assign. If Franchise Owner desires to purchase any items from an unapproved supplier, Franchise Owner or the supplier shall submit to Franchisor a written request for approval. If Franchisor does not approve a supplier in writing within sixty (60) days after receiving Franchise Owner's request, including all other information requested by Franchisor in order to evaluate that supplier, it will be deemed denial of the request. Franchisor's approval shall not be unreasonably withheld but Franchisor may condition approval on the supplier agreeing in writing: (a) not to disclose any confidential information regarding us or our operations, (b) to comply faithfully with our specifications for the items it sells, (c) to sell any materials bearing our Proprietary Marks (as defined in Item 13) only to our franchisees, (d) on the supplier demonstrating to our reasonable satisfaction that it is able to supply equipment, fixtures and/or inventory meeting our specifications on a continuing basis, (e) that the supplier is, and will continue to be, of good standing in the business community with respect to its financial soundness and the reliability of its product and service, and (f) require rebate payments from the supplier. Franchisor reserves the right to require that its representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered to Franchisor or its designee for testing. Franchisor may impose a charge, not to exceed the reasonable costs of inspection and testing, which shall be paid by Franchise Owner or the supplier. Franchisor reserves the right from time to time to inspect the facilities

and products of any previously approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's standards and specifications. Franchisor or an assign, may, at its option, elect to purchase equipment, inventory and/or supplies in quantities for resale to franchisees of the System, or offer additional operational services, at a profit to Franchisor. Franchise Owner may, at its option, elect to make purchases of such items from Franchisor or its assign, or from other approved vendors.

5.15 The Franchise Owner shall permit the Franchisor or its agents or representatives to enter upon the premises of the Franchised Business at any time for purposes of conducting inspections, taking photographs and interviewing employees and customers. The Franchise Owner shall cooperate fully with the Franchisor's agents or representatives in such inspections by rendering such assistance as they may reasonably request. During an inspection, Franchisor and its representatives reserve the right to select or request that Franchise Owner provide them, free of charge, with inventory, equipment, advertising and other samples for inspection and evaluation purposes to make certain that the items conform with Franchisor's then-current standards. Upon notice from the Franchisor or its agents or representatives, and without limiting the Franchisor's other rights under this Agreement, the Franchise Owner shall take such steps as may be necessary to immediately and diligently correct any deficiencies detected during such inspections, including, without limitation, immediately ceasing and preventing the further use of any products, equipment, inventory, advertising materials, supplies or other items that do not conform to the Franchisor's then-current specifications, standards or requirements. In the event the Franchise Owner fails or refuses to correct such deficiencies, the Franchisor shall have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such corrections as may be required at the sole expense of the Franchise Owner, which the Franchise Owner agrees to pay upon demand.

5.16 The Franchise Owner acknowledges and agrees that the Franchisor has developed certain products, services, operational systems and management techniques and may continue to develop additional products and proprietary methods and techniques for use in the operation of the Franchised Business which are all highly confidential and which are trade secrets of the Franchisor ("Trade Secrets"). Because of the importance of quality control, uniformity of product and the significance of such proprietary products in the System, it is to the mutual benefit of the parties that the Franchisor closely controls the dissemination of this proprietary information. Accordingly, the Franchise Owner agrees that in the event such information and techniques become a part of the System, the Franchise Owner shall comply and strictly follow these techniques in the operation of its business and shall purchase from the Franchisor or from an approved source designated by the Franchisor any supplies or materials necessary to protect and implement such techniques.

5.17 The Franchise Owner shall at all times use its best efforts to promote and increase the sales and consumer recognition of the products and services offered at the Franchised Business pursuant to the System and the Manual, to effect the widest and best possible distribution of the Franchisor's products and services from the Franchised Business and to devote its best efforts in controlling the Franchised Business, its managers, assistants and employees.

Any additional business operations involving the direct or indirect ownership of real estate on which any Center in the System is to be operated or the direct or indirect involvement in any construction business must be pre-approved in writing by Franchisor in its sole discretion due to the financial resources required and the complexity of such ownership and services. Such approval is not guaranteed.

5.18 The Franchise Owner shall display the Franchisor's Proprietary Marks and logos at the Franchised Business, on uniforms and otherwise in the manner prescribed by the Franchisor. The color, design and location of said displays shall be specified by the Franchisor and may be changed from time to time in the reasonable discretion of the Franchisor. The Franchise Owner shall conspicuously display to customers any sign or notice designated by the Franchisor serving to notify and inform third parties that the

Franchisor is engaged in the business of franchising and providing sufficient information to enable third parties to contact the Franchisor to inquire about prospective franchises. The Franchise Owner shall not display any signs or posters at the premises or elsewhere without the prior written consent of the Franchisor, which consent shall not be unreasonably withheld or delayed.

5.19 The Franchise Owner shall purchase the computer and networking hardware required by the Franchisor for operation of the Franchised Business, as well as any required software. In addition, the Franchise Owner shall purchase and maintain the required office equipment for the Center, including printers and telephone answering systems. The Franchise Owner agrees to upgrade and/or update these items upon request from Franchisor and within the timeframe required by Franchisor, at Franchise Owner's sole expense.

5.20 The Franchise Owner will, at its expense, purchase and install the interior and exterior signage required by Franchisor, subject to local ordinances and regulations. The Franchisor will have the absolute right to inspect, examine, videotape and photograph the signs at any time during the term of the franchise. In addition, during the term of this Agreement, Franchise Owner shall, within thirty (30) days of receipt of written notice from the Franchisor, and at his/her expense, either modify or replace the signs so that the signs displayed at the Center will comply with the Franchisor's redesigned sign plan and specifications. The Franchise Owner may not otherwise alter, remove, change, modify, or redesign the signs without the Franchisor's prior written approval.

5.20.1. The Franchise Owner agrees that the Franchisor will be entitled to petition a court of competent jurisdiction for injunctive relief against the Franchise Owner without the posting of any bond or security to require the Franchise Owner to exhibit the approved signs during the term of this Agreement and to require the Franchise Owner to remove the signs from the former Center upon termination or expiration of this Agreement or upon the relocation of the Center. The Franchisor will be entitled for such injunctive relief without posting a bond or other security in any such action.

5.20.2. Upon the termination or expiration of this Agreement, the Franchisor will have the right, but not the obligation, to purchase all signs bearing the Proprietary Marks from the Franchise Owner. If the Franchisor elects to exercise this purchase option, then the Franchise Owner will be required to sell all signs bearing the Proprietary Marks to the Franchisor within two (2) business days of the date of the Franchisor's written notice of exercise of this option. The purchase price to be paid by the Franchisor will be equal to the current fair market value of the signs.

5.21 The Franchise Owner will, at all times during the term of this Agreement, maintain an email address as provided by Franchisor and will be used as a method for the Franchise Owner and the Franchisor to communicate with each other and to transmit documents and other information. A domain name will be provided by the Franchisor for use with the Franchise Owner's email address. Other than this domain name, the Franchise Owner will not use the word "Honest-1", "Honest1", "Honest 1", "H1", or "H-1" as any part of his/her email address. Franchisor owns all rights related to and associated with the Franchise Owner's email address and Franchise Owner has no reasonable expectation of privacy in the email address. The Franchise Owner's email address shall only be used to communicate for System purposes.

5.22 The Franchisor will have the sole right to advertise Centers on the Internet, to sell merchandise directly to retail and/or wholesale customers via the Internet under the "Honest1 Auto Care" name and the Proprietary Marks, and to use Honest1.com or any derivative or related domain name. The Franchise Owner will not establish a website or home page on the Internet for his/her Center, and will not use any of the Proprietary Marks or otherwise refer to the Center, in any Internet website or home page, except as provided by Franchisor. The Franchisor will establish a website to represent the Franchise Owner's Center. The Franchise Owner will pay Franchisor for the development, operation, and

maintenance costs of the website, as well as search engine optimization services and email services. Franchisor may also charge for its administration. Franchisor may change these fees over the term of the Franchise. The primary content and design for this website will be provided by the Franchisor. Any changes or modifications to the content or design of the website must be approved by the Franchisor or in accordance with Franchisor's specific policies. The Franchisor will own all rights to the domain name of the website and will allow the Franchise Owner to use the domain name for the website address and email address(es). All features of the website, including the domain name, content, design, and external links will be determined by the Franchisor, in its sole discretion. The Franchisor will also have the right to modify the website or the website vendors at any time, in its sole discretion. Upon a default of this Agreement, the Franchisor will have the right to suspend or temporarily or permanently discontinue access and visibility of the website until the default is cured. The Franchisor also reserves the right to implement a System-wide website in place of individual Center websites for its franchisees.

5.22.1 Franchisor has a right but not the obligation to control all use of all domain names, websites, addresses, metatags, links, email address and other means of electronic identification or origin ("E-names") related to the Franchised Business and System. Franchise Owner is not permitted to create, disseminate or post any information about the Honest1 System or use the Proprietary Marks on any social media and/or networking websites, such as Facebook, YouTube, Pinterest, SnapChat, Instagram, TikTok, LinkedIn and X or any other internet website, blog bulletin board, chat room, barter exchange, marketplace or any other electronic media, unless otherwise approved by Franchisor. If, approved, Franchise Owner may set up its own social media channels and agrees to provide Franchisor with the current passwords to any social media account that Franchise Owner uses to promote the Franchised Business within five days after opening the account, upon any changes, as part of any transfer, upon termination and otherwise promptly upon Franchisor's request. Franchise Owner grants Franchisor the right to access any social media accounts to take corrective action if such advertising and postings are in violation of Franchisor's advertising policy, are misleading or misuse the Proprietary Marks, and to operate such accounts after termination of this Agreement. Any information that Franchise Owner recommends be promoted on social media must first be provided to Franchisor in the form and manner stated in its Manuals. Franchisor reserves the right to own the social media accounts used to promote the Franchised Business. If Franchisor owns these accounts, then Franchisor also reserves the right to require Franchise Owner to pay the provider directly (and keep the account current) or to pay a fee directly to Franchisor. If Franchisor owns these accounts, then Franchisor may provide Franchise Owner with the passwords and authority to use such accounts to promote the Franchised Business. If Franchisor manages these social media accounts for Franchise Owner, Franchisor may also charge a fee for Franchisor's services. If Franchisor exercises these rights after commencement of the Franchised Business when Franchise Owner has existing and approved accounts, then Franchisor will provide Franchise Owner with at least thirty (30) days' notice before requiring assignment of the social media account to Franchisor. If Franchise Owner has established unapproved accounts, then Franchisor may require immediate transfer of the account ownership to Franchisor. Franchise Owner will provide all necessary passwords and account transfer confirmation as necessary to accomplish the transfer. Further policies and procedures for the social media accounts may be stated in the Manual or will otherwise be communicated to Franchise Owner in writing. Any and all photographs and other media posted to any social media platform must comply with all applicable laws, including federal and state laws governing copyright. Franchisor may take photographs of its events in order to promote the event and the System. Franchise Owner consents to Franchisor's usage of any photograph that contains an image of Franchise Owner that Franchisor takes at an event or at the Franchised Business location such as training, conferences, seminars, events or at Franchisor's office. Franchise Owner acknowledges that Franchisor has no control over any third party social media actions and that Franchisor has no obligation to take any special action in the event of a social media boycott, media storm or other complaint, each of which will be addressed on a case-by-case basis.

5.22.2 Franchise Owner agrees that Franchisor owns all right, title and interest in and to, any and all websites and E-names Franchisor commissions or utilizes or requires or permits Franchise Owner to utilize in connection with the System or which bear the Franchisor's Proprietary Marks or any derivative of the Franchisor's Proprietary Marks. Franchisor may revise its website at any time, and reserves the right to not maintain website if it determines in its business judgment that other social media are more effective. Franchise Owner recognizes and agrees that Franchisor also owns all rights and interest in any data collected via e-commerce related to the System, including any customer data, click-stream data, cookies, user data and hits and that such information is also included in Franchisor's Trade Secrets.

5.23 The Franchisor will, at all times during the term of this Agreement, have the right to directly access all sales, financial, marketing, management and other business information and all other data maintained and stored by the Franchise Owner in his/her computer databases ("Data and Information"). The Franchise Owner will, at his/her expense, configure his/her computer and maintain the communications software and hardware necessary to permit the Franchisor to access the Data and Information.

5.24 The Franchise Owner must, on a daily basis, enter onto its computerized records every item of inventory received, sold, transferred, lost, returned, or destroyed at the Center.

5.25 The Franchise Owner must participate in all product and service warranty programs established by the Franchisor from time to time in accordance with the terms and conditions set forth in the Manuals or otherwise established by the Franchisor in writing. The Franchise Owner will provide customers with necessary adjustments and/or replacement products or services in accordance with the terms of the warranty extended to the customer, even if the original products or services were provided to the customer by another Center.

5.26 This Agreement and the franchise rights granted to the Franchise Owner hereunder, including but not limited to the Franchise Business, may not be the subject to a security interest, lien, levy, attachment or execution by the Franchise Owner's creditors of any financial institution, except with the prior written approval of the Franchisor which will not be granted unless the secured party agrees that in the event of any default by the Franchise Owner under any documents related to the security interest, the Franchisor shall have the right and option to be substituted as obligor to the secured party and to cure any default of the Franchise Owner.

5.27 The Franchise Owner will honor all credit, charge, courtesy or cash cards or other credit devices required or approved by the Franchisor. The Franchise Owner must obtain the courtesy or cash cards or other credit devices. Franchise Owner acknowledges and agrees that protection of customer privacy and credit card information is necessary to protect the goodwill of the System. Franchise Owner must implement all administrative, physical and technical safeguards necessary to be in accordance with applicable law and best industry practices to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, email addresses, social security numbers, employee identification numbers, signatures, passwords, financial information, credit card information, vehicle identification numbers, account numbers, biometric or health data, government-issued identification numbers and credit-report information ("Personal Identifiable Information" or "PII"). It is Franchise Owner's responsibility to confirm that the safeguards used to protect Personal Identifiable Information comply with all applicable laws and industry best practices related to the collection, access, use, storage, disposal and disclosure of PII even if Franchisor provides Franchise Owner with any suggestions or guidance. If Franchise Owner becomes aware of any suspected or actual breach of security or unauthorized access involving Personal Identifiable Information, Franchise Owner will immediately notify Franchisor and provide specifics on the Personal Identifiable Information that was compromised or disclosed. Franchise Owner and, if Franchise Owner is an entity, its owners, are solely responsible for educating themselves as to these regulations and standards and for achieving and maintaining applicable compliance certifications. Franchise Owner agrees to permit Franchisor, Franchisor's affiliates, Region

Developers and any third party vendors Franchisor designates to have independent unlimited access to all information generated by Franchise Owner's computer and networking system. If Franchise Owner has a third party vendor for the computer system, Franchise Owner agrees to sign a release providing Franchisor with unlimited access to the data in the event of an actual or suspected data breach.

5.28 The Franchise Owner will immediately deliver to the Franchisor a copy of any notice of default received from any mortgagee, trustee under any deed of trust, contract for deed holder, lessor or any other party with respect to the Center or the Franchise Owner's Center and copies of all written notifications of any lawsuits, consumer claims, employee claims, federal or state administrative or agency proceedings or investigations or other civil or governmental claims, actions or proceedings relating to the Center. Upon request from the Franchisor, the Franchise Owner will provide such additional information as may be required by the Franchisor regarding the alleged default, lawsuit, claim, action, investigation or proceeding, and any subsequent action or proceeding in connection with the alleged default, lawsuit, claim, action, investigation or proceeding.

5.29 The Franchise Owner will, at his/her sole expense, obtain and maintain at all times during the term of this Agreement, such twenty-four (24) hour monitored electronic burglar alarm and other security system equipment and services as may from time to time be required by the Franchisor for the protection of the Center, the Franchise Owner's Center and the Franchise Owner's employees and customers.

5.30 The Franchise Owner will pay for the Franchisor's approved business coach services at the then prevailing fee, currently \$15,000, within the time frame stated in the notification by the Franchisor. In addition, the Franchise Owner will be responsible for the actual travel expenses incurred by the business coach including airfare, ground, hotel, rental car and meals. Once a location of the Center is fully secured by the Franchise Owner's execution of a binding lease agreement or Franchise Owner has purchased the property on which the Center will be located, the Franchisor will determine an estimated time frame for the development and opening of the Center. Franchisor will notify Franchise Owner of this operational time frame and will request payment within a specified time frame, typically within two weeks of notification. Upon payment, the business coach visit will be scheduled. At a minimum, the business coach visit must be scheduled at least three weeks prior to the Center opening. The coaching will be for three weeks in total; up to one week prior to the opening of the Honest1 Center and up to two nonconsecutive weeks after opening. The exact time will depend on performance testing and evaluation. If the Franchise Owner fails to properly schedule the coaching visit or fails to pay the coaching fee, then Franchisor may also declare the Franchise Owner to be in default of this Franchise Agreement.

5.31 The Franchise Owner will hire the Franchisor's approved accounting service at the Franchise Owner's expense. The Franchise Owner shall keep the accounting service for a minimum of twelve (12) months.

5.32 Franchisor reserves the right to hold periodic conventions or meetings for all franchisees in the System, which may be held every twelve (12) to twenty-four (24) months during the term of this Agreement, and Franchise Owner must attend this convention/meeting, unless expressly excused from a specific convention/meeting in writing by Franchisor. If Franchise Owner does not meet the minimum attendance requirement, it will be a default under this Agreement. Franchisor may impose a fee for attendance at a conference/meeting. Franchisor may also charge a fee for Franchise Owner's failure to attend any required conferences/meetings. Franchisor may withdraw the fee imposed for attending the conference/meeting directly from Franchise Owner's bank account prior to the conference/meeting consistent with Franchisor's policies and procedures and may also withdraw the fee imposed for failing to attend the conference/meeting as early as the first day of the missed conference/meeting.



5.33 While this Agreement is in effect and for six months after its expiration or termination, Franchise Owner shall not employ or solicit for employment any person who is at the time employed by Franchisor or by any other franchisee in the System, and Franchise Owner shall not directly or indirectly induce this person to leave their employment.

5.34 The Franchise Owner shall comply with all other requirements set forth in this Agreement, in the Manual or as the Franchisor may designate from time to time.

5.35 The Franchise Owner has an ongoing duty to promptly furnish Franchisor with its Articles of Incorporation, Articles of Organization, Bylaws, Operating Agreement, investor/owner schedules, other governing documents and any amendments or addendums thereto within three (3) business days after execution, regardless of whether Franchisor has made a request, and any other documents Franchisor may request within three (3) business days after a request. After the initial submittal, Franchise Owner has an ongoing duty to provide Franchisor any amendments, addendums and/or any other changes to the aforementioned documents within three (3) business days after execution.

5.36 The Franchise Owner must promptly furnish Franchisor with the name of its telephone number, carrier providing the telephone service and its contact information (including address telephone number, customer service and billing telephone number and email address), and any changes to the aforementioned.

5.37 Franchise Owner shall not donate money, products or services in the name of the Franchised Business to any charitable, political, religious or other organization or cause, and shall not publicly act in support of any such organization or cause except in accordance with Franchisor's Manuals, or without Franchisor's prior written approval which shall not be unreasonably withheld.

5.38 Franchise Owner consents to Franchisor's communications and meetings with Franchise Owner's vendors, suppliers, lenders, landlords, equipment lessors, customers, accountants, representatives or agents ("Third Party Vendors"), and hereby authorizes Franchise Owner's Third Party Vendors to provide Franchisor or its own Third Party Vendors with any information that Franchisor requests that is reasonably related to the Franchised Business or to the possible breach of this Agreement. Franchise Owner expressly waives any confidentiality rights in any agreements and any other privacy rights regarding the disclosure of this information to Franchisor or Franchisor's Third Party Vendors. Franchise Owner agrees to execute such documents as Franchisor may request from time to time to confirm Franchisor's rights.

## **ARTICLE VI**

### **PROPRIETARY MARKS**

6.1 The Franchisor is the exclusive owner of the System and the Proprietary Marks. The Franchisor hereby grants the Franchise Owner the right and license to use the Proprietary Marks in connection with the operation of its Franchised Business and the provision of services and products to its customers. The Franchisor represents with respect to the Proprietary Marks that: (1) the Franchisor has all right, title and interest in and to the Proprietary Marks; (2) the Franchisor has taken all steps which it deems reasonably necessary to preserve and protect the ownership and validity of such Proprietary Marks; and (3) the Franchisor will use and license the Franchise Owner and other franchisees to use the Proprietary Marks only in accordance with the System and the operating standards and quality control specifications which underlie the goodwill associated with and symbolized by the Proprietary Marks.

6.2 With respect to the Franchise Owner's use of the Proprietary Marks pursuant to the license granted under this Agreement, the Franchise Owner agrees that:

6.2.1 The Franchise Owner shall use only the Proprietary Marks designated by the Franchisor and shall use them only in the manner required or authorized and permitted by the Franchisor.

6.2.2 The Franchise Owner shall use the Proprietary Marks only in connection with the right and license to operate the Franchised Business granted hereunder.

6.2.3 During the term of this Agreement and any renewal hereof, the Franchise Owner shall identify itself as a licensee and not the owner of the Proprietary Marks and shall make any necessary filings under state law to reflect such status. In addition, the Franchise Owner shall identify itself as a licensee of the Proprietary Marks on all invoices, order forms, receipts, business stationery and contracts, as well as at the Franchised Business on any sign provided by the Franchisor which shall be conspicuously displayed to customers.

6.2.4 The Franchise Owner's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement or in the Manual, and any unauthorized use thereof shall constitute an infringement of the Franchisor's rights and be grounds for termination of this Agreement. The Franchise Owner understands and agrees that the limited license to use the Proprietary Marks granted hereby applies only to such Proprietary Marks as are designated by Franchisor, and which are not subsequently designated by Franchisor as being withdrawn from use, together with those which may hereafter be designated by Franchisor in writing. Franchise Owner expressly understands and agrees that it is bound not to represent in any manner that it has acquired any ownership or equitable rights in any of Franchisor's Proprietary Marks by virtue of the limited license granted hereunder, or by virtue of Franchise Owner's use of any of the Proprietary Marks.

6.2.5 The Franchise Owner shall not use the Proprietary Marks to incur or secure any obligation or indebtedness.

6.2.6 The Franchise Owner shall not use the Proprietary Marks as part of its corporate or other legal name.

6.2.7 The Franchise Owner shall comply with the Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations, and shall execute any documents deemed necessary by the Franchisor or its counsel to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

6.2.8 In the event that the Franchise Owner becomes aware of any infringement of the Proprietary Marks or if the Franchise Owner's use of the Proprietary Marks is challenged by a third party, then the Franchise Owner is obligated to immediately notify the Franchisor, and the Franchisor will have sole discretion to take such action as it deems appropriate. If the Franchisor determines that no action to protect the Proprietary Marks is necessary, then the Franchise Owner may take any action it deems necessary to protect its own interest, at its own expense. Franchise Owner may not initiate any communication or respond with any information on any infringement or challenge with any person other than its legal counsel, Franchisor, Franchisor's Region Developer, or Franchisor's counsel. If it becomes advisable at any time in the sole discretion of the Franchisor to modify or discontinue the use of any name or mark and/or use one or more additional or substitute names or marks, the Franchise Owner shall modify or discontinue the use of any such name or mark and use such additional or substitute name or mark, and shall be responsible for the tangible costs (such as replacing signs and materials) of complying with this obligation. In the event that litigation alleging that the Proprietary Marks infringe a third party's rights is instituted or threatened against the Franchise Owner, the Franchise Owner shall promptly notify the Franchisor and shall cooperate fully in defending or settling such litigation. In the event that litigation alleging that the Proprietary Marks infringe a third party's rights is instituted or threatened against the Franchise Owner, the Franchisor will indemnify and hold harmless the Franchise Owner against all damages and legal expenses incurred as a result.

6.3 The Franchise Owner expressly understands and acknowledges that:

6.3.1 The Proprietary Marks are valid and serve to identify the System and those who are licensed to operate a Franchised Business in accordance with the System;

6.3.2 Any and all goodwill arising from the Franchise Owner's use of the Proprietary Marks and/or the System shall inure solely and exclusively to the Franchisor's benefit, and upon expiration or termination of this Agreement no monetary amount shall be assigned as attributable to any goodwill associated with the Franchise Owner's use of the System or the Proprietary Marks; and

6.3.3 If it becomes advisable at any time, in the discretion of Franchisor, to modify or discontinue use of any Proprietary Mark and/or to adopt or use one or more additional or substitute Proprietary Marks, then Franchise Owner shall be obligated to comply with any such instruction by Franchisor. Franchisor shall have no obligation in such event to reimburse Franchise Owner for its documented expenses of compliance, such as changing signs, stationery, etc. Franchise Owner waives any other claim arising from or relating to any Proprietary Mark change, modification or substitution. Franchisor will not be liable to Franchise Owner for any expenses, losses or damages sustained by Franchise Owner as a result of any Proprietary Mark addition, modification, substitution or discontinuation. Franchise Owner covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

## **ARTICLE VII**

### **CONFIDENTIAL MANUAL**

7.1 In order to protect the reputation and goodwill of the Franchisor and to maintain uniform standards of operation in connection with the Proprietary Marks, the Franchise Owner shall conduct its business in strict compliance with the operational systems, procedures, policies, methods and requirements prescribed in the Manual and any supplemental bulletins, notices, revisions, modifications or amendments thereto, all of which shall be deemed a part thereof. Franchise Owner shall be granted access to an electronic copy of the Manual during the training program, and the Franchise Owner shall sign an acknowledgement evidencing receipt therefor.

7.2 The Franchise Owner agrees to immediately adopt and use the programs, services, methods, standards, materials, policies and procedures set forth in the Manual, as it may be modified by the Franchisor from time to time. The Franchise Owner acknowledges that the Franchisor is the owner or licensee of all proprietary rights in and to the System and the Manual, and any changes or supplements thereto.

7.3 The Franchise Owner shall at all times treat the Manual, any other manuals created for or approved for use in the operation of the Franchised Business and all of the information contained therein as proprietary and confidential, and shall use all reasonable efforts to maintain such information as confidential.

7.4 The Franchise Owner acknowledges, knows and agrees that designated portions of the Manual are Trade Secrets owned and treated as such by the Franchisor.

7.5 The trade secrets must be accorded maximum security consistent with the Franchise Owner's need to make frequent reference thereto. The Franchise Owner shall strictly limit access to the Manual to employees who have a demonstrable and valid need to know the information contained therein in order to perform their duties. The Franchise Owner shall strictly follow any provisions in the Manual regarding the care, storage and use of the Manual and all related proprietary information.

7.6 The Franchise Owner shall not at any time, without the Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce in any manner any part of the Manual, updates, supplements or related materials, in whole or in part, or otherwise make the same available to any unauthorized person.

7.7 The Manual shall at all times remain the sole property of the Franchisor. Upon the expiration or termination of this Agreement for any reason, the Franchise Owner shall return to the Franchisor the Manual and all supplements thereto.

7.8 The Franchisor retains the right to prescribe additions to, deletions from or revisions to the Manual, which shall become binding upon the Franchise Owner upon being mailed or otherwise delivered to the Franchise Owner, as if originally set forth therein. The Manual, and any such additions, deletions or revisions thereto, shall not alter the Franchise Owner's rights and obligations hereunder.

7.9 The Franchise Owner shall at all times ensure that its Manual is kept current and up to date, and in the event of any dispute as to the contents of the Manual, the terms contained in the master set of the Manual maintained by the Franchisor at the Franchisor's headquarters shall be controlling.

## **ARTICLE VIII**

### **CONFIDENTIAL INFORMATION**

8.1 The parties expressly understand and agree that the relationship established between the Franchisor and the Franchise Owner by this Agreement is one of confidence and trust, and that as a result, the Franchisor will be disclosing and transmitting to the Franchise Owner certain Trade Secrets and other confidential and proprietary information concerning various aspects of the Franchise Owner's operation of the Franchised Business, its methods of operation, techniques and all proprietary systems, procedures and materials relevant thereto pursuant to the System and this Agreement.

8.2 In order to preserve and protect the information, knowledge, know-how, systems, programs and other methods, Trade Secrets and techniques which the Franchisor designates as confidential, including but not limited to, distinctive interior designs, equipment layout plans, advertising signs, uniforms and other items used in operating procedures and certain business techniques, including procedures and instructions set forth in the Franchisor's Manual, proprietary software, financial data, instructional materials and training programs, research and development, product development plans and other Trade Secrets (the "Confidential Information") which are disclosed to the Franchise Owner during the term of this Agreement and any renewal hereof, the Franchise Owner agrees that:

8.2.1 The Franchise Owner shall treat and maintain the Confidential Information as confidential both during the term of this Agreement and thereafter;

8.2.2 The Franchise Owner shall use the Confidential Information only for its operation of the Franchised Business under this Agreement;

8.2.3 The Franchise Owner shall disclose the Confidential Information only as necessary to its employees or agents who have a demonstrable and valid need to know the Confidential Information and not to anyone else;

8.2.4 The Franchise Owner shall advise its employees or agents of the confidential nature of such information and the requirements of nondisclosure thereof; and

8.2.5 The Franchisor and the Franchise Owner shall conduct a review to determine which employees will have access to the Confidential Information and to the Manual. The Franchise Owner shall not disclose any Confidential Information or provide access to the Manual to such employee or agent until that person executes a nondisclosure agreement in a form prescribed by the Franchisor acknowledging the confidential and proprietary nature of the Confidential Information and agreeing not to disclose such information during the course of employment or thereafter. The Franchisor shall be designated a third-party beneficiary of such nondisclosure agreements with the right to enforce its provisions independently of the Franchise Owner but no obligation to do so.

8.2.6 These restrictions are imposed (a) for the term of this Agreement, and (b) after this Agreement is terminated (or expires), the restrictions continue to be imposed either the entire length of time that any Confidential Information is a trade secret and otherwise, the longest of either two years or as long as may be required by applicable law.

8.3 Any and all information, knowledge, know-how, systems, programs and other methods, Trade Secrets and techniques which the Franchisor designates as confidential shall be deemed Confidential Information for purposes of this Agreement, except information which the Franchise Owner can demonstrate came to its attention prior to its disclosure by the Franchisor or which, at the time of its disclosure by the Franchisor to the Franchise Owner, had become a part of the public domain through publication or communication by others or which, after disclosure to the Franchise Owner by the Franchisor, becomes a part of the public domain through publication or communication by others. It is understood and agreed that information, improvements to the System or techniques prepared, compiled or developed by the Franchise Owner, its employees or agents during the term of this Agreement and relating to the Franchised Business, whether developed separately or in conjunction with the Franchisor, shall be considered as part of the Confidential Information. The Franchise Owner hereby grants to the Franchisor an irrevocable, worldwide, exclusive, royalty-free license, with the right to sub-license such information, improvement or technique.

8.4 The Franchise Owner acknowledges that it has knowledge of confidential matters, Trade Secrets, management and training techniques, operational, accounting, quality control procedures, programs and other methods developed by the Franchisor through and in its System which, for purposes of this Agreement, are owned by the Franchisor and which are necessary and essential to the operation of the Franchised Business, without which information the Franchise Owner could not efficiently, effectively and profitably operate the same. The Franchise Owner further acknowledges that such Confidential Information was unknown to it prior to negotiation for and execution of this Agreement and that the unique and novel combination of “know-how” and methods developed by the Franchisor and licensed to the Franchise Owner by the Franchisor for the operation of the Franchised Business are distinctive to the Franchisor. The Franchise Owner shall take all steps necessary, at its own expense, to protect the Confidential Information and shall not divulge the same either during or upon the termination of this Agreement without the prior written consent of the Franchisor.

8.5 The Franchise Owner acknowledges that in addition to any remedies available to the Franchisor under Article XIII hereunder, the Franchise Owner agrees to pay all court costs and reasonable attorneys’ fees incurred by the Franchisor in obtaining specific performance of, a temporary restraining order and/or an injunction against violation of the requirements of this Article VIII.

## **ARTICLE IX**

### **ACCOUNTING, INSPECTIONS AND RECORDS**

9.1 The Franchise Owner shall maintain during the term of this Agreement and shall preserve for not less than seven (7) years from the date of preparation full, complete and accurate books, records and accounts in accordance with the System and in the form and manner prescribed by the Franchisor in the Manual or otherwise in writing from time to time. The Franchise Owner will hire the Franchisor’s approved accounting service at the Franchise Owner’s expense. The Franchise Owner shall keep the accounting service for a minimum of twelve (12) months. The accounting service will determine its own fees, which may include late charges.

9.2 The Franchisor shall have electronic access to the Franchise Owner’s computerized point of sale system to obtain any and all information the Franchisor deems necessary to its monitoring of the Franchised Business, including Gross Sales, and any other information from which the Royalty Fee and Advertising Fee are calculated, returns, and allowances. The Franchise Owner shall provide to the

Franchisor monthly and annual financial statements in accordance with the Franchisor's guidelines as set forth in the Manual or otherwise in writing. The Franchisor reserves the right to require the Franchise Owner to submit audited annual financial statements. The Franchisor may share the Franchise Owner's data with other franchisees. The Franchisor may also disclose the annual and average monthly gross sales or other similar data in the Franchise Disclosure Document, provided that the exact Center location is not listed in Item 19 with this information.

9.3 During the term of this Agreement, the Franchise Owner shall, at the Franchise Owner's expense, submit to the Franchisor copies of federal and state tax returns for the Franchise Owner within two (2) weeks of the completion of the Franchise Owner's returns, or within ninety (90) days of the completion of the fiscal year, whichever is sooner. Each annual tax return shall be compiled by an independent certified public accounting firm and signed by the Franchise Owner's President or Treasurer attesting that the statement is true and correct. In addition, Franchise Owner shall submit exact copies of the Franchise Owner's invoices for goods purchased from suppliers and copies of the Franchise Owner's operating reports to its landlord and/or shopping mall operator, immediately following the Franchisor's request for such information.

9.4 The Franchise Owner shall also submit to the Franchisor, for review and auditing, such other forms and other reports, including, but not limited to, annual accounting of Local Advertising expenditures and any and all other information and data as the Franchisor may reasonably designate, in the form and at the times and places reasonably required by the Franchisor, upon request and as specified from time to time in the Manual or otherwise in writing at any time during the term of this Agreement or any renewal hereof.

9.5 The Franchisor or its designated agents shall have the right at all reasonable times to examine and copy, at its expense, the books, records, receipts and tax returns of the Franchise Owner. The Franchisor shall also have the right, at any time, to have an independent audit made of the books of the Franchise Owner. If an inspection should reveal that any payments to the Franchisor have been understated in any report to the Franchisor, then the Franchise Owner shall immediately pay to the Franchisor, upon demand, the amount understated plus any late fees enumerated in Section 4.6 hereof. If any inspection discloses an understatement in any report of two percent (2%) or more, the Franchise Owner shall, in addition to the payment of interest and late fees thereon, reimburse the Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, reasonable accountants' and attorneys' fees). The foregoing remedies shall be in addition to any other remedies available to the Franchisor.

## **ARTICLE X**

### **ADVERTISING, PROMOTION AND MARKETING**

10.1 During the term of this Agreement, the Franchise Owner will pay the Franchisor a weekly Advertising Fee between two percent (2%) and four percent (4%) of the Franchised Business' Gross Sales for a National Fund, which will be administered and controlled exclusively by the Franchisor. Currently, the Advertising Fee is 2%. Franchisor may, from time to time and in its sole discretion, increase or decrease the Advertising Fee between 2% and 4% of the Franchised Business' Gross Sales. Franchisor is not obligated to provide legal notice directly to Franchise Owner when it elects to make this change in the Advertising Fee and may instead announce the change to all the franchise owners in the System at the same time. The Franchise Owner's failure to pay the Advertising Fees will be a material breach of this Agreement. The Franchisor will have the absolute and unilateral right to determine when, how and where the Advertising Fee in the National Fund will be spent. The Franchisor will have the right to use the National Fund at its discretion for the benefit of the System as a whole. This includes the right of the Franchisor to direct the creation of, purchase and pay for product research and development, production materials, ad slicks, brochures, commercials, services provided by advertising agencies (if Franchisor elects

to use such agencies), market research, customer retention and incentive programs, media time and space advertising (including direct and indirect television, radio, newspaper, magazine and other print advertising), Internet advertising (including social media), promotions, marketing, public relations, telemarketing and national and regional advertising, and limited local advertising that the Franchisor deems appropriate and in the best interests of all franchisees and the System. The Advertising Fees in the National Fund will be used to pay for all long-distance telephone charges, office rental, furniture, fixtures and equipment, leasehold improvements, personnel, salaries, direct costs, travel costs, office supplies, collection costs (including attorneys' fees) paid in attempting to collect past due Advertising Fees from franchisees and all other administrative costs associated with and incurred in connection with the National Fund. Currently, the Advertising Fee will also be used to pay for the Warranty Programs on behalf of the Franchise Owner, although this policy is subject to change at any time. The Franchisor will be required to contribute to the National Fund for any Centers that it owns at the same percentage rate as the majority of franchisees contribute. The Advertising Fees paid by the Franchise Owner will not be refundable under any circumstances.

10.2 The Advertising Fee will be paid directly to the Franchisor at the same time and in the same manner as the Royalty Fee due pursuant to Section 4.3, and Advertising Fees not received by the Franchisor on or before its due date will be deemed to be past due and subject to interest as described in Section 4.6. The Franchise Owner will pay the National Fund or Franchisor for any and all costs incurred by the National Fund or Franchisor, respectively, in the collection of unpaid and past due Advertising Fees including, but not limited to, the amount of actual attorneys' fees paid by the National Fund or Franchisor, respectively.

10.3 If the National Fund does not contain sufficient funds to make the expenditures determined by the Franchisor, in its sole discretion, to be necessary or advisable, then the Franchisor will have the right, but not the obligation, to loan funds to the National Fund in an amount sufficient to cover such expenditures, and the loan (plus interest as provided for herein) will be repaid from future Advertising Fees paid by all Franchised Businesses pursuant to their Franchise Agreements with the Franchisor. The Franchisor will have the right and option to either use its own funds, or borrow the necessary funds in the name of the National Fund from one or more financial institutions. The unpaid balance of any loan made by the Franchisor to the National Fund will accrue and pay interest at either (a) a rate equal to the rate of interest established by Wells Fargo Bank at its "Reference Rate" at the time of the loan, if the Franchisor utilized its own funds for the loan; or (b) a rate equal to the rate of interest charged to the Franchisor by the financial institution for the amount of the loan, if the Franchisor borrowed the funds for the loan from a financial institution.

10.4 In addition to the payment of the Advertising Fee, the Franchise Owner must also spend a percentage of the Franchise Owner's Gross Sales for each week on Local Advertising. Local Advertising means radio and television advertising and print advertising such as newspaper or magazine advertisements, direct mailings, handbills, internet advertising (including social media) or similar types of advertising and telephone directory advertising that is utilized primarily in the geographic area surrounding their Center. The Franchised Business will be required to spend a minimum amount equal to \$4,000 a month on Local Advertising. Franchisor recommends that Franchise Owner spend at least \$8,000 to \$12,000 for the first 6 months and thereafter Franchisor recommends that Franchise Owner should spend \$6,000 to \$8,000 per month. Our recommendations may be revised in Franchisor's Manuals. Within ten (10) days following the end of each calendar quarter, the Franchise Owner will furnish to the Franchisor, in the form prescribed by the Franchisor, an accurate accounting of the Franchise Owner's expenditures for Local Advertising during the previous calendar quarter. Franchisees are strongly encouraged to market within the geographic area that directly supports their Center and to not market near another franchisee's Franchised Business location, but franchisees are not restricted in the area of their marketing. The Franchisor has no contractual right or obligation to restrict another franchisee's marketing if such marketing meets the Franchisor's System standards. All Local Advertising conducted by the Franchise Owner must have the prior written approval of the Franchisor unless the copy and format for such advertising was furnished to the Franchise

Owner by the Franchisor. Franchisor has the right to require Franchise Owner to include certain statements in Franchise Owner's advertising related to the System as described in the Manuals, including but not limited to statements regarding the availability of franchises, Franchisor's contact information, and social media information. If Franchise Owner does not receive any notification by Franchisor that the materials are disapproved within fifteen (15) days of submission then the materials are deemed disapproved. If Franchisor later disapproves of any advertising materials which Franchisor had previously approved, then Franchise Owner must immediately discontinue their use. If Franchisor disapproves any advertising, Franchise Owner is responsible for any losses or costs associated with discontinuing the advertising materials or campaigns. If Franchise Owner fails to obtain Franchisor's prior approval on any advertising material before use as required in this Section or Franchise Owner fails to stop using any advertising materials that Franchisor disapproved of or has withdrawn its approval to use, then Franchisor will impose the then-current Unauthorized Marketing Fee in accordance with Section 4.11. Franchise Owner will also bear the cost of any changes or damages incurred to correct any unauthorized advertising materials. This fee is currently \$500. Such a fee will continue to be imposed on a monthly or per use basis if Franchise Owner continues to use unauthorized materials or fails to correct the unapproved advertising after notification. Any advertising and/or promotional materials submitted to Franchisor for its review shall become Franchisor's property. The Franchise Owner's obligation under this provision will be reduced by an amount equal to the amount that the Franchise Owner contributes to the Local DMA Advertising Group pursuant to Article 10.6 of this Agreement.

10.5 The Franchise Owner may, at its option, participate in advertising efforts with other "Honest1" franchisees, provided that the Franchise Owner obtains the prior written approval of the Franchisor for such advertising. For the purposes of complying with the requirements of Section 10.4, only amounts actually spent by the Franchise Owner for such advertising will be credited toward the amount required for Local Advertising pursuant to Section 10.4.

10.6 At such time as there are two (2) or more "Honest1" franchisees (including the Franchise Owner) in the Franchise Owner's "Designated Market Area," which will mean each television market exclusive of another based upon a preponderance of television viewing hours as defined by the A.C. Nielsen ratings service or such other ratings service as may be designated by the Franchisor ("DMA"), then the Franchisor will have the right to require the Franchise Owner to become a "Member" of and participate in a local DMA advertising group (the "Local DMA Advertising Group") which will conduct and administer media advertising, promotion, marketing, public relations and telemarketing for the benefit of the franchisees located in the Franchise Owner's DMA, subject to all of the following terms and conditions:

10.6.1 Each "Honest1" franchisee in the Local DMA Advertising Group will be a "Member" of the Local DMA Advertising Group, and each Member will have one (1) vote for each Center that franchisee owns on all matters to be voted upon at duly convened meetings, and the Franchisor will have one (1) vote for each Center which it owns and operates in the DMA. Each Member will be given five (5) days written notice of any proposed meeting. A quorum consisting of a majority of all Members will be required to convene any meeting of Members. A majority vote by the Members present at a duly convened meeting will be required to pass any proposed resolutions or motions. All meetings will be conducted according to Roberts Rules of Order.

10.6.2 The Local DMA Advertising Group will not conduct any media advertising, promotion, marketing, public relations or telemarketing program or campaign for the Franchised Businesses in the DMA unless and until the Franchisor has given the Local DMA Advertising Group prior written approval for all concepts, materials or media proposed for any such media advertising, promotion, marketing, public relations or telemarketing program or campaign.



10.6.3 On the fifth (5<sup>th</sup>) day of each month during the term of this Agreement, the Franchise Owner will contribute at least three percent (3%) of its monthly Gross Sales for the previous month to the Local DMA Advertising Group (the “DMA Advertising Fee”).

10.6.4 The cost of all advertising, promotion, marketing, public relations and telemarketing in the DMA must be approved by a majority vote of all Members present at a duly convened meeting. If the cost of the advertising, promotion, marketing, public relations or telemarketing approved by the Members exceeds the amount of funds available to the Local DMA Advertising Group, then the DMA Advertising Fees payable by the Franchise Owner and all other Members of the Local DMA Advertising Group may be increased by vote of a majority of the Members present at a duly convened meeting. The Franchise Owner will contribute the amount of the DMA Advertising Fee agreed to by the Members to the Local DMA Advertising Group in accordance with this provision.

10.6.5 Except as provided in Section 10.4, contributions to the Local DMA Advertising Group by the Franchise Owner pursuant to Sections 10.6.3 and 10.6.4 will be in addition to the Advertising Fee but will be credited toward the required Local Advertising required by Section 10.4.

10.7 The Franchise Owner will be required to maintain a telephone directory listing or such other listings as may be designated by the Franchisor in writing. Expenditures made by the Franchise Owner for telephone directory listings will be credited toward the Franchise Owner’s Local Advertising requirements set forth in Section 10.4. If the Franchise Owner and one or more other franchisees operate Centers in an area covered by a single directory, then the Franchise Owner will participate with such other franchisees in a single cooperative advertisement and will prepay its proportionate share of the costs of placing such cooperative advertisement.

10.8 The Franchise Owner will be required to spend between Forty-Eight Thousand Dollars (\$48,000) and Seventy-Two Thousand Dollars (\$72,000) on grand opening advertising and initial marketing for his/her Center during its first six (6) months of operation. The grand opening advertising campaign is subject to Franchisor’s prior written approval. Expenditures by the Franchise Owner for grand opening advertising do apply toward the Local Advertising and promotional expenditures required pursuant to Section 10.4 of this Agreement. The Franchise Owner will provide the Franchisor with receipts evidencing the amount spent by the Franchise Owner on grand opening advertising.

10.9 The Franchise Owner will participate in all customer survey programs, database marketing and other local marketing and promotional programs which are required by the Franchisor as designated from time to time in the Manuals, or otherwise designated by the Franchisor in writing. The Franchise Owner will pay the Franchisor or the customer survey provider, at the direction of the Franchisor, for all costs associated with surveying the customers of the Franchise Owner’s Center. The Franchise Owner will pay all costs associated with production and mailing of data base marketing materials, and will pay all other local marketing expenses associated with compliance with this Section 10.9. Expenditures by the Franchise Owner for participation in the marketing and promotional programs required under this Section 10.9 will be applied to the Local Advertising and promotional expenditures required pursuant to Section 10.4 of this Agreement.

## **ARTICLE XI**

### **INSURANCE**

11.1 The Franchise Owner shall procure, prior to the commencement of any operations under this Agreement, and thereafter maintain in full force and effect during the term of this Agreement, at the Franchise Owner’s expense, an insurance policy or policies protecting the Franchise Owner and the Franchisor, and their officers, directors, partners and employees, against any loss, liability, personal injury, death, property damage or expense whatsoever from fire, lightning, theft, vandalism, malicious mischief and the perils included in the extended coverage endorsement, arising or occurring upon or in connection

with the Franchised Business or the construction of leasehold improvements to the Franchised Business, or by reason of the operation or occupancy of the Franchised Business, as well as such other insurance applicable to such other special risks, if any, as the Franchisor may reasonably require for its own and the Franchise Owner's protection. The Franchise Owner shall be obligated to procure such insurance and to submit copies of such policies and policy amendments along with proof of payment to the Franchisor thirty (30) days prior to the opening to the public of the Franchised Business and on each policy renewal date thereafter.

11.2 Such policy or policies shall be written by an insurance company satisfactory to the Franchisor in accordance with the standards and specifications set forth in the Manual or otherwise in writing, and shall include, at a minimum (except as additional coverage and higher policy limits may reasonably be specified from time to time by the Franchisor in the Manual or otherwise in writing) the following:

11.2.1 Comprehensive general liability insurance, including contractual liability, broad form property damage, personal injury, advertising injury, product liability, completed operations and independent contractors coverage, and fire damage coverage in the amount of at least One Million Dollars (\$1,000,000), or such higher amount as required by the lease, combined single limit, and naming the Franchisor and its members, officers, and employees as an additional insured in each such policy or policies;

11.2.2 Worker's compensation and employer's liability insurance, garage keeper's insurance, as well as such other insurance as may be required by statute or rule of the state in which the Franchised Business is located and operated;

11.2.3 Fire, vandalism and extended coverage insurance with primary and excess limits of not less than the full replacement value of the Franchised Business and its furniture, fixtures and equipment; and

11.2.4 Business interruption insurance in amounts equal to at least the average monthly Royalty Fee and Advertising Fee payable to the Franchisor, but in no event less than One Hundred Thousand Dollars (\$100,000) annual coverage.

11.3 In connection with any construction, leasehold improvements, renovation, refurbishment or remodeling of the premises of the Franchised Business, the Franchise Owner shall cause the general contractor to maintain with a reputable insurer comprehensive general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builder's risk, product liability and independent contractors coverage) in at least the amount of One Million Dollars (\$1,000,000) with the Franchisor named as an additional insured, and worker's compensation and employer's liability insurance as required by state law. A copy of the Certificate of Insurance for worker's compensation coverage shall be provided to the Franchisor.

11.4 At least thirty (30) days prior to the opening of the Franchised Business and on each policy renewal date thereafter, the Franchise Owner shall submit to the Franchisor original or duplicate copies of all policies and policy amendments. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least thirty (30) days' prior written notice to the Franchisor.

11.5 The Franchise Owner's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by the Franchisor, and the Franchise Owner's performance of that obligation shall not relieve it of liability under the indemnity provision set forth in Article XVIII of this Agreement.

11.6 Should the Franchise Owner for any reason fail to procure or maintain the insurance required by this Agreement, as revised from time to time for all Franchise Owners by the Manual or otherwise in writing, the Franchisor shall have the right and authority (without, however, any obligation) to immediately procure such insurance and to charge the same to the Franchise Owner, which charges, together with a reasonable fee for the Franchisor's expenses in so acting, including but not limited to attorneys' fees, shall be payable by the Franchise Owner immediately upon notice.

## **ARTICLE XII**

### **TRANSFER OF INTEREST; OPERATION BY FRANCHISOR**

12.1 Franchisor shall have the right to assign this Agreement and all of its attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of Franchisor's functions: (i) the assignee shall, at the time of such assignment, be financially responsible for performing Franchisor's obligations; and (ii) the assignee shall expressly assume and agree to perform such obligations.

Franchise Owner expressly affirms and agrees that Franchisor may sell its assets, its rights to the Proprietary Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, Franchise Owner expressly and specifically waives any claims, demands or damages arising from or related to the loss of said Proprietary Marks (or any variation thereof) and/or the loss of association with or identification of "H-1 Auto Care, LLC" as Franchisor. Nothing contained in this Agreement shall require Franchisor to remain in the automotive repair business or to offer the same products and services, whether or not bearing the Proprietary Marks, in the event that Franchisor exercises its right to assign its rights in this Agreement.

12.2.1 Neither the Franchise Owner, any immediate or remote successor to any part of the Franchise Owner's interest in the Franchised Business, any individual, partnership, corporation or other legal entity which directly or indirectly controls the Franchise Owner, if the Franchise Owner is a corporation, nor any general partner or any limited partner (including any corporation which controls, directly or indirectly, any general or limited partner) if the Franchise Owner is a partnership, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber substantially all of the assets of the Franchised Business or the direct or indirect interest in the Franchise Owner or in the Franchised Business without the prior written consent of the Franchisor; provided, however, that the Franchisor's prior written consent shall not be required for a transfer of less than a five percent (5%) interest in a publicly held corporation or for transfer to a wholly owned corporation of the Franchise Owner formed expressly for that purpose. For such purposes, and under this Agreement in general, a publicly held corporation is a "Reporting Company" as that term is defined by the Securities Exchange Act of 1934. Franchise Owner may not use any of the Proprietary Marks in any listing or advertising for sale or transfer without Franchisor's prior written approval. If Franchise Owner authorizes Franchisor to find an outside buyer or Franchisor provides Franchise Owner with a buyer from its interested candidates (not including current Honest1 franchisees), then Franchise Owner must pay Franchisor a Transaction Services Fee, calculated as the greater of five percent (5%) of the value of the business transaction or Thirty-Five Thousand Dollars (\$35,000). The Transaction Services Fee is earned and payable upon the closing of the transaction between the Franchise Owner and the buyer and is in addition to the Application Fee and the Transfer Fee described further below. The Franchise Owner must apply to Franchisor in writing at least sixty (60) days prior to the date of the intended assignment and, at the time of application for transfer, pay to Franchisor a non-refundable Two Thousand Dollar (\$2,000) Application Fee to cover the Franchisor's administrative expenses in connection with review of the application for transfer. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of the Franchisor shall be null and void

and shall constitute a material breach of this Agreement, for which the Franchisor may then terminate without opportunity to cure pursuant to Section 13.1 of this Agreement.

12.2.2 For a transfer of any interest in the Franchise Owner or in this Agreement (as further described in Section 12.2.1 above), the Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

a. All of the Franchise Owner's accrued monetary obligations and all other outstanding obligations to the Franchisor, its subsidiaries, affiliates and suppliers shall be up to date, fully paid and satisfied;

b. The Franchise Owner shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, any other franchise agreement or other agreement between the Franchise Owner and the Franchisor, or its subsidiaries, affiliates or suppliers;

c. The Franchise Owner and each of its owners, officers and directors shall have executed a general release under seal, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor and its officers, members, directors, shareholders and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances;

d. The transferee shall demonstrate to the Franchisor's satisfaction that the transferee meets the Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the Franchised Business (as may be evidenced by prior related experience, Franchisor's testing criteria or otherwise); has at least the same managerial and financial criteria required of new Franchise Owners; is not in default of any agreement between the transferee and Franchisor; and shall have sufficient equity capital to operate the Franchised Business;

e. The transferee shall enter into a written assignment, in a form satisfactory to the Franchisor, assuming and agreeing to discharge all of the Franchise Owner's obligations under this Agreement. If the transferee is not an individual, then the owners of the transferee shall jointly and severally guarantee the obligations of the Franchise Owner under this Agreement in writing in a form satisfactory to the Franchisor, or at the Franchisor's option, the transferee shall execute (and/or, upon Franchisor's request, shall cause all interested parties to execute) the standard form of Franchise Agreement then being offered to new franchisees and such other ancillary agreements as the Franchisor may require for the Franchised Business, which agreements shall supersede this Agreement in all respects and the terms of which agreements may differ from the terms of this Agreement, including, without limitation, a higher percentage Royalty Fee and Advertising Fee and the implementation of other fees but amended to reflect payment of the Transfer Fee, to reduce the term to the expiration date of this Agreement and to provide for the same renewal terms as in this Agreement;

f. The transferee shall upgrade, at the transferee's expense, the Franchised Business to conform to the then-current specifications being used in new Franchised Businesses, and shall complete the upgrading and other requirements within the time specified by the Franchisor;

g. The Franchise Owner shall remain liable for all direct and indirect obligations to the Franchisor in connection with the Franchised Business prior to the effective date of the transfer, shall continue to remain responsible for its obligations of nondisclosure, non-competition, non-solicitation and indemnification as provided elsewhere in this Agreement, and shall execute any and all instruments reasonably requested by the Franchisor to further evidence such liability;

h. At the transferee's expense, the transferee and its manager and employees shall complete any training programs then in effect for current Franchise Owners upon such terms and conditions as the Franchisor may reasonably require unless such employees have been trained previously by the Franchisor;

i. The transferee shall have signed an acknowledgement of the receipt of all required legal documents, such as the Franchise Disclosure Document Receipt, currently Exhibit K to the Franchise Disclosure Document, and the Franchise Disclosure Document Franchise Owner Acknowledgment Statement for the then-current Franchise Agreement and ancillary agreements, currently Exhibit J to the Franchise Disclosure Document;

j. In addition to the non-refundable Two Thousand Dollars (\$2,000) Application Fee, the transferor shall pay to the Franchisor a Transfer Fee equal to Twenty-Five Thousand Dollars (\$25,000) immediately payable upon the closing of the sale to cover the Franchisor's administrative expenses in connection with the proposed transfer and, if applicable, the Transaction Services Fee;

k. The transferor must provide the Franchisor with a copy of the agreements of purchase and sale between the transferor and the transferee. The terms and price of the proposed transaction between the transferor and a transferee shall be fair and reasonable;

l. The purchase price and terms of the transfer must not be so burdensome to the prospective transferee as to impair or materially threaten the future operation of the business or the performance of the obligations and requirements in the Franchise Agreement;

m. Franchise Owner must request that that Franchisor provide the prospective franchisee with the current form of Franchise Disclosure Document at least fourteen calendar days before the closing;

n. Franchise Owner hereby indemnifies Franchisor for any representations made by Franchise Owner (or its officers, employees or agents) to any transferee; and

o. Franchisor has the right to disclose to any prospective franchisee any revenue reports or other financial information on Franchise Owner's specific location that Franchisor has or that Franchise Owner provided to Franchisor, subject to federal and state franchise laws.

**NOTE:** THIS RIGHT OF APPROVAL SHALL NOT CREATE ANY SPECIAL LIABILITY OR DUTY ON THE PART OF THE FRANCHISOR TO THE PROPOSED TRANSFEE.

12.2.3 Under Section 5.26, the Franchise Owner is prohibited from granting a security interest in the Franchised Business or in any of its assets unless certain conditions are met. These obligations will also apply to any transferee who will need to coordinate with any party that requires a security interest as part of the transfer (such as a lender providing financing or the landlord) to ensure that the conditions are satisfied.

12.2.4. The Franchise Owner acknowledges and agrees that each of the foregoing conditions of transfer which must be met by the Franchise Owner and the transferee are necessary and reasonable to assure such transferee's full performance of the obligations hereunder.

12.3 The following requirements shall apply to the Franchise Owner if the Franchise Owner is a legal entity, in addition to those requirements set forth elsewhere in this Agreement, the Manual or otherwise:

12.3.1 The Franchise Owner shall be a newly organized legal entity and its governing documents shall at all times provide that its activities are confined exclusively to operating the Franchised Business herein.

12.3.2 The governing documents, and any amendments thereto, including the resolutions of the Shareholders, Members, Board of Directors or Managers authorizing entry into this Agreement, shall be promptly furnished to the Franchisor.

12.3.3 The governing documents of any Franchise Owner that is a legal entity, and any ownership certificates if the entity issues such certificates, shall contain the following restriction.

“THE TRANSFER OR PLEDGE OF THE OWNERSHIP INTERESTS AS DESCRIBED IN THIS AGREEMENT OR ON SEPARATE CERTIFICATES OF OWNERSHIP IS SUBJECT TO THE TERMS AND RESTRICTIONS CONTAINED WITHIN THE FRANCHISE AGREEMENT BETWEEN H-1 AUTO CARE, LLC AND \_\_\_\_\_ DATED \_\_\_\_\_.”

12.3.4 The Franchise Owner shall maintain a current list of all owners of record and all owners of Franchise Owner and shall furnish the list to the Franchisor upon request, together with the addresses and phone numbers of each owner.

12.3.5 All owners of the Franchise Owner shall jointly and severally guarantee the Franchise Owner's performance hereunder and shall bind themselves to the terms of this Agreement and shall execute (and cause their spouse to execute) the Guaranty listed as Attachment E to this Agreement, however, the requirements of this Section 12.3.5 shall not apply to a publicly held corporation.

12.3.6 No Transfer Fee shall be due for a transfer of 100% of the interests of the individual Franchise Owner that executed this Agreement to an entity that the Franchise Owner owns 100% of the ownership interests.

12.4 Securities or partnership interests in the Franchise Owner may be offered to the public, by private offering or otherwise, but only with the prior written consent of the Franchisor, whether or not the Franchisor's consent is required under Section 12.2 hereof, which consent shall not be unreasonably withheld. All materials required for such offering by federal or state law as well as any materials to be used in any exempt offering shall be submitted to the Franchisor for review at least sixty (60) days prior to such documents being filed with any government agency or distributed to investors. No offering by the Franchise Owner shall imply (by use of the Proprietary Marks or otherwise) that the Franchisor is participating in an underwriting, issuance or offering of the Franchise Owner's securities, and the Franchisor's review of any offering shall be limited solely to the subject of the relationship between the Franchise Owner and the Franchisor. The Franchise Owner and any other participants in the offering must fully indemnify the Franchisor in connection with the offering pursuant to an indemnity agreement in form and substance satisfactory to the Franchisor and its counsel. For each proposed offering, the Franchise Owner shall pay to the Franchisor a nonrefundable fee of Two Thousand Five Hundred Dollars (\$2,500) to reimburse the Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. Subsequent to approval of such offering documents, the Franchise Owner shall give the Franchisor at least sixty (60) days' written notice prior to the proposed effective date of any offering or other transaction covered by this Section 12.4.

12.5 Any party who holds an interest (as reasonably determined by the Franchisor and not including the Franchisor's System, Proprietary Marks or other property of the Franchisor) in the Franchise Owner or in the Franchised Business and who desires to accept any bona fide offer from a third party to purchase its interest shall notify the Franchisor in writing of each such offer and, except as otherwise

provided herein, the Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification, to send written notice to the seller that the Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party.

12.5.1 Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by the Franchisor as in the case of an initial offer. In the event that the Franchisor elects to purchase the seller's interest, closing on such purchase must occur by the later of: (i) the closing date specified in the third party offer; or (ii) within sixty (60) days from the date of notice to the seller of the Franchisor's election to purchase. Failure of the Franchisor to exercise the option afforded by this Section 12.5.1 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Article XII, with respect to a proposed transfer.

12.5.2 In the event the consideration, terms and/or conditions offered by a third party are such that the Franchisor may not reasonably be required to furnish the same consideration, terms and/or conditions, then the Franchisor may purchase the Franchised Business 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 a third party, an independent appraiser shall be designated by the Franchisor, and his determination shall be final and binding.

12.5.3 If Franchise Owner desires to accept any bona fide offer from a third party to purchase the Franchised Business, Franchise Owner shall immediately notify Franchisor in writing of such offer. In the event Franchisor chooses not to exercise its right of first refusal, then Franchisor shall provide Franchise Owner with assistance and advice with respect to proper procedures involved in transferring ownership in the Franchised Business to a third party. Franchise Owner must simultaneously transfer its rights under the lease, and any other contracts whose continuation is necessary for operation of the Franchised Business, to the same proposed transferee and satisfy any separate conditions to obtain any third party consents required for the transfer of Franchise Owner's rights to the proposed transferee.

12.6 Upon the death, mental incapacity or disability of the Franchise Owner or a shareholder of a corporation or a general partner of a partnership which has been formed to own and operate the Franchised Business pursuant to the System, the Franchisor shall consent to the transfer of said interest in the Franchise Owner, the Franchised Business and this Agreement to the spouse, heirs or relative by blood or by marriage of said Franchise Owner, shareholder or partner, whether such transfer is made by will or by operation of law, if, in the Franchisor's sole discretion and judgment, such person or persons meet the Franchisor's educational, managerial and business standards; possess a good moral character, business reputation and credit rating; have the aptitude and ability to conduct the Franchised Business herein; have at least the same managerial and financial criteria required by new Franchise Owners and shall have sufficient equity capital to operate the Franchised Business. If said transfer is not approved by the Franchisor, the executor, administrator or personal representative of such person shall transfer his interest to a third party approved by the Franchisor within six (6) months after such death, mental incapacity or disability. Such transfer shall be subject to the Franchisor's right of first refusal and to the same conditions as any inter vivos transfer.

12.7 The Franchisor's consent to a transfer of any interest in the Franchised Business shall not constitute a waiver of any claims it may have against the transferring party, and it will not be deemed a waiver of the Franchisor's right to demand exact compliance by the transferee with any of the terms of this Agreement or any other agreement to which the Franchisor and the transferee are parties.

12.8 In order to prevent any interruption of the business of the Franchised Business and any injury to the goodwill and reputation thereof which would cause harm to the Franchised Business and thereby depreciate the value thereof, the Franchise Owner hereby authorizes the Franchisor, and the Franchisor shall have the right, but not the obligation, to operate said Franchised Business for so long as the Franchisor deems necessary and practical, and without waiver of any other rights or remedies the

Franchisor may have under this Agreement, in the event that: (i) any of the Franchise Owner's owners are absent or incapacitated by reason of illness or death and that the Franchise Owner is not, therefore, in the sole judgment of the Franchisor, able to operate the business licensed hereunder, or (ii) any allegation or claim is made against the Franchised Business, the Franchise Owner or any owners, directors, officers, managers or employees of the Franchise Owner involving or relating to misrepresentations or any fraudulent or deceptive practice. In the event that the Franchisor should operate the Franchised Business, the Franchisor at its option shall not be obligated so to operate it for a period of more than ninety (90) days. All revenues from the operation of the Franchised Business during such period of operation by the Franchisor shall be kept in a separate account and the expenses of the Franchised Business, including Royalty Fees, Advertising Fee, reasonable compensation and expenses for the Franchisor's representative, shall be charged to said account. If, as herein provided, the Franchisor elects to temporarily operate the Franchised Business on behalf of the Franchise Owner, the Franchise Owner hereby agrees to indemnify and hold the Franchisor harmless from any and all claims arising from the acts and omissions of the Franchisor and its representatives.

### **ARTICLE XIII**

#### **DEFAULT AND TERMINATION**

The terms and conditions regarding default and termination contained herein shall be subject to any applicable state statutes or regulations regarding the termination of a franchise.

13.0 Franchise Owner may terminate this Agreement for a default by Franchisor ninety (90) days after giving Franchisor written notice of Franchise Owner's intent, specifying the default, if the default remains uncured at the end of the ninety (90) day period; provided, however, that if the nature of Franchisor's obligations are such that more than ninety (90) days is required for performance, then Franchisor shall not be in default if Franchisor commences performance within the initial cure period and diligently continues to cure and then cures the default.

13.1 The Franchise Owner shall be deemed to be in default and the Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording the Franchise Owner any opportunity to cure the default, effective immediately upon receipt of notice from the Franchisor to the Franchise Owner, upon the occurrence of any of the following events:

13.1.1 If the Franchise Owner (including if the Franchise Owner is an entity, any of the entity's owners) becomes insolvent or makes a general assignment for the benefit of creditors, or if a petition in bankruptcy is filed by the Franchise Owner or such a petition is filed against and consented to by the Franchise Owner, or if the Franchise Owner is adjudicated bankrupt, or if a bill in equity or other proceeding for the appointment of a receiver of the Franchise Owner or other custodian for the Franchise Owner's business or assets is filed and consented to by the Franchise Owner, or if a receiver or other custodian (permanent or temporary) of the Franchise Owner's business or assets is appointed by any court of competent jurisdiction, or if proceedings for a conference with a committee of creditors under any state, federal or foreign law should be instituted by or against the Franchise Owner, or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed), or if execution is levied against the Franchise Owner's operating location or property, or suit to foreclose any lien or mortgage against the premises or equipment is instituted against the Franchise Owner and not dismissed within thirty (30) days, or if any substantial real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal or constable;

13.1.2 If the Franchise Owner ceases to do business at the Franchised Business for two (2) or more consecutive days, excluding holidays, or loses the right to possession of the premises upon which the Franchised Business is located or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located; provided, however, that if any such loss of possession



results from the governmental exercise of the power of eminent domain, or if, through no fault of the Franchise Owner, the premises are damaged or destroyed by a disaster such that they cannot, in the Franchisor's judgment, reasonably be restored within one hundred eighty (180) days, then, in either such event, the Franchise Owner shall have sixty (60) days from the date of closure to identify an alternative location within the Protected Territory for the operation of the Franchised Business (the "Substituted Site") and submit all information reasonably requested by the Franchisor in connection with the Substituted Site for its review and approval. Notwithstanding the foregoing, the Franchisor shall have a right to terminate this Agreement if the Franchise Owner is not in possession of the Substituted Site and open for business to the general public within either seven (7) months of its receipt of the Franchisor's approval if the Substituted Site is a conversion of an existing second generation site or within twelve (12) months of the Franchisor's approval if the Substituted Site is a new building being constructed from the "ground-up."

13.1.3 If the Franchise Owner misuses or makes any unauthorized use of the Proprietary Marks, engages in any business or markets any services or products under a name or mark which is confusingly similar to the Proprietary Marks, or otherwise materially impairs the goodwill associated therewith or the Franchisor's rights therein;

13.1.4 If the Franchise Owner fails to operate and maintain the computerized point of sale system in accordance with the Franchisor's requirements and guidelines as outlined in the Manual, or if Franchise Owner attempts to modify such system without the prior written approval of Franchisor;

13.1.5 If the Franchise Owner understates by two percent (2%) or more its Gross Sales in connection with any report required to be submitted to the Franchisor;

13.1.6 If the Franchise Owner has made any material misrepresentation or omission in this Agreement or any other agreement to which the Franchise Owner and the Franchisor are parties;

13.1.7 If the Franchise Owner, by act or omission, knowingly permits a continued violation in connection with the operation of the Franchised Business of any law, ordinance, rule or regulation of a governmental agency, in the absence of a good faith dispute over its application or legality and without promptly resorting to an appropriate administrative or judicial forum for relief therefrom;

13.1.8 If the Franchise Owner fails to obtain and maintain all required licenses under state and local law;

13.1.9 If a threat or danger to public safety results from the construction, maintenance or operation of the Franchised Business; Franchisor may also require the immediate closure of the Center in addition to or in substitution of its rights to terminate this Agreement;

13.1.10 If the Franchise Owner is convicted of a crime of moral turpitude or similar felony or is convicted of any other crime or offense that the Franchisor reasonably believes is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith or the Franchisor's interest therein;

13.1.11 If a judgment or a consent decree against the Franchise Owner or any of its owners, officers, or directors, is entered in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith or the Franchisor's interest therein;

13.1.12 If the Franchise Owner purports to transfer any rights or obligations under this Agreement to any third party without the Franchisor's prior written consent, contrary to any of the terms of Article XII of this Agreement;

13.1.13 If the Franchise Owner fails to comply with any of the covenants contained in Article XV hereof;

13.1.14 If, contrary to Articles VII and VIII hereof, the Franchise Owner discloses or divulges the contents of the Manual or any other Trade Secrets or Confidential Information provided to the Franchise Owner by the Franchisor;

13.1.15 If the Franchise Owner knowingly maintains false books or records or submits any false statements, applications or reports to the Franchisor or any assignee of the Franchisor;

13.1.16 If the Franchise Owner fails to locate a site for the Franchised Business and obtain Franchisor's approval of the site and sign the lease within twelve (12) months after execution of this Agreement (or eighteen (18) months if a six month extension fee is accepted by Franchisor) or fails to open for business to the general public within one hundred eighty (180) days after signing the lease;

13.1.17 If the Franchise Owner willfully and repeatedly engages in a course of conduct which constitutes a misrepresentation or a deceptive or unlawful act or practice in connection with its sale of the services and products offered at the Franchised Business;

13.1.18 If the Franchise Owner willfully and repeatedly fails to strictly comply with the product and quality control standards and specifications, fails to have suppliers approved by the Franchisor or otherwise fails to meet any other significant specifications or guidelines set forth in the Manual;

13.1.19 If the Franchise Owner receives three (3) or more notices of default in any twenty-four (24) month period under Section 13.2 hereof during the term of this Agreement, whether or not such defaults are cured after notice;

13.1.20 If the Franchise Owner willfully engages in any illegal, immoral or unethical acts or any act in violation of the mission and values of the Franchisor (such as crimes or misdemeanors, i.e., theft, prostitution, public intoxication, simple assault, disorderly conduct, trespass, vandalism, etc.) or; repeatedly engages in the excessive use of alcohol and/or abuse of drugs. At its election, Franchisor may require the immediate transfer of any ownership held by Franchise Owner (or an owner of Franchise Owner if Franchise Owner is an entity) and if refused, may immediately terminate this Agreement without further opportunity to cure;

13.1.21 If the Franchise Owner defaults under its lease agreement for the premises on which the Franchised Business is located or defaults under any other agreement to which the Franchise Owner (or any parent or affiliated entity or guarantors or principals of Franchise Owner) and the Franchisor (or any parent or subsidiary corporation or any other affiliated entity of the Franchisor), are parties and fails to cure said default within the grace period (if any) provided for in such agreement;

13.1.22 If the Franchise Owner relocates the Franchised Business without obtaining the prior written approval of the Franchisor; or

13.1.23 If Franchise Owner notifies Franchisor in writing that Franchise Owner will cease operating the Franchised Business at a future date or takes such action that Franchisor reasonably concludes that Franchise Owner will cease operating the Franchised Business at a future date.

13.2 Except as provided in Section 13.1 of this Agreement, the Franchise Owner shall have thirty (30) days after receiving from the Franchisor a written notice of default within which to remedy any default described in this Section 13.2 and provide evidence thereof to the Franchisor. If any such default is not cured within that time, or such longer period as applicable law may require, this Agreement, at Franchisor's option, shall terminate without further notice to the Franchise Owner effective immediately

upon the expiration of the thirty (30) day period or such longer period as applicable law may require. The description of any default in any notice the Franchisor transmits to Franchise Owner will in no way preclude Franchisor from specifying additional or supplemental defaults under this Agreement or any related agreements in any action or proceeding relating to this Agreement or termination of this Agreement. If Franchisor has given Franchise Owner formal notice of a default or termination, then Franchisor has the right to suspend Franchisor's performance of any of Franchisor's obligations under this Agreement, in addition to Franchisor's other remedies, during the time in which Franchise Owner is curing the default or in the event that the default is not cured. Franchisor's right to suspend Franchisor's obligations to Franchise Owner includes but is not limited to, the right to stop any services to Franchise Owner, to suspend sales of any products, and to not provide access to Franchisor's confidential materials, website or software. The Franchise Owner shall be in default hereunder for any failure to comply substantially with any of the requirements imposed by this Agreement, as it may from time to time reasonably be supplemented by updates to the Manual, or for any failure to carry out the terms of this Agreement in good faith. Such defaults shall include, without limitation, the occurrence of any of the following events:

13.2.1 If the Franchise Owner fails, refuses or neglects to pay promptly any monies owing to the Franchisor or its subsidiaries or affiliates or suppliers when due, or to submit the financial information or other reports required by the Franchisor under this Agreement;

13.2.2 If the Franchise Owner fails to maintain any of the standards or procedures prescribed by the Franchisor in this Agreement, the Manual, any other franchise agreement between the Franchisor and the Franchise Owner, or any other written agreements between the parties or otherwise;

13.2.3 If the Franchise Owner fails to comply with its duties set forth in Article V of this Agreement or fails to perform any obligation owing to the Franchisor or to observe any covenant or agreement made by the Franchise Owner, whether such obligation, covenant or agreement is set forth in this Agreement or in any other agreement with the Franchisor including any other franchise agreement by and between the Franchisor and the Franchise Owner (or between the Franchisor and any entity or individual affiliated with Franchise Owner);

13.2.4 If the Franchise Owner fails to adequately promote the Franchised Business as provided in the Manual or otherwise in writing;

13.2.5 If the Franchise Owner fails to maintain and submit to the Franchisor all reports required pursuant to Article IX hereof, including financial statements, weekly, monthly and other reports of Gross Sales and copies of tax returns;

13.2.6 If the Franchise Owner fails to maintain the Franchisor's quality control standards with respect to its use of signage and other uses of the Proprietary Marks;

13.2.7 If the Franchise Owner fails to notify the Franchisor, within ninety (90) days of the relocation date, of the Franchise Owner's intention to relocate the Franchised Business;

13.2.8 If the Franchise Owner, its manager or employees fail to attend and successfully complete any mandatory training program unless attendance is excused or waived in writing by the Franchisor;

13.2.9 If the Franchise Owner fails to obtain the prior written approval of the Franchisor of any and all advertising, marketing or promotional plans and materials in whatever form used by the Franchise Owner in connection with its promotion of the Franchised Business or otherwise fails to comply with Franchisor's policies and procedures with respect to advertising, marketing or promotion; or

13.2.10 If the Franchise Owner fails to obtain and/or provide evidence of insurance policies, policy amendments, and payment as required under Article XI.

13.3 No right or remedy herein conferred upon or reserved to the Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

13.4 The events of default and grounds for termination described in this Article XIII shall be in addition to any other grounds for termination contained elsewhere in this Agreement or otherwise.

13.5 In the event of termination of this Agreement for any reason, including, but not limited to, a default under this Article XIII, the Franchisor shall have the right and option to purchase the Franchise Owner's interest in the tangible assets of the Franchised Business as set forth in Section 14.11 below. In the event that the Franchisor elects to purchase the Franchise Owner's interest in said assets, the Franchise Owner shall also execute an assignment of the lease for the premises of the Franchised Business.

#### **ARTICLE XIV**

##### **OBLIGATIONS UPON TERMINATION**

Upon termination or expiration of this Agreement, all rights granted hereunder to the Franchise Owner shall forthwith terminate, and Franchise Owner shall observe and perform the following:

14.1 The Franchise Owner shall immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a current or former Franchise Owner of the Franchisor.

14.2 The Franchise Owner shall immediately and permanently cease to use, in any manner whatsoever, any equipment, format, confidential methods, customer database, programs, literature, procedures and techniques associated with the System, the name "HONEST-1," "HONEST1" and any Proprietary Marks and distinctive trade dress, the colors blue and green, forms, slogans, uniforms, paper forms, electronic forms, invoices, oil change stickers, unused forms, signs, symbols or devices associated with the System, including but not limited to all Trade Secrets and Confidential Information. In particular, the Franchise Owner shall cease to use, without limitation, all signs, fixtures, furniture, equipment, advertising materials or promotional displays, uniforms, stationery, invoices, forms and any other articles which display the Proprietary Marks associated with the System. Franchise Owner acknowledges that Franchisor has the right to require that any vendor providing customer and account databases immediately terminate Franchise Owner's access and prevent Franchise Owner from accessing any customer information, including customer service history, warranty information, and contact information. In any social media account, all Proprietary Marks, references, customer reviews, and pictures, and content must be removed.

14.3 The Franchise Owner shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the Proprietary Marks or any other trademark, trade name or service mark of the Franchisor, and the Franchise Owner shall furnish the Franchisor with evidence satisfactory to the Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement.

14.4 The Franchise Owner shall, at the Franchisor's option pursuant to Section 13.5 above, assign to the Franchisor any interest which the Franchise Owner has in any lease for the premises of the Franchised Business. If Franchise Owner (or an individual or entity affiliated with Franchise Owner) owns the real property for which the premises of the Franchised Business is located, at the Franchisor's option pursuant to Section 13.5 above, Franchise Owner shall lease the premises of the Franchised Business to Franchisor under terms that are commercially reasonable for the geographic area. Franchisor may require that Franchise Owner own the real estate in a separate legal entity that then executes such lease agreement with Franchise Owner or may require Franchise Owner or its affiliate to assign an existing lease to Franchisor, subject to terms that are commercially reasonable for the geographic area. In the event the Franchisor elects to exercise its option to acquire such lease, the Franchisor shall pay for any furniture,

equipment, supplies and signs acquired by the Franchisor as a result of such assignment at the Franchise Owner's fair market value, less any sums of money owed by the Franchise Owner to the Franchisor and less any sums necessary to acquire clear title to the lease interest. In the event that the Franchisor and the Franchise Owner are unable to agree on the fair market value of said items, an independent appraiser shall be appointed by the Franchisor to determine the fair market value of said items. The determination of said appraiser shall be final and binding upon the parties. The costs and expenses associated with the appointment of an independent appraiser shall be paid by the Franchise Owner.

In the event that the Franchisor does not elect to exercise its option to acquire such lease, the Franchise Owner shall make such modifications or alterations to the premises of the Franchised Business immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Franchised Businesses under the System, and shall make such specific additional changes thereto as the Franchisor may reasonably request for that purpose. In the event the Franchise Owner fails or refuses to comply with the requirements of this Article XIV, the Franchisor shall have the right to enter upon the premises of the Franchised Business without being guilty of trespass or any other tort for the purpose of making or causing to be made such changes as may be required at the expense of the Franchise Owner, which expense the Franchise Owner agrees to pay upon demand.

14.5 In the event this Agreement is terminated, the Franchisor may, at its option, immediately enter the premises of the Franchised Business and continue to provide services to customers of the Franchised Business and apply receipts therefrom to debts owed to the Franchisor by the Franchise Owner. The Franchisor shall have no other obligations to the Franchise Owner in connection with the Franchisor's operation of the Franchised Business following said termination.

14.6 The Franchise Owner agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Proprietary Marks or trade dress, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute the Franchisor's exclusive rights in and to the Proprietary Marks or trade dress, and agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with the Franchisor so as to constitute unfair competition. Franchise Owner will not during the term of this Agreement or for a period of 180 days after the termination or expiration of this Agreement, refer or promote to any former or current customer the operation of any other business at the site of the Franchised Business, nor will Franchise Owner promote the operation of any competing business in the restricted area during the restricted time period as such restrictions are further stated in Section 15.3.

14.7 The Franchise Owner shall promptly pay all sums owing to the Franchisor and its subsidiaries, affiliates and suppliers. In the event of termination for any default of the Franchise Owner, such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by the Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of the Franchisor against any and all of the personal property, machinery, fixtures, equipment and inventory owned by the Franchise Owner and on the premises of the Franchised Business at the time of default.

14.8 The Franchise Owner and, if a legal entity, its owners, shareholders, members, and/or partners, and any guarantors will remain obligated under the indemnification provisions in Article XVIII for any third party claims based on operations before termination, for any post-termination obligations of this Agreement, including but not limited to the confidentially and non-competition covenants in Article XV and shall pay to the Franchisor all amounts owed, and shall pay all damages, costs and expenses, including reasonable attorneys' fees, incurred by the Franchisor subsequent to the termination or expiration

of this Agreement in obtaining injunctive or other relief for the enforcement of any provision of this Article XIV or any other obligation under this Agreement.

14.9 The Franchise Owner shall immediately turn over to the Franchisor all copies of all materials in the Franchise Owner's possession including the Manual, all records, files, instructions, correspondence, customer database, brochures, agreements, disclosure statements and any and all other materials relating to the operation of the Franchised Business in the Franchise Owner's possession, and all copies thereof (all of which are acknowledged to be the Franchisor's property), and shall retain no copy or record of any of the foregoing, excepting only the Franchise Owner's copy of this Agreement, any correspondence between the parties and any other documents which the Franchise Owner reasonably needs for compliance with any provision of law. In addition to the foregoing, the Franchise Owner shall deliver to the Franchisor a complete list of all persons employed by the Franchise Owner during the three (3) years immediately preceding termination, together with all employment files of each employee on such list. All costs of delivering all materials required by this Section 14.9 shall be borne by the Franchise Owner.

14.10 The Franchise Owner shall promptly notify the appropriate telephone company and all telephone directory listing agencies of the termination or expiration of its right to use any telephone number and any regular, classified or other telephone directory listings associated with any Proprietary Marks and authorize the transfer of same to or at the direction of the Franchisor. In connection therewith, the Franchise Owner shall execute a Telephone Assignment Agreement in the form of Attachment "C" attached hereto. The Franchise Owner agrees to execute updated letters of direction to any telephone companies and telephone directory listing agencies directing termination and/or transfer of the Franchise Owner's right to use any telephone number associated with the Proprietary Marks, which the Franchisor may hold until termination or expiration hereof. The Franchise Owner acknowledges that as between the Franchisor and the Franchise Owner, the Franchisor has the sole right to and interest in all telephone numbers and directory listings associated with any Proprietary Marks. The Franchise Owner authorizes the Franchisor, and hereby appoints the Franchisor and any officer of the Franchisor as its attorney-in-fact, to direct the appropriate telephone company and all listing agencies to transfer all such listings to the Franchisor upon termination of this Agreement.

14.11 The Franchisor shall have the right, but not the obligation, to purchase any or all of the tangible assets of the Franchised Business, including, but not limited to, the signs, advertising materials, promotional displays, supplies, forms, inventory, software, furniture or other items bearing the Proprietary Marks at the Franchise Owner's cost or fair market value, whichever is less. If the parties cannot agree on fair market value within a reasonable time, an independent appraiser shall be designated by the Franchisor, and the appraiser's determination shall be final and binding. The Franchisor's election to purchase provided for herein must be exercised by written notice to the Franchise Owner within thirty (30) days after termination or expiration of this Agreement. If the Franchisor elects to exercise any option to purchase provided herein it shall have the right to set off all amounts due from the Franchise Owner under this Agreement and the cost of the appraisal, if any, against any payment therefor.

14.12 The Franchise Owner shall execute any legal document that may be necessary to effectuate the termination hereunder and shall furnish to the Franchisor, within thirty (30) days after the effective date of termination, written evidence satisfactory to the Franchisor of the Franchise Owner's compliance with the foregoing obligations.

14.13 The Franchise Owner shall comply with all applicable covenants contained in Article XV of this Agreement.

14.14 Upon termination of this Agreement and as a result of a material breach of the Agreement by Franchise Owner, Franchise Owner agrees, at Franchisor's option and in Franchisor's sole discretion, to pay to Franchisor within fifteen (15) days after the effective date of this Agreement's termination, in

addition to the amounts owed hereunder, liquidated damages equal to the average monthly value of the Royalty Fees Franchise Owner paid or owed to Franchisor during the twelve (12) months of operation preceding the effective date of termination multiplied by (a) twenty-four (24), being the number of months in two (2) full years, or (b) the number of months remaining in the Agreement had it not been terminated, whichever is more.

Franchise Owner acknowledges and agrees that it may be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow from the Royalty Fee due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the Royalty Fee would have grown over what would have been this Agreement's remaining term. Franchise Owner considers this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers Franchisor's damages from the loss of cash flow from the Royalty Fee. It does not cover any other damages, including damages to its reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the royalty section. Franchise Owner and each of its owners agree that the liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the royalty section. Moreover, Franchise Owner agrees that Franchisor may, in its sole discretion, elect to recover actual damages incurred due to Franchise Owner's breach of this Agreement, provided Franchisor may not recover both actual and liquidated damages.

## **ARTICLE XV** **COVENANTS**

15.1 The Franchise Owner covenants that during the term of this Agreement, and subject to the post-termination provisions contained herein, and except as otherwise approved in writing by the Franchisor, the Franchise Owner shall devote his or her full time, energy and best efforts to the efficient and effective management and operation of the Franchised Business.

Any additional business operations involving the direct or indirect ownership of real estate or an entity on which any Center in the System is to be operated or the direct or indirect involvement in any construction or any other business must be pre-approved in writing by Franchisor in its sole discretion due to the financial resources required and the complexity of such ownership and services. Such approval is not guaranteed.

15.2 The Franchise Owner has heretofore specifically acknowledged that pursuant to this Agreement, the Franchise Owner shall receive valuable specialized training and confidential and other information regarding the business, promotional, sales, marketing and operational methods and techniques of the Franchisor and the System. The Franchise Owner covenants that during the term of this Agreement, and except as otherwise approved in writing by the Franchisor, the Franchise Owner shall not, either directly or indirectly, for itself or through, on behalf of or in conjunction with any person, persons, partners or corporation, anywhere in the United States:

15.2.1 Divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System;

15.2.2 Employ or seek to employ any person who is at that time employed by the Franchisor or by any other Franchise Owner or Region Developer of the Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment;

15.2.3 Own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to or have any interest in any business which is the same as or substantially similar to the Franchised Business;

15.2.4 Sell or offer for sale automotive repair and maintenance services in any venue other than through and on the premises of the Franchised Business; or

15.2.5 Own, finance or have any revenue interest in any land used or leased to any business which is the same as or substantially similar to the Franchised Business.

15.3 For a continuous uninterrupted period of two (2) years commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, and within a radius of twenty-five (25) miles of the approved site or the location of any Franchisor-owned or operated or Franchise Owner-operated Franchised Business which is in existence on the date of expiration or termination of this Agreement, the Franchise Owner covenants that, except as otherwise approved in writing by the Franchisor, the Franchise Owner will not either directly or indirectly, for itself or through, on behalf of or in conjunction with any person, persons, spouse, partnership or corporation: (a) become a franchisee, consultant, officer, director, partner, trustee or shareholder or any other type of owner, nor own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to or have any interest in any business which will sell, market or propose to sell or market products or services that are similar to or that compete or will compete with the System's products or services currently offered, existing, known to be in production, or reasonably anticipated products or services ("Competing Products"), (b) sell, market or propose to sell or market products or services that compete or will compete with the Franchise Owner's or Franchisor's then existing or reasonably anticipated Competing Products; (c) design or develop Competing Products, (d) become a franchisee, consultant, officer, director, partner, trustee or shareholder or other type of owner of more than five percent (5%) of the outstanding common stock of, or provide services or information to any person or entity that is designing or developing Competing Products, (e) own, finance or have any revenue interest in any land used or leased to any business which is the same as or substantially similar to the Franchised Business; (f) for a period of 180 days after the termination or expiration of this Agreement, refer or promote to any former or current customer the operation of any other business at the site of the Franchised Business, or (g) promote the operation of any competing business in the restricted area stated above and during the restricted time period stated above. The scope of this provision may be reduced as stated in Section 15.7 below. The time period stated above is tolled and suspended for any time period in which Franchise Owner is violating the terms of this Article.

15.4 The Franchise Owner acknowledges and agrees that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on the Franchise Owner, or the owners of the Franchise Owner, if the Franchise Owner is an entity.

15.5 Sections 15.2.3 and 15.3 shall not apply to the ownership by the Franchise Owner of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation.

15.6 The parties agree that each of the covenants in this Agreement shall be construed as independent of any other covenant or provision of this Agreement. If any or all portions of the covenants in this Article XV is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Franchisor is a party, the Franchise Owner expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

15.7 The Franchise Owner understands and acknowledges that the Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Article XV or any portion thereof without the Franchise Owner's consent, effective immediately upon receipt by the Franchise Owner



of written notice thereof, and the Franchise Owner agrees that it shall forthwith comply with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Article XXIII hereof.

15.8 The Franchise Owner expressly agrees that the existence of any claims it may have against the Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by the Franchisor of the covenants in this Agreement. The Franchise Owner agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by the Franchisor in connection with the enforcement of the covenants set forth in this Agreement.

15.9 The Franchise Owner acknowledges that its violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to the Franchisor for which no adequate remedy at law will be available. Accordingly, the Franchise Owner hereby consents to the entry of an injunction prohibiting any conduct by the Franchise Owner in violation of the terms of the covenants not to compete set forth in this Agreement. The Franchise Owner expressly agrees that it may be presumed conclusively that any violation of the terms of said covenants not to compete was accomplished by and through the Franchise Owner's unlawful utilization of the Franchisor's Confidential Information, know-how, methods and procedures.

15.10 At the Franchisor's request, the Franchise Owner shall require and obtain execution of covenants similar to those set forth in this Article XV (including covenants applicable upon the termination of a person's relationship with Franchise Owner) from the Franchise Owner's officers, directors, and owners. All covenants required by this Section 15.10 shall be in forms satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them but no obligation to do so. Failure by Franchise Owner to obtain execution of a covenant required by this Section 15.10 shall constitute a default under Section 13.2 hereof.

## **ARTICLE XVI**

### **CHANGES AND MODIFICATIONS**

16.1 Except as otherwise set forth herein, the Franchisor may modify this Agreement only upon the execution of a written agreement by the Franchisor and the Franchise Owner. The Franchisor reserves and shall have the sole right to make changes in the Manual, the System and the Proprietary Marks at any time and without prior notice to Franchise Owner. Franchise Owner shall promptly alter any signs, products, business materials or related items, at its sole cost and expense, upon receipt of written notice of such change or modification in order to conform with the Franchisor's revised specifications. In the event that any improvement or addition to the Manual, the System or the Proprietary Marks is developed by the Franchise Owner, then the Franchise Owner agrees to grant to the Franchisor an irrevocable, world-wide, exclusive, royalty-free license, with the right to sublicense such improvement or addition.

16.2 The Franchise Owner understands and agrees that due to changes in competitive circumstances, presently unforeseen changes in the needs of customers, and/or presently unforeseen technological innovations, the Franchisor's System must not remain static in order that it best serve the interests of Franchisor, Franchise Owners and the System. Accordingly, Franchise Owner expressly understands and agrees that Franchisor may from time to time change the components of the System, including but not limited to, altering the programs, services, methods, standards, forms, policies and procedures of that System; adding to, deleting from or modifying those programs, products and services which the Franchised Business is authorized to offer; and changing, improving or modifying the Proprietary Marks. Subject to the other provisions of this Agreement, Franchise Owner expressly agrees to abide by any such modifications, changes, additions, deletions and alterations. Any amendment to this Agreement must be made in writing and executed by all parties except for changes in the System which may be made through the Manual or otherwise implemented for the System. Officers and employees may not orally waive or orally agree to any modifications of this Agreement.

Franchise Owner shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed. Franchisor agrees, however, to not require Franchise Owner to make any such modifications, changes, additions, deletions or alterations to the components of the System as described in this Section 16.2 unless it is also implementing the same in at least a majority of the existing Honest1 locations.

Except as provided herein, Franchisor shall not be liable to Franchise Owner for any expenses, losses or damages sustained by Franchise Owner as a result of any of the modifications contemplated hereby. Franchise Owner hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchise Owner expressly waives any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

## **ARTICLE XVII**

### **TAXES AND INDEBTEDNESS**

17.1 The Franchise Owner shall promptly pay when due all taxes levied or assessed by any federal, state or local tax authority and any and all other indebtedness incurred by the Franchise Owner in the operation of the Franchised Business. The Franchise Owner shall pay to the Franchisor an amount equal to any sales tax, gross receipts tax or similar tax imposed on the Franchisor with respect to any payments made to the Franchisor as required under this Agreement, unless the tax is credited against income tax otherwise payable by the Franchisor.

17.1.1 In addition to monthly Royalty Fees, Franchisor has the right to collect from Franchise Owner the cost of all income taxes, sales taxes and other taxes arising as a result of Franchisor's licensing of intellectual property to you in the state where Franchise Owner's Center is located, as well as any assessment on the Royalty Fees, Advertising Fees and any other income Franchisor receives from Franchise Owner. This fee is payable monthly with the Royalty Fees and only imposed if a state collects these taxes or assessments.

17.2 In the event of any bona fide dispute as to liability for taxes assessed or other indebtedness, the Franchise Owner may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; provided, however, in no event shall the Franchise Owner permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business or any improvements thereon.

17.3 The Franchise Owner shall comply with all federal, state, and local laws, rules and regulations, and shall timely obtain any and all permits, certificates, licenses and bonds necessary for the full and proper operation and management of the Franchised Business, including, without limitation, a license to do business and provide services, fictitious name registration, sales tax and other permits. Franchise Owner specifically agrees to comply with any and all laws, regulations and orders relating to anti-terrorist activities including, but not limited to, Executive Order 13244. Franchise Owner confirms that neither Franchise Owner nor its owners are listed on any federally maintained list of specially designated nationals and blocked entities ("SDN List"). Franchise Owner agrees to not hire or transact any business with any person or entity listed on the SDN List, which is currently available at [www.treasury.gov](http://www.treasury.gov). Franchise Owner specifically agrees to comply with any state required employment verification programs and any federal employment verification programs such as E-Verify. Copies of all subsequent inspection reports, warnings, certificates and ratings issued by any governmental entity during the term of this Agreement in connection with the conduct of the Franchised Business which indicate Franchise Owner's failure to meet or maintain the highest governmental standards or less than full compliance by Franchise

Owner with any applicable law, rule or regulation, shall be forwarded to Franchisor by Franchise Owner within three (3) days of Franchise Owner's receipt thereof.

17.4 The Franchise Owner shall notify the Franchisor in writing within three (3) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of the Franchised Business. Additionally, any and all consumer related complaints shall be answered by the Franchise Owner within fifteen (15) days after receipt thereof or such shorter period of time as may be provided in said complaint. A copy of said answer shall be forwarded to the Franchisor within three (3) days of the date that said answer is forwarded to the complainant.

## **ARTICLE XVIII**

### **INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

18.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that the Franchise Owner shall be an independent contractor, and that nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever.

18.2 During the term of this Agreement and any renewal hereof, the Franchise Owner shall hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a license from the Franchisor and as an authorized user of the System and the Proprietary Marks which are owned by the Franchisor. The Franchise Owner agrees to take such affirmative action as may be necessary to do so, including exhibiting to customers a sign provided by Franchisor in a conspicuous place on the premises of the Franchised Business.

18.3 The Franchisor shall not have the power to hire or fire the Franchise Owner's employees, and except as herein expressly provided, the Franchisor may not control or have access to the Franchise Owner's funds or the expenditures thereof, or in any other way exercise dominion or control over the Franchised Business. Moreover, the Franchise Owner is solely responsible for employee selection, termination, promotions, hours worked, rates of pay, benefits, work assigned, discipline, adjustment of grievances and complaints, working conditions, and establishing employment policies applicable to its employees, and understands and agrees that this Agreement does not impose any controls, or otherwise impinge, on Franchise Owner's discretion to make all employment-related decisions.

18.4 It is understood and agreed that nothing in this Agreement authorizes the Franchise Owner to make any contract, agreement, warranty or representation on the Franchisor's behalf, or to incur any debt or other obligation in the Franchisor's name, and that the Franchisor shall in no event assume liability for or be deemed liable hereunder as a result of any such action or by reason of any act or omission of the Franchise Owner in the Franchise Owner's conduct of the Franchised Business or any claim or judgment arising therefrom against the Franchisor. The Franchise Owner agrees at all times to defend at its own cost, and to indemnify and hold harmless to the fullest extent permitted by law the Franchisor, its corporate parent, the corporate subsidiaries, affiliates, successors, assigns and designees of either entity, and the respective directors, officers, employees, agents, owners, designees, and representatives of each from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises out of or is based upon any of the following: (1) the Franchise Owner's alleged infringement or any other violation or any other alleged violation of any patent, trademark or copyright or other proprietary right owned or controlled by third parties; (2) the Franchise Owner's alleged violation or breach of any contract, federal, state or local law, regulation, ruling, standard or directive of any industry standard; (3) libel, slander or any other form of defamation by the Franchise Owner; (4) the Franchise Owner's alleged violation or breach of any warranty, representation, agreement or obligation in this Agreement; (5)

any acts, errors or omissions of the Franchise Owner or any of its agents, servants, employees, contractors, partners, proprietors, affiliates, or representatives; (6) latent or other defects in the Franchised Business, whether or not discoverable by the Franchisor or the Franchise Owner; (7) the inaccuracy, lack of authenticity or nondisclosure of any information by any customer of the Franchised Business; (8) any services or products provided by the Franchise Owner at, from or related to the operation of the Franchised Business; (9) any services or products provided by any affiliated or nonaffiliated participating entity; (10) any action by any customer of the Franchised Business; (11) any damage to the property of the Franchise Owner and (12) any damage to the property of the Franchisor, their agents or employees, or any third person, firm or corporation while such parties are transacting business on the Franchise Owner's property. Franchise Owner agrees that if Franchise Owner is held liable for a portion of any damages from any third-party lawsuit in which the trier of fact (including any arbitrator) allocates a percentage of negligence or fault between Franchisor and Franchise Owner in the calculation of damages, then Franchise Owner agrees to not seek repayment from Franchisor under this Section 18.4 for the portion of damages attributable to Franchise Owner's fault or negligence.

The Franchisor agrees at all times to defend at its own cost, and to indemnify and hold harmless to the fullest extent permitted by law the Franchise Owner, and any directors, officers, employees, agents, owners, designees, and representatives from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises out of or is based upon any of the following: (1) the Franchisor's alleged infringement or any other violation or any other alleged violation of any patent, trademark or copyright or other proprietary right owned or controlled by third parties; (2) the Franchisor's alleged violation or breach of any contract, federal, state or local law, regulation, ruling, standard or directive of any industry standard; (3) libel, slander or any other form of defamation by the Franchisor; (4) the Franchisor's alleged violation or breach of any warranty, representation, agreement or obligation in this Agreement; (5) any acts, errors or omissions of the Franchisor or any of its agents, servants, employees, contractors, partners, proprietors, affiliates, or representatives; (6) latent or other defects in the Franchised Business, whether or not discoverable by the Franchisor or the Franchise Owner; and (7) any damage to the property of the Franchise Owner or their agents or employees, or any third person, firm or corporation by Franchisor or its employees or agents. Franchisor agrees that if Franchisor is held liable for a portion of any damages from any third-party suit in which the trier of fact (including any arbitrator) allocates a percentage of fault between Franchisor and Franchise Owner in the calculation of damages, then Franchisor agrees to not seek repayment from Franchise Owner under this Section 18.4 for the portion of damages attributable to Franchisor's fault.

18.5 The Franchise Owner shall conspicuously identify itself and the Franchised Business in all dealings with its clients, contractors, suppliers, public officials and others as an independent Franchise Owner of the Franchisor, and shall place such notice of independent ownership on all forms, business cards, stationery, advertising, signs and other materials and in such fashion as the Franchisor may, in its sole and exclusive discretion, specify and require from time to time in its Manual (as same may be amended from time to time) or otherwise.

18.6 Except as otherwise expressly authorized by this Agreement, neither party hereto will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between the Franchisor and the Franchise Owner is other than that of Franchisor and Franchise Owner. The Franchisor does not assume any liability, and will not be deemed liable, for any agreements, representations, or warranties made by the Franchise Owner which are not expressly authorized under this Agreement, nor will the Franchisor be obligated for any damages to any person or property which directly or indirectly arise from or relate to the operation of the Franchised Business franchised hereby.

**ARTICLE XIX**  
**APPROVALS AND WAIVERS**

19.1 Whenever this Agreement requires the prior approval or consent of the Franchisor, the Franchise Owner shall make a timely written request to Franchisor therefor and such approval or consent shall be obtained in writing.

19.2 No failure of the Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by the Franchise Owner with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of the Franchisor's right to demand exact compliance with any of the terms herein. Waiver by the Franchisor of any particular default by the Franchise Owner shall not affect or impair the Franchisor's rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance or omission of the Franchisor to exercise any power or right arising out of any breach or default by the Franchise Owner of any of the terms, provisions or covenants hereof affect or impair the Franchisor's right to exercise the same, nor shall such constitute a waiver by the Franchisor of any right hereunder or the right to declare any subsequent breach or default and to terminate this Franchise Agreement prior to the expiration of its term. Subsequent acceptance by the Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by the Franchisor of any preceding breach by the Franchise Owner of any terms, covenants or conditions of this Agreement.

19.3 The Franchise Owner hereby waives any right to a jury trial with respect to this Agreement and/or any matters arising hereunder.

**ARTICLE XX**  
**NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by certified mail, return receipt requested, or dispatched by overnight delivery envelope, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: Michael B. Cowan, President & CEO  
H-1 Auto Care, LLC  
100 2<sup>nd</sup> Avenue S., Suite 1203  
St. Petersburg, FL 33701

With a copy to: Christina M. Noyes, Esq.  
Spencer Fane LLP  
2415 E. Camelback Road, Suite 600  
Phoenix, AZ 85016  
Fax: 602-333-5431  
Email: [cnoyes@spencerfane.com](mailto:cnoyes@spencerfane.com)

Notices to Franchise Owner: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

With a copy to:

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Any notice sent by certified mail shall be deemed to have been given at the date and time of mailing. Any notice sent by overnight mail shall be deemed to have been given one day after deposit with the commercial courier if sent by overnight mail. Franchise Owner must report to Franchisor any change in contact information (address, phone and email) of Franchise Owner and its owners within at least fifteen (15) days of the change in contact information. Franchisor reserves the right to impose a late report fee if any change is not reported by this deadline.

## **ARTICLE XXI**

### **RELEASE OF PRIOR CLAIMS**

21.1 By executing this Agreement, the Franchise Owner, individually and on behalf of the Franchise Owner's heirs, legal representatives, successors and assigns, and each assignee of this Agreement by accepting assignment of the same, hereby forever releases and discharges the Franchisor and its officers, directors, members, employees, agents and servants, including the Franchisor's subsidiary and affiliated corporations, their respective officers, directors, members, employees, agents and servants, from any and all claims relating to or arising under any franchise agreement or any other agreement between the parties related to the franchise relationship executed prior to the date of this Agreement including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any state or territory thereof.

## **ARTICLE XXII**

### **DISCLOSURE STATEMENT AND DISCLAIMER**

22.1 The Franchise Owner acknowledges, by its signature hereto, that it received from the Franchisor a Federal Trade Commission or Franchise Disclosure Document for the State in which the Franchised Business will be located or the Franchise Owner's place of residence, as appropriate, at least fourteen (14) calendar days prior to the execution of this Agreement.

\_\_\_\_\_ [Please initial to acknowledge that you have read and understand this Section 22.1]

22.2 The Franchise Owner acknowledges and accepts the following:

THIS OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT AND SUPERVISE EMPLOYEES OF THE FRANCHISED BUSINESS RESTS SOLELY WITH THE FRANCHISE OWNER.

\_\_\_\_\_ [Please initial to acknowledge that you have read and understand this Section 22.2]

## **ARTICLE XXIII**

### **ENTIRE AGREEMENT**

23.1 THIS AGREEMENT AND ATTACHMENTS ATTACHED HERETO AND MADE A PART HEREOF CONTAIN THE ENTIRE AGREEMENT OF THE PARTIES. NO OTHER AGREEMENTS, WRITTEN OR ORAL, SHALL BE DEEMED TO EXIST, AND ALL PRIOR AGREEMENTS AND UNDERSTANDINGS ARE SUPERSEDED HEREBY; PROVIDED, HOWEVER, THAT NOTHING IN THIS OR ANY RELATED AGREEMENT IS INTENDED TO DISCLAIM THE

REPRESENTATIONS MADE BY FRANCHISOR IN THE FRANCHISE DISCLOSURE DOCUMENT THAT WAS FURNISHED TO FRANCHISE OWNER BY FRANCHISOR. THIS AGREEMENT SHALL NOT BE BINDING UPON FRANCHISOR UNTIL EXECUTED BY AN AUTHORIZED OFFICER THEREOF. THIS AGREEMENT CANNOT BE MODIFIED OR CHANGED EXCEPT BY A WRITTEN INSTRUMENT SIGNED BY ALL OF THE PARTIES HERETO.

#### **ARTICLE XXIV**

#### **SEVERABILITY AND CONSTRUCTION**

24.1 Except as expressly provided to the contrary herein, each section, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any section, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms and/or provisions of this Agreement as may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties hereto, and said invalid sections, parts, terms and/or provisions shall be deemed not to be a part of this Agreement; provided, however, that if the Franchisor determines that such finding of invalidity or illegality adversely affects the basic consideration of this Agreement, the Franchisor, at its option, may terminate this Agreement. If Franchisor has the right to exercise its discretion (including sole discretion or absolute and sole discretion) then the parties agree that the arbitrator will consider any business reason to be viewed as a reasonable and proper exercise of such discretion, unless there is evidence of bad faith.

24.2 The Franchise Owner expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof as though it were separately articulated in and made a part of this Agreement that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which the Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

24.3 As used in this Agreement, the term "Franchise Owner" shall include all persons who succeed to the interest of the original Franchise Owner by transfer or operation of law and shall be deemed to include not only the individual or entity defined as the "Franchise Owner" in the introductory paragraph of this Agreement, but shall also include all partners of the entity that executes this Agreement in the event said entity is a partnership; all shareholders, officers and directors of the entity that executes this Agreement in the event said entity is a corporation; and all managers and members of the entity who executes this Agreement if the entity is a limited liability company. By their signatures hereto, all managers, members, partners, shareholders, officers and directors of the entity that sign this Agreement as a Franchise Owner acknowledge and accept the duties and obligations imposed upon each of them, individually, by the terms of this Agreement.

24.4 If, as a result of hurricane, tornado, typhoon, flooding, lightning, blizzard and other unusually severe weather, earthquake, avalanche, volcanic eruption, fire, riot, insurrection, war, explosion, unavoidable calamity or other act of God (a "Force Majeure"), compliance by any party with the terms of this Agreement is rendered impossible or would otherwise create an undue hardship upon any party, all parties shall be excused from their respective obligations hereunder for the duration of the Force Majeure and for a reasonable recovery period thereafter, but otherwise this Agreement shall continue in full force and effect. Any Force Majeure closure as a result of civil unrest may not last for more than three (3) days unless written authorization is provided by Franchisor after a written request and full disclosure of the circumstances is provided by Franchise Owner.

24.5 Franchise Owner and its owners agree to comply, and to assist Franchisor to the fullest extent possible in its efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that

compliance, Franchise Owner and its owners certify, represent, and warrant that none of Franchise Owner's property or interests is subject to being blocked under, and that Franchise Owner and its owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchise Owner or its owners, or any blocking of Franchise Owner's or its owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

24.6 Headers. The headings of any paragraph or section of this Agreement are for convenience only and shall not be used to interpret any provision of this Agreement.

24.7 Counterparts/Duplicate Originals. This Agreement may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same agreement.

24.8 Signatures. A PDF of an executed signature shall have the same force and effect as an originally signed signature.

## **ARTICLE XXV** **APPLICABLE LAW**

25.1 This Agreement takes effect upon its acceptance and execution by the Franchisor. This Agreement must and will be interpreted and construed under the laws of Florida, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.).

25.2 Except as otherwise expressly provided by applicable state law or regulation, the parties agree that any action brought by either party against the other must and will be brought in the State where the Franchisor maintains its principal place of business, currently Florida, and the parties do hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision, subject to Franchisor's rights in Section 25.4.

25.3 No right or remedy conferred upon or reserved by the Franchisor or the Franchise Owner by this Agreement is intended and it will not be deemed to be exclusive of any other right or remedy provided or permitted herein, by law or at equity, but each right or remedy will be cumulative of every other right or remedy.

25.4 Nothing herein contained will bar the Franchisor's right to obtain injunctive relief against threatened conduct that will cause it loss or damage under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

25.5 IT IS UNDERSTOOD AND AGREED THAT FRANCHISOR'S LIABILITY, WHETHER IN CONTRACT, IN TORT, UNDER ANY WARRANTY, IN NEGLIGENCE OR OTHERWISE SHALL NOT EXCEED THE AMOUNT OF MONEY PAID BY FRANCHISE OWNER TO FRANCHISOR IN THE SINGLE MONTH IMMEDIATELY PRECEDING THE FIRST ACTION OR OMISSION GIVING RISE TO ANY LIABILITY. IT IS FURTHER UNDERSTOOD AND AGREED THAT UNDER NO CIRCUMSTANCES SHALL FRANCHISOR BE LIABLE FOR ANY SPECIAL, INDIRECT, PUNITIVE, TREBLE, CONSEQUENTIAL, OR, TO THE EXTENT PERMITTED, STATUTORY DAMAGES OR COSTS OR ATTORNEYS' FEES, FOR ANY CLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT.

25.6 Franchise Owner agrees that any claim(s) it has or may have against Franchisor, including, but not limited to, any of Franchisor's owners, employees, agents, parents, subsidiaries, or affiliates, shall



be brought individually and the Franchise Owner shall not join such claim(s) with any other person, persons, entity, or entities, and shall not attempt to join or participate in any class action or putative class action against Franchisor.

25.7 In the event Franchisor is required to employ legal counsel or to incur other reasonable expenses to enforce any obligation of another party hereunder, or to defend against any claim, demand, action, or proceeding by reason of Franchise Owner's failure to perform any obligation imposed upon it by this Agreement, whether in contract, tort or other legal theory, and provided that legal action is filed by or against Franchisor and such action or the settlement thereof establishes Franchise Owner's default hereunder, then Franchisor shall be entitled to recover from Franchise Owner the amount of all reasonable attorneys' fees of such counsel and all other expenses reasonably incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

25.8 Franchise Owner shall not assert any claim or cause of action against Franchisor, its officers, directors, shareholders, members, employees or affiliates after one (1) year following the event giving rise to such claim or cause of action.

## **ARTICLE XXVI**

### **ACKNOWLEDGMENTS**

26.1 FRANCHISOR'S SHAREHOLDERS, MEMBERS, DIRECTORS, OFFICERS, AND EMPLOYEES ARE ONLY REPRESENTATIVES OF FRANCHISOR AND MAY NOT REMAIN WITH FRANCHISOR IN THAT CAPACITY.

26.2 FRANCHISE OWNER ACKNOWLEDGES THAT FRANCHISOR'S APPROVAL OF FRANCHISE OWNER'S TERRITORY DOES NOT CONSTITUTE RECOMMENDATION OR ENDORSEMENT OF THE TERRITORY.

26.3 FRANCHISE OWNER IS AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISE OWNERS OF FRANCHISOR MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT(S), AND CONSEQUENTLY THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS WITH RESPECT TO ITS VARIOUS FRANCHISE OWNERS MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES. IN THE FUTURE, FRANCHISOR MAY ALSO AMEND THE OBLIGATIONS WITH RESPECT TO OTHER FRANCHISE OWNERS AND FRANCHISOR HAS NO OBLIGATION TO PROVIDE YOU WITH THE SAME CHANGES.

\_\_\_\_\_ [Please initial to acknowledge that you have read and understand this Article XXVI.]

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO FRANCHISE AGREEMENT]

**IN WITNESS WHEREOF**, the parties hereto have duly executed, sealed and delivered this Franchise Agreement on the day and year first above written.

FRANCHISOR:  
H-1 AUTO CARE, LLC

\_\_\_\_\_  
Witness (print name)\_\_\_\_\_

By: \_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

FRANCHISE OWNER:

\_\_\_\_\_  
Witness (print name)\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTACHMENT “A”**  
**FRANCHISE TERMS**

1.2 Site Selection Area. The Site Selection Area in which Franchise Owner must locate a site for the Franchise Business in accordance with Section 1.2 is as follows:

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4.1 Initial Franchise Fee. Franchise Owner will pay the Initial Franchise Fee (or Transfer Fee) in the following checked box below:

- ☐ A. Individual Franchise: \$75,000
- ☐ B. Existing Franchisee: \$63,750
- ☐ C. Veteran Franchisee: \$67,500
- ☐ D. Transfer Fee (new franchise agreement executed): \_\_\_\_\_  
[as stated in existing franchise agreement]

5.6 Designated Representative. Franchise Owner names the following individual as its Designated Representative:

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**ATTACHMENT “B”**  
**SITE SELECTION ADDENDUM**

**THIS SITE SELECTION ADDENDUM** (this “Addendum”) is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between H-1 Auto Care, LLC (the “Franchisor”) and \_\_\_\_\_ (the “Franchise Owner”).

**WHEREAS**, the Franchisor and the Franchise Owner are parties to a Franchise Agreement dated \_\_\_\_\_, by the terms of which the Franchisor has granted to the Franchise Owner the right and license to operate a “HONEST1” franchise pursuant to the Franchisor’s System and Proprietary Marks; and

**WHEREAS**, the Franchise Owner has selected and presented a site to the Franchisor which has been approved by the Franchisor.

**NOW, THEREFORE**, the parties hereto, intending to be bound, agree as follows:

1. Approved Location. The approved location for the site of the Franchise Owner’s Franchise Business shall be:

\_\_\_\_\_  
\_\_\_\_\_

2. Franchise Owner’s Representations and Warranties. The Franchise Owner represents and warrants that it has negotiated, but not yet executed, a lease for the premises for the Franchised Business, a copy of which has been provided to the Franchisor, and the Franchise Owner warrants and represents as follows:

a. That the initial term of the lease, or the initial term together with any renewal terms (for which rent shall be set forth in the lease), shall be for not less than ten (10) years including the initial term and renewals; and

b. That the lessor has consented to the Franchise Owner’s use of the Proprietary Marks and initial signage as the Franchisor may prescribe for the Franchised Business.

c. That Franchise Owner will provide to Franchisor a copy of the fully executed lease with lessor/landlord within three (3) days of executing of the lease.

3. Miscellaneous.

a. All capitalized terms not defined herein shall have the meaning given to them in the Franchise Agreement.

b. This Site Selection Addendum constitutes an integral part of the Franchise Agreement, and the terms of this Site Selection Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Site Selection Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

c. This Site Selection Addendum may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same document. A PDF of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE SITE SELECTION ADDENDUM]  
(Attachment B to Franchise Agreement)

**IN WITNESS WHEREOF**, the parties hereto have duly executed, sealed and delivered this Site Selection Addendum on the day and year first above written.

FRANCHISOR:

H-1 AUTO CARE, LLC

ATTEST:

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

By: \_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

FRANCHISE OWNER:

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

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTACHMENT “C”**  
**TELEPHONE ASSIGNMENT AGREEMENT**

**THIS TELEPHONE ASSIGNMENT AGREEMENT** (this “Assignment”) is made as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by and between \_\_\_\_\_ (hereinafter the “Assignor”) and H-1 Auto Care, LLC, a Nevada limited liability company (hereinafter the “Assignee”).

**W I T N E S S E T H:**

**WHEREAS**, the Assignee has developed and owns the proprietary system (“System”) for the operation of a retail business under the trademark and logo “HONEST1” (the “Franchised Business”);

**WHEREAS**, the Assignor has been granted a license to operate a Franchised Business pursuant to a Franchise Agreement dated \_\_\_\_\_, in accordance with the System;

**WHEREAS**, in order to operate its Franchised Business, the Assignor shall be acquiring one or more telephone numbers, telephone listings and telephone directory advertisements; and

**WHEREAS**, as a condition to the execution of the Franchise Agreement, the Assignee has required that the Assignor assign all of its right, title and interest in its telephone numbers, telephone listings and telephone directory advertisements to the Assignee in the event of a termination of the Franchise Agreement.

**NOW, THEREFORE**, in consideration of the foregoing, the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Assignment. In the event of termination of the Franchise Agreement, and in order to secure continuity and stability of the operation of the System, the Assignor hereby sells, assigns, transfers and conveys to the Assignee all of its right, title and interest in and to certain telephone numbers, telephone listings and telephone directory advertisements pursuant to which Assignor shall operate its Franchised Business in accordance with the terms of the Franchise Agreement; provided, however, such assignment shall not be effective unless and until the Franchise Agreement is terminated in accordance with the provisions thereof.

2. Representation and Warranties of the Assignor. The Assignor hereby represents, warrants and covenants to the Assignee that:

(a) As of the effective date of the Assignment, all of the Assignor’s obligations and indebtedness for telephone, telephone listing services and telephone directory advertisement services shall be paid and current;

(b) As of the date hereof, the Assignor has full power and legal right to enter into, execute, deliver and perform this Assignment;

(c) This Assignment is a legal and binding obligation of the Assignor, enforceable in accordance with the terms hereof;

(d) The execution, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which the Assignor is a party or by which the Assignor is bound, and no consent of or approval by any third party is required in connection herewith; and

(e) The Assignor has the specific power to assign and transfer its right, title and interest in its telephone numbers, telephone listings and telephone directory advertisements, and the Assignor has obtained all necessary consents to this Assignment.

3. Miscellaneous. The validity, construction and performance of this Assignment shall be governed by the laws of the State of Florida. All agreements, covenants, representations and warranties made herein shall survive the execution hereof. All rights of the Assignee shall inure to its benefit and to the benefit of its successors and assigns.

4. Counterparts/Duplicate Originals. This Assignment may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same document.

5. Signatures. A PDF of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO TELEPHONE ASSIGNMENT AGREEMENT]  
(Attachment C to Franchise Agreement)

**IN WITNESS WHEREOF**, each of the parties have executed this Telephone Assignment Agreement as of the day and year first written above.

ASSIGNEE:

ATTEST:

H-1 AUTO CARE, LLC

\_\_\_\_\_  
Witness (print name)\_\_\_\_\_

By: \_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

ASSIGNOR:

\_\_\_\_\_  
Witness (print name)\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**ATTACHMENT "D"**

**ASSIGNMENT OF FRANCHISE AGREEMENT**

**THIS ASSIGNMENT OF FRANCHISE AGREEMENT** (this "Assignment") is made and to be effective as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, ("Effective Date") by and between \_\_\_\_\_ [name of entity], and its owners \_\_\_\_\_ (collectively "Assignor") and \_\_\_\_\_ [name of entity], a(n) \_\_\_\_\_ [name of state] \_\_\_\_\_ [type of entity] ("Assignee") and its owner(s) \_\_\_\_\_ (collectively, "Assignee's Guarantor(s)").

1. **Assignment.** For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Assignor sets over, transfers and assigns to Assignee, effective as of the Effective Date, all of Assignor's right, title and interest as Franchise Owner under the Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the "Agreement") by and between Assignor and H-1 Auto Care, LLC, a Nevada limited liability company ("Franchisor"), relating to a HONEST1 franchise to be operated in the State of \_\_\_\_\_ and/or located at \_\_\_\_\_.

2. **Payments to Franchisor.** On or before the Effective Date, Assignor shall pay to Franchisor all Royalty Fees, Advertising Fees, accounts payable and all other amounts owed by Assignor to Franchisor, plus a Transfer Fee of \$\_\_\_\_.

3. **Representations and Warranties.** As an inducement to Franchisor to consent to this Assignment, Assignor and Assignee represent and warrant to Franchisor as follows:

- a. Assignor and Assignee desire to assign the Agreement from Assignor to Assignee for their own business purposes, and have requested that Franchisor consent to this Assignment.
- b. There has been no material adverse change in the information provided to Franchisor regarding Assignor or Assignee; and no default or event of default has occurred under the Agreement, nor under any other agreement between Franchisor and Assignor or Assignee, and no event has occurred which, with the passage of time, or the giving of notice, or both, would constitute such a default or event of default as of the Effective Date.
- c. Assignee is duly organized and in good standing under the laws of the State of \_\_\_\_\_. Attached are true, complete and current copies of Assignee's Certificate of Good Standing, Articles of Incorporation/Articles of Organization and Bylaws/Operating Agreement, or equivalent organizational documents.
- d. As of the date of this Assignment, the full legal name of each of Assignee's owners, and all of Assignee's directors and officers (or managing partners or managing members if Assignee is a partnership or limited liability company), and each such person's residential address, telephone number, and ownership interest, are as follows:

Name: \_\_\_\_\_ %

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_

Name:\_\_\_\_\_ %

Address:\_\_\_\_\_

Telephone:\_\_\_\_\_

Name:\_\_\_\_\_ %

Address:\_\_\_\_\_

Telephone:\_\_\_\_\_

e. Assignee's address for purposes of notice pursuant to the Agreement is:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Assumption by Assignee. Assignee assumes and agrees to be bound by and perform all obligations of Assignor under the Agreement effective as of the Effective Date. Assignor also remains fully obligated under the Agreement to those terms which continue after the Assignment as stated in the Franchise Agreement. Attached hereto is a true and complete copy of a resolution of the governing body of Assignee approving the assumption of the Agreement and this Assignment.

5. Training. Assignee (check box that applies) ☐ must complete (or) ☐ does not have to complete Franchisor's initial training program to its satisfaction.

6. Assignee's Acknowledgements. Assignee and Assignee's Guarantor(s) each hereby acknowledge that: (a) all financial information about the business was provided by Assignor; (b) Franchisor has not verified such information and does not represent that it is correct; (c) Assignee and Assignee's Guarantors have performed their own independent diligence regarding the business, and decided to purchase the business at the agreed price and execute a guaranty of business obligations based solely on Assignee's and Assignee's Guarantors own diligence; (d) Franchisor makes no representation as to whether the purchase price is "fair" or "reasonable; and (e) the financial results of the business may not be the same when it is operated by Assignee.

7. Franchise Agreement. Assignee hereby agrees to execute and deliver to Franchisor, concurrently herewith, Franchisor's current form of Franchise Agreement, which shall entirely replace Assignor's Agreement; provided, however, that Franchisor shall waive the initial franchise fee.

8. Personal Obligations. Assignee's Guarantor(s) each hereby agree to execute and deliver to Franchisor, concurrently herewith, the Guaranty and the Confidentiality and Non-Competition Agreement in the forms attached as Attachments "E" and "G," respectively, to the replacement Franchise Agreement, whereby each of the Assignee's owners will assume and become personally liable on the Effective Date for all obligations (whether monetary or otherwise) for the Franchise Owner as set forth in the Agreement.

9. **Continuance of Existing Personal Obligations.** Assignor and its' existing owners acknowledge and agree that the Assignment does not and will not release or relieve Assignor, its' existing owners, or any guarantor of Assignee of or from any personal liability or personal undertakings under the Franchise Agreement or under any guarantee agreements relating thereto executed prior to the Assignment, or which arise after the Assignment but which are subject to the indemnification provision in the Agreement. All such persons will continue to be personally, jointly and individually, responsible under such agreements for claims arising under the Franchise Agreement before the Assignment or which are subject to the indemnification provision in the Agreement, without regard to and irrespective of the Assignment. Assignor and its' existing owners acknowledge that the post-termination obligations stated in the Agreement continue, such as but not limited to, confidentiality and non-competition.

10. **Waiver and Release.** Assignor, for itself and its owners, officers, directors, agents and employees, hereby fully releases, remises and forever discharges Franchisor, and its predecessors, and their past and present owners, officers, directors, agents and employees, for, from and against any and all claims, liens, demands, causes of action, controversies, offsets, obligations, losses, damages and liabilities of every kind and character whatsoever, including, without limitation, any action, omission, misrepresentation or other basis of liability founded either in tort or contract and the duties arising thereunder ("Claims"), that the releasing party has had in the past, or now has, whether known or unknown, absolute or contingent, whether currently existing or hereafter asserted, by reason of any matter, cause or thing set forth in, relating to or arising out of, or in any way connected with or resulting from the grant of the franchise by Franchisor to Assignor or the performance by Franchisor under the Agreement; *provided, however*, that the foregoing release and discharge shall not apply to (i) obligations or rights as expressly set forth in this Assignment; (ii) any Claims previously asserted in writing by notice to Franchisor; (iii) any Claims arising under any applicable state franchise disclosure law; or (iv) any Claims as to the future performance of the Agreement; or (v) any Claims asserted by third parties relating to or arising out of or in way connected to or arising from Assignor's or Assignor Guarantor's conduct of its franchised business prior to the date of this Assignment.

11. **Governing Law.** This Assignment shall be construed in accordance with, and it shall be governed by, the laws of the State of Florida and any matter shall be brought in courts located in Pinellas County, Florida.

12. **Counterparts/Duplicate Originals.** This Assignment may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same document.

13. **Signatures.** A PDF of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO ASSIGNMENT OF FRANCHISE AGREEMENT]  
(Attachment D to Franchise Agreement)

IN WITNESS WHEREOF, the parties hereto have executed this Assignment of Franchise Agreement as of the date first above written.

**ASSIGNOR:**

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

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

\_\_\_\_\_  
Title

**ASSIGNOR:**

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

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

\_\_\_\_\_  
Title

**ASSIGNOR:**

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

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

\_\_\_\_\_  
Title

**ASSIGNEE:**

\_\_\_\_\_  
Entity Name

a[n] \_\_\_\_\_  
(state) (type of entity)

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

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

\_\_\_\_\_  
Title

**ASSIGNEE GUARANTORS:**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Signature

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

[FRANCHISOR SIGNATURE PAGE TO ASSIGNMENT OF FRANCHISE AGREEMENT]  
(Attachment D to Franchise Agreement)

**CONSENT TO TRANSFER BY**

**H-1 AUTO CARE, LLC**

In consideration of the payment of a Transfer Fee of \$\_\_\_\_\_ and the foregoing release, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and subject to the conditions in the foregoing Assignment, H-1 Auto Care, LLC, a Nevada limited liability company hereby consents to the foregoing Assignment of Franchise Agreement from \_\_\_\_\_ to \_\_\_\_\_ and none other.

Dated: \_\_\_\_\_, 20\_\_

H-1 AUTO CARE, LLC

By: \_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

## **ATTACHMENT “E” GUARANTY**

THIS GUARANTY (“Guaranty”) is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_. In consideration of, and as an inducement to, the execution of that certain Franchise Agreement, dated \_\_\_\_\_, 20\_\_\_ and any revisions, modifications and amendments thereto (hereinafter collectively the “Agreement”), by and between H-1 Auto Care, LLC, a Nevada limited liability company, (hereinafter the “Franchisor”) and [name of entity, a(n) [insert state] [type of entity] (hereinafter the “Franchise Owner”), each of the undersigned (“Guarantors”) agrees as follows:

1. The Guarantors do hereby agree to be personally bound by the Agreement, including, but not limited to, the restrictive covenants contained in Article XV thereof.

2. The Guarantors do hereby jointly and severally unconditionally guaranty the complete and prompt payment of all indebtedness owed to the Franchisor under the Agreement, including any losses to the Franchisor from the Franchise Owner’s failure to provide full, prompt and complete performance of the terms, covenants and conditions of the Agreement, including, without limitation, the restrictive covenants contained in Article XV of the Franchise Agreement. The word “indebtedness” is used herein in its most comprehensive sense and includes, without limitation, any and all amounts due, advances, debts, obligations and liabilities of the Franchise Owner, now or hereafter incurred, either voluntarily or involuntarily, and whether due or owed, absolute or contingent, or liquidated or unliquidated, or whether recovery thereof may be now or hereafter barred by any statute of limitation or is otherwise unenforceable.

3. The obligations of the Guarantors are independent of the obligations of the Franchise Owner and a separate action or actions may be brought and prosecuted against any or all of the Guarantors, whether or not actions are brought against the Franchise Owner or whether the Franchise Owner is joined in any such action, except that double recovery for the same amount of indebtedness is prohibited. A discharge in bankruptcy of the Franchise Owner by a Bankruptcy Court that is “full satisfaction” (or words to such effect) of the Franchise Agreement’s obligations, regardless as to whether the discharge was part of the resolution of a bankruptcy claim or as part of a plan of reorganization, does not excuse the obligations of Guarantor and Franchisor may pursue Guarantor for the entire amount due and owing Franchisor regardless of the discharge.

4. If the Franchise Owner is a corporation, partnership or limited liability company, the Franchisor shall not be obligated to inquire into the power or authority of the Franchise Owner or its partners or the officers, directors, agents, members or managers acting or purporting to act on the Franchise Owner’s behalf and any obligation or indebtedness made or created in reliance upon the exercise of such power and authority shall be guaranteed hereunder. Where the Guarantors are corporations, partnerships or limited liability companies, it shall be conclusively presumed that the Guarantors and the partners, agents, officers and directors acting on their behalf have the express authority to bind such corporations, partnerships or limited liability companies and that such corporations, partnerships or limited liability companies have the express power to act as the Guarantors pursuant to this Guaranty and that such action directly promotes the business and is in the interest of such corporations, partnerships or limited liability partners.

5. The Franchisor, its successors and assigns, may from time to time, without notice to the undersigned: (a) resort to the undersigned for payment of any of the indebtedness, whether or not it or its successors have resorted to any property securing any of the indebtedness or proceeded against any other of the undersigned or any party primarily or secondarily liable on any of the indebtedness; (b) release or compromise any indebtedness of any of the undersigned hereunder or any indebtedness of any party or parties primarily or secondarily liable on any of the indebtedness; (c) extend, renew or credit any of the indebtedness for any period (whether or not longer than the original period); (d) alter, amend or exchange

any of the indebtedness; or (e) give any other form of indulgence, whether under the Agreement or otherwise.

6. The undersigned further waive presentment, demand, notice of dishonor, protest, nonpayment and all other notices whatsoever, including without limitation: notice of acceptance hereof; notice of all contracts and commitments; notice of the existence or creation of any liabilities under the Agreement and of the amount and terms thereof; and notice of all defaults, disputes or controversies between the Franchise Owner and the Franchisor resulting from the Agreement or otherwise, and the settlement, compromise or adjustment thereof.

7. Guarantor waives any and all rights or defenses based on suretyship or impairment of collateral including, but not limited to, any rights or defenses arising by reason of (i) any “one action” or “anti-deficiency” law or any other Florida law which may prevent Franchisor from bringing any action, including a claim for deficiency, against Guarantor, before or after Franchisor’s commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale or (ii) any defenses given to guarantors at law or in equity other than actual payment and performance of the indebtedness.

8. This Guaranty shall be enforceable by and against the respective administrators, executors, successors and assigns of the Guarantors and the death of any Guarantor shall not terminate the liability of Guarantor or limit the liability of the other Guarantors hereunder. If more than one person has executed this Guaranty, the term the “undersigned” as used herein shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

9. In each case where the spouse of a Guarantor has executed any documents in connection with the granting of the Agreement, and the Guarantor subsequently divorces from such spouse, then, in the event that the Guarantor subsequently remarries, the new spouse of such Guarantor must execute, and agree to be bound by the provisions of, each of the documents previously executed by the Guarantor’s original spouse.

10. This Guaranty shall be construed in accordance with, and it shall be governed by, the laws of the State of Florida and any matter shall be brought in courts located in Pinellas County, Florida.

11. This Guaranty may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same document.

12. A PDF of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO GUARANTY]  
(Attachment E to Franchise Agreement)

**IN WITNESS WHEREOF**, each of the undersigned has executed this Guaranty to be effective as of the date first above written.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature of Spouse (if married)

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
[home address]

\_\_\_\_\_  
[home address]

\_\_\_\_\_  
Home Telephone

\_\_\_\_\_  
Home Telephone

\_\_\_\_\_  
Business Telephone

\_\_\_\_\_  
Business Telephone

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

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

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Witness



**ATTACHMENT “F”**  
**AGREEMENT AND CONTINGENT ASSIGNMENT OF LEASE**

**THIS AGREEMENT AND CONTINGENT ASSIGNMENT OF LEASE** (this “Agreement”) is made and entered into as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and among H-1 Auto Care, LLC, a Nevada limited liability company (“Franchisor”), with its principal offices at 100 2<sup>nd</sup> Avenue S., Suite 1203, St. Petersburg, Florida 33701; [name], a(n) [state] [type of entity] (“Landlord”), with its principal offices at \_\_\_\_\_; and [Franchise Owner Name] a(n) [state] [type of entity] (the “Tenant”), with its principal offices at \_\_\_\_\_.

**W I T N E S S E T H:**

**WHEREAS**, the Landlord and the Tenant have executed a lease agreement dated \_\_\_\_\_ (the “Lease”) for the premises located at \_\_\_\_\_ (the “Leased Premises”) for use by the Tenant as a business to be operated pursuant to Franchisor’s Proprietary Marks and System in connection with a written Franchise Agreement dated \_\_\_\_\_ by and between Franchisor and the Tenant (the “Franchise Agreement”);

**WHEREAS**, a condition to the approval of the Tenant’s specific location by the Franchisor is that the Lease for the Leased Premises designated for the operation of a “HONEST1” business (hereinafter the “Franchised Business”) contain the agreements set forth herein;

**WHEREAS**, the Landlord acknowledges that the Franchisor requires the modifications to the Lease set forth herein as a condition to its approving the Leased Premises as a site for the Franchised Business, and that the Landlord agrees to modify and amend the Lease in accordance with the terms and conditions contained herein;

**WHEREAS**, according to Section 14.4 of the Franchise Agreement, all right, title and interest in and to the Lease may be assigned to Franchisor upon the termination of the Franchise Agreement; and

**WHEREAS**, it is the intent of the parties hereto to provide Franchisor with the opportunity to preserve the Leased Premises as a Franchised Business in the event of any default or termination of said Lease or Franchise Agreement and to assure the Landlord that in the event Franchisor exercises its rights herein contained, any defaults of the Tenant under the Lease will be cured by Franchisor before it takes possession of the Leased Premises.

1. Use Clause. The Leased Premises shall be used for the operation of an automotive repair and maintenance business and identified by the mark “HONEST1” or any other name approved by Franchisor at its sole discretion.

The Landlord acknowledges that such use shall not violate any then-existing exclusives granted to any existing tenant of the Landlord. The Landlord further acknowledges that during the term of this Lease or any extension thereof, the Landlord will not lease space within the location of the Franchised Business to a business similar to the Tenant’s. Landlord represents and warrants that the Leased Premises has no existing building code violations and is properly zoned for its intended use.

2. Default of Tenant Under Lease. The Landlord shall mail to Franchisor copies of any notice of default or termination it gives to the Tenant concurrently with giving such notices to the Tenant. If the Tenant fails to cure any default within the period provided in the Lease, if any, the Landlord shall give Franchisor immediate written notice of such failure to cure. The Landlord shall thereupon offer to Franchisor and Franchisor shall have the right to accept an assignment of the Lease or a new lease containing the same terms and conditions of the Lease, whichever Franchisor elects. If Franchisor elects

to continue the use of the Leased Premises under an assignment of the Lease or a new lease, it shall so notify the Landlord in writing within thirty (30) days after it has received written notice from the Landlord specifying the defaults the Tenant has failed to cure within the grace period specified in the Lease. Upon receipt of such notice from Franchisor, the Landlord shall promptly execute and deliver to Franchisor an assignment of the Lease or a new lease, whichever Franchisor requests, and shall deliver to Franchisor possession of the Leased Premises, free and clear of any rights of the Tenant or any third party. Franchisor, before taking possession of the Leased Premises, shall promptly cure the defaults specified by the Landlord in its notice to Franchisor and shall execute and deliver to the Landlord its acceptance of the assignment of the Lease or of the new lease, as the case may be.

In the event that the Franchisor elects to enter into a new lease with the Landlord, Landlord shall do so upon terms and conditions no less favorable than those contained in the Lease.

3. Termination of the Franchise Agreement. If the Franchise Agreement between Franchisor and the Tenant is terminated for any reason during the term of the Lease or any extension thereof, the Tenant, upon the written request of Franchisor, shall assign to Franchisor all of its right, title and interest in and to the Lease. If Franchisor elects to accept the assignment of the Lease from the Tenant, it shall give the Tenant and the Landlord written notice of its election to acquire the leasehold interest. The Landlord hereby consents to the assignment of the Lease from the Tenant to Franchisor, subject to the Tenant's and/or Franchisor's curing any defaults of the Tenant under the Lease before Franchisor takes possession of the Leased Premises. Alternatively, in the event of a termination of the Franchise Agreement, Franchisor may elect to enter into a new lease with the Landlord containing terms and conditions no less favorable than the Lease. Upon the Landlord's receipt of written notice from Franchisor advising the Landlord that Franchisor elects to enter into a new lease, the Landlord shall execute and deliver such new lease to Franchisor for its acceptance. The Landlord and the Tenant shall deliver possession of the Leased Premises to Franchisor, free and clear of all rights of the Tenant or third parties, subject to Franchisor's curing any defaults of the Tenant, under the Lease, and executing an acceptance of the assignment of Lease or the new lease, as the case may be.

4. Tenant's Agreement to Vacate Leased Premises. The Tenant agrees to peaceably and promptly vacate the Leased Premises and (subject to Franchisor's right to acquire any such property pursuant to its Franchise Agreement with the Tenant) to remove its personal property therefrom upon the termination of the Franchise Agreement or upon the Tenant's failure to timely cure all of its defaults under the Lease. Any property not removed or otherwise disposed of by the Tenant shall be deemed abandoned.

5. Delivery of Possession. If it becomes necessary for the Landlord to pursue legal action to evict the Tenant in order to deliver possession of the Leased Premises to the Franchisor, the Franchisor shall, at the written request of the Landlord, pay into an interest-bearing escrow account all amounts necessary to cure any default of the Tenant's, pending delivery of the Leased Premises to the Franchisor. If the Landlord may not legally obtain possession of the Leased Premises or if the Landlord is unable to deliver the Leased Premises to the Franchisor within six (6) months from the date the Franchisor notifies the Landlord of its election to continue the use of the Leased Premises, then the Franchisor shall have the right at any time thereafter to rescind its election to acquire a leasehold interest in the Leased Premises and to terminate the Lease or any new lease between it and the Landlord for the Leased Premises, whereupon all amounts deposited by the Franchisor in escrow, together with interest earned thereon, shall be returned forthwith to the Franchisor, and the Landlord shall release the Franchisor from all of its obligations under the Lease or under any new lease.

6. Amendment of Lease. The Landlord and the Tenant agree not to amend the Lease in any respect, except with the prior written consent of the Franchisor.

7. Franchisor Not a Guarantor. The Landlord acknowledges and agrees that, notwithstanding any terms or conditions contained in this Agreement or any other agreement, the Franchisor shall in no way be construed as a guarantor or surety of the Tenant's obligations under the Lease. Notwithstanding the foregoing, in the event the Franchisor becomes the Tenant by assignment of the Lease in accordance with the terms hereof or enters into a new lease with Landlord, then the Franchisor shall be liable for all of the obligations of the Tenant on its part to be performed or observed under the Lease or a new lease.

8. Document to Govern. The terms and conditions contained herein modify and supplement the Lease. Whenever any inconsistency or conflict exists between this Agreement and the Lease, the terms of this Agreement shall prevail.

9. No Hazardous Materials. The Landlord warrants and represents that no part of the Franchised Business location, including the walls, ceilings, structural steel, flooring, pipes or boilers is wrapped, insulated, fire-proofed or surfaced with any asbestos-containing materials (hereinafter "ACM") or other hazardous materials as the same may be identified from time to time by applicable federal, state or local laws or regulations ("Hazardous Materials"), and that no ACM or Hazardous Materials will be present in the Leased Premises as of the date Tenant takes possession thereof.

10. Assignment and Subletting. Notwithstanding anything set forth in the Lease to the contrary, the Tenant shall have the right to assign this Lease or any interest therein, or sublet the Leased Premises or any portion with the prior written consent of Landlord which will not be unreasonably withheld:

- (a) to any bona fide Franchise Owner of the Franchisor; or
- (b) to the Franchisor or any successor or affiliate thereof.

11. Subordination. The Landlord will subordinate its interest in the Tenant's equipment to any lender financing the same, and the Landlord will further cooperate in executing all required documents to recognize such subordination.

12. Waiver. Failure of Franchisor to enforce or exercise any of its rights hereunder shall not constitute a waiver of the rights hereunder or a waiver of any subsequent enforcement or exercise of its rights hereunder.

13. Amendment of Agreement. This Agreement may be amended only in writing signed by all parties hereto.

14. Notices. All notices hereunder shall be by certified mail or by commercial courier to the addresses set forth above or to such other addresses as the parties hereto may, by written notice, designate.

15. Binding Effect. This Agreement shall be binding upon the parties hereto, their heirs, executors, successors, assigns and legal representatives.

16. Severability. If any provision of this Agreement or any part thereof is declared invalid by any court of competent jurisdiction, such act shall not affect the validity of this Agreement and the remainder of this Agreement shall remain in full force and effect according to the terms of the remaining provisions or part of provisions hereof.

17. Remedies. The rights and remedies created herein shall be deemed cumulative and not one of such rights or remedies shall be exclusive at law or in equity of the rights and remedies which Franchisor may have under this or any other agreement to which Franchisor and the Tenant are parties.

18. Attorneys' Fees. If any action is instituted by any party to enforce any provision of this Agreement, the prevailing party shall be entitled to recover all attorneys' fees and costs incurred in connection therewith.

19. Certain Acknowledgments. The Landlord and the Tenant acknowledge and agree that all interior and exterior signage and related items (collectively the "Leased/Licensed Assets") are the sole property of the Franchisor. The Tenant shall have no right to pledge in any manner the Leased/Licensed Assets and the Landlord shall have no rights to place any liens on or make any other claims to the Leased/Licensed Assets.

20. Governing Law. This Agreement shall be construed in accordance with, and it shall be governed by, the laws of the State of Florida and any matter shall be brought in courts located in Pinellas County, Florida.

21. Counterparts/Duplicate Originals. This Agreement may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same document.

22. Signatures. A PDF of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO AGREEMENT AND CONTINGENT ASSIGNMENT OF LEASE]  
(Attachment F to Franchise Agreement)

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement and Contingent Assignment of Lease to be executed the date first above written.

ATTEST:

LANDLORD:

\_\_\_\_\_  
Witness (print name)\_\_\_\_\_

By:\_\_\_\_\_  
Name:\_\_\_\_\_  
Title:\_\_\_\_\_

TENANT:

\_\_\_\_\_  
Witness (print name)\_\_\_\_\_

By:\_\_\_\_\_  
Name:\_\_\_\_\_  
Title:\_\_\_\_\_

FRANCHISOR: H-1 AUTO CARE, LLC

\_\_\_\_\_  
Witness (print name)\_\_\_\_\_

By:\_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

**ATTACHMENT “G”**  
**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

**THIS CONFIDENTIALITY AND NON-COMPETITION AGREEMENT** (this “Agreement”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by the undersigned individual (“Undersigned”) for the benefit of H-1 Auto Care, LLC, (the “Franchisor”), with its principal place of business at 100 2<sup>nd</sup> Avenue S., Suite 1203, St. Petersburg, Florida 33701, and if applicable, for \_\_\_\_\_, a Franchise Owner of the Franchisor with its principal place of business at \_\_\_\_\_, (“Franchised Business”) under a Franchise Agreement dated as of \_\_\_\_\_, 20\_\_ (“Franchise Agreement”).

The Franchisor sells franchises for retail automotive products and services under the “HONEST1” trade name and logo.

The Franchisor has expended considerable time, effort and expense to acquire knowledge and experience in the business of marketing it to the general public and has created and developed a system for the construction and operation of a distinctive type of automotive products and services business. This system is operated according to certain confidential and proprietary procedures and information (as further described and defined as “Confidential Information” below).

The Undersigned is a prospective purchaser of a HONEST1 franchise; or alternatively, the Undersigned holds, or has been offered a position as an owner, officer, director or designated representative of a Franchise Owner that is a corporation or other form of business entity, or as an employee for Franchise Owner (the “Position”) (each such person is referred to in this Agreement as a “Key Individual”).

During the course of the Position with Franchise Owner, Key Individual has been or will be exposed to and become familiar with various aspects of concepts, designs, procedures, processes and other Confidential Information proprietary to the Franchisor and Franchise Owner, and will continue to gain such exposure to and familiarity with such information while employed by Franchise Owner. The Franchisor and Franchise Owner desire to be assured by Key Individual that any such information gained during employment with Franchise Owner will be regarded as proprietary information and will not be disclosed to any third parties during or after employment, and that Key Individual will not compete with Franchise Owner, the Franchisor or its affiliates.

In consideration of the Position of Key Individual with Franchise Owner, the [continued] compensation of Key Individual by Franchise Owner during the duration of employment, the [continued] use and enjoyment by Key Individual of Franchise Owner’s facilities and equipment, the [ongoing] disclosure to Key Individual of Franchise Owner’s confidential and proprietary information, the [continued] opportunity for Key Individual to serve Franchise Owner’s clients and customers, and the mutual covenants contained herein, the parties agree:

A. **Definitions and Restrictions.**

As used herein, the term “Confidential Information” shall mean the information, knowledge, know-how, systems, programs and other methods, Trade Secrets and techniques which the Franchisor designates as confidential and/or proprietary knowledge developed or to be developed or acquired by Franchisor, its Affiliates, and/or its developers and franchisees including but not limited to, (a) distinctive interior designs, equipment layout plans, invoices, operational forms, advertising signs, uniforms, procedures and instructions set forth in the Franchisor’s Manual (defined as manuals for franchise development, signage and décor, operations, marketing and real estate, and which may be distributed in

print or provided in a digital or online format, and which the Franchisor may supplement the information with other written directives, includes, without limitation, and collectively, other related manuals, notices, video or audio recordings, letter, digital communications, books, bulletins, memoranda and other publications, documents or prepared by us or on our behalf for use by franchisees generally or for the Franchise Owner in particular, setting forth standards, requirements, operating procedures, instructions, information, advice, or policies relating to the operation of the Franchised Business, as may be amended from time to time), proprietary software, financial data, instructional materials and training programs, research and development, product development plans; Data and Information on the Franchised Business (defined as sales, financial, marketing, management and other business information and all other data maintained and stored by the Franchise Owner in his/her computer databases, regarding customers, employees and all business operations) (b) marketing and promotional programs for the Franchised Business; and (c) Trade Secrets (defined as certain confidential and proprietary products, services, operational systems and management techniques developed by Franchisor currently in place or those developed in the future, including any data collected via e-commerce related to the System (defined as the proprietary system that Franchisor has developed through time, skill, effort and money), such as any customer data and information (including without limitation, any customer service history, customer invoices, customer warranty information, and customer contact information), click-stream data, cookies, user data and hits) (collectively, the “Confidential Information”).

The term “Competing Business” means any enterprise that: (a) is substantially similar to a business then engaged in by a substantial number of “Honest1” businesses; or (b) grants a franchise or license or establishes a joint venture for the development and/or operation on of an enterprise described in the foregoing clause (a).

The term “Competing Products” means any products or services similar to or that compete or will compete with the System’s products or services currently offered, existing, known to be in production, or reasonably anticipated products or services at the time the restrictive covenants in this Agreement are imposed.

Any actions prohibited in this Agreement shall also apply to prohibit the same actions by the Key Individual’s spouse as Key Individual agrees that it would be difficult if not practically impossible to limit information and restrict actions between spouses.

The restrictions of this Paragraph shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than five percent (5%) of the total number of issued and outstanding shares of that class of securities.

B. Confidentiality. Key Individual recognizes and acknowledges that during the course of his or her Position, he or she will have access to certain Confidential Information not generally known to the public relating to the products, sales or business of Franchise Owner and the Franchisor. Key Individual recognizes and acknowledges that this Confidential Information constitutes a valuable, special and unique asset of Franchise Owner and the Franchisor, access to and knowledge of which are essential to the performance of Key Individual’s duties. Key Individual acknowledges and agrees that all such Confidential Information, including, without limitation, that which Key Individual conceives or develops, either alone or with others, at any time during his or her Position with Franchise Owner, is and shall remain the exclusive property of the Franchisor.

C. Nondisclosure. Key Individual agrees that, except as directed by Franchise Owner or the Franchisor, Key Individual will not at any time, whether during the time that the Key Individual holds the Position with Franchise Owner or after Key Individual no longer holds any position with Franchise Owner, use or disclose to any person for any purpose other than for the benefit of Franchise Owner or the Franchisor

any Confidential Information, or permit any person to use, examine and/or make copies of any documents, files, data or other information sources which contain or are derived from Confidential Information, whether prepared by Key Individual or otherwise coming into the Key Individual's possession or control, without the prior written permission of Franchisor.

D. Franchisor Materials. Key Individual will safeguard and return to Franchise Owner or Franchisor upon termination of Key Individual's employment with Franchise Owner, or sooner if Franchise Owner so requests, all documents and property in Key Individual's care, custody or control relating to his or her employment or Franchise Owner's or the Franchisor's business, including, without limitation, any documents that contain the Confidential Information.

E. Other Business Positions and Business Opportunity. While Key Individual holds the Position, Key Individual shall not do work that competes with or relates to any of Franchise Owner's or the Franchisor's products or activities without first obtaining Franchisor's written permission. Key Individual will not (a) own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to or have any interest in any business which is the same as or substantially similar to the Franchised Business; or (b) sell or offer for sale automotive repair and maintenance services in any venue other than through and on the premises of the Franchised Business; (c) own, finance or have any revenue interest in any land used or leased to any business which is the same as or substantially similar to the Franchised Business anywhere in the United States while Key Individual holds the Position.

Any business opportunities related to Franchise Owner's or the Franchisor's business that Key Individual learns of or obtains while holding the Position with Franchise Owner (whether or not during working hours) shall belong to Franchise Owner or Franchisor.

F. Non-competition After Position Ends. For a continuous uninterrupted period of two (2) years upon the earlier of either the termination of Key Individual's Position with Franchise Owner, the transfer of the Franchise Agreement, or the termination of the Franchise Agreement, and within a radius of twenty-five (25) miles of the approved site or the location of any Franchisor-owned or operated or franchisee operated Franchised Business which is in existence on the date the Key Individual's Position terminates, the Key Individual covenants that, except as otherwise approved in writing by the Franchisor, the Key Individual will not, directly or indirectly, for itself or through, on behalf of or in conjunction with any person, persons, spouse, partnership or corporation, (a) become a Key Individual, franchisee, consultant, officer, director, partner, trustee or shareholder or other type of owner, nor own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to or have any interest in any Competing Business; (b) sell, market or propose to sell or market products that compete or will compete with the Franchise Owner's or Franchisor's Competing Products; (c) design or develop Competing Products, or (d) become a Key Individual, franchisee, consultant, officer, director, partner, trustee or shareholder or other type of owner of more than five percent (5%) of the outstanding common stock of, or provide services or information to any person or entity that is designing or developing Competing Products. The time period stated above is tolled and suspended for any time period in which the Key Individual is violating the terms of this Agreement.

G. Saving Provision. The parties agree and stipulate that the agreements and covenants not to compete contained in the preceding paragraph, including the scope of the restricted activities described therein and the duration and geographic extent of such restrictions, are fair and reasonably necessary for the protection of Confidential Information, goodwill, and other protectable interests, in light of all of the facts and circumstances of the relationship between the Franchisor, Key Individual and Franchise Owner. In the event a court of competent jurisdiction should decline to enforce any provision of the preceding paragraph, such paragraph shall be deemed to be modified to restrict Key Individual's competition to the maximum extent, in both time and geography, which the court shall find enforceable.



H. No Guarantee of Employment or Position. This Agreement does not constitute a guarantee of continued employment or retention of the Position. Key Individual's Position is terminable at any time by Franchise Owner or Key Individual, with or without cause or prior notice, unless otherwise provided in a written employment agreement or other ownership agreement governing Franchise Owner, if Franchise Owner is an entity.

I. Non-Solicitation. While this Agreement is in effect and for six months after its expiration or termination, Key Individual shall not employ or solicit for employment any person who is at the time employed by Franchisor, Franchise Owner, or by any other franchisee in the System, and Key Individual shall not directly or indirectly induce this person to leave their employment.

J. No Conflicting Agreements. Key Individual is not a party to any agreements, such as confidentiality or non-competition agreements, that limit Key Individual's ability to perform his or her duties for Franchise Owner.

K. Injunctive Relief. The Key Individual acknowledges that disclosure of any Confidential Information or breach or threatened breach of any of the non-competition and nondisclosure covenants or other agreements contained herein would give rise to irreparable injury to Franchise Owner or the Franchisor, which injury would be inadequately compensable in money damages. Accordingly, Franchise Owner or the Franchisor, at its sole discretion, may seek and obtain injunctive relief from the breach or threatened breach of any provision, requirement or covenant of this Agreement, in addition to and not in limitation of any other legal remedies which may be available. Key Individual further acknowledges, agrees and stipulates that, in the event of the termination of the Position with the Franchise Owner, the Key Individual's experience and capabilities are such that the Key Individual can obtain employment or make a living in business activities which are of a different and noncompeting nature with his or her activities as a Key Individual of Franchise Owner; and that the enforcement of a remedy hereunder by way of injunction will not prevent the Key Individual from earning a reasonable livelihood. Key Individual further acknowledges and agrees that the covenants contained herein are necessary to protect the legitimate business interests of Franchise Owner and the Franchisor and are reasonable in scope and content.

L. Enforcement. The provisions of this Agreement shall be enforceable notwithstanding the existence of any claim or cause of action against the Franchisor, Franchise Owner by Key Individual, whether predicated on this Agreement or otherwise.

M. Governing Law and Venue. The Agreement shall be construed in accordance with the internal laws of the State of Florida. Key Individual's obligations under this Agreement supplement and do not supersede the obligations imposed on Key Individual by the laws of the State of Florida and the United States of America. Except as otherwise expressly provided by applicable state law or regulation, the parties agree that any action brought by either party against the other shall be brought in Florida and the parties do hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

N. Legal Expense. In any suit, proceeding or action to enforce any term, condition or covenant of this Agreement or to procure an adjudication or determination of the rights of the Franchisor, Franchise Owner or Key Individual, the prevailing party shall be entitled to recover from the other party reasonable sums as attorneys' fees and costs and expenses in connection with such suit, proceeding or action, including any appeal, which sums shall be included in any judgment or decree entered therein.

O. Waiver of Breach. The waiver of any breach of any provision of this Agreement or failure to enforce any provision hereof shall not operate or be construed as a waiver of any subsequent breach by any party.

P. Counterparts/Duplicate Originals. This Agreement may be executed in counterparts, each of which will be binding against the other party executing it and deemed an original, but all of which together shall constitute one and the same document.

Q. Signatures. A PDF of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO CONFIDENTIALITY AND NON-COMPETITION AGREEMENT]  
(Attachment G to Franchise Agreement)

IN WITNESS WHEREOF, the parties hereto have caused this Confidentiality and Non-Competition Agreement to be executed the day and year first above written.

KEY INDIVIDUAL:

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

FRANCHISE OWNER:

\_\_\_\_\_

By \_\_\_\_\_

Name \_\_\_\_\_

Its \_\_\_\_\_

FRANCHISOR:

H-1 AUTO CARE, LLC

By \_\_\_\_\_

Name Michael B. Cowan

Its President and CEO

**ATTACHMENT “H”**  
**CONFIDENTIALITY AGREEMENT**  
**FOR CERTAIN EMPLOYEES**

**THIS CONFIDENTIALITY AGREEMENT FOR CERTAIN EMPLOYEES** (this “Agreement”) is entered into as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by the undersigned individual (“Undersigned”) for the benefit of H-1 Auto Care, LLC, (the “Franchisor”), with its principal place of business at 100 2<sup>nd</sup> Avenue S., Suite 1203, St. Petersburg, Florida 33701, and if applicable, for \_\_\_\_\_, (“Franchise Owner”) with its principal place of business at \_\_\_\_\_, (“Franchise Business”) under a Franchise Agreement dated as of \_\_\_\_\_, 20\_\_ (“Franchise Agreement”).

The Franchisor sells franchises for retail automotive products and services under the “HONEST1” trade name and logo.

The Franchisor has expended considerable time, effort and expense to acquire knowledge and experience in the business of marketing it to the general public and has created and developed a system for the construction and operation of a distinctive type of automotive products and services business. This system is operated according to certain confidential and proprietary procedures and information (as further described and defined as “Confidential Information” below).

The Undersigned is in or has been offered an employment position of a Franchise Owner (the “Position”) (each such person is referred to in this Agreement as a “Key Individual”).

During the course of the Position with Franchise Owner, Key Individual has been or will be exposed to and become familiar with various aspects of concepts, designs, procedures, processes and other Confidential Information proprietary to the Franchisor and Franchise Owner, and will continue to gain such exposure to and familiarity with such information while employed by Franchise Owner. The Franchisor and Franchise Owner desire to be assured by Key Individual that any such information gained during employment with Franchise Owner will be regarded as proprietary information and will not be disclosed to any third parties during or after employment.

In consideration of the Position of Key Individual with Franchise Owner, the [continued] compensation of Key Individual by Franchise Owner during the duration of employment, the [continued] use and enjoyment by Key Individual of Franchise Owner’s facilities and equipment, the [ongoing] disclosure to Key Individual of Franchise Owner’s confidential and proprietary information, the [continued] opportunity for Key Individual to serve Franchise Owner’s clients and customers, and the mutual covenants contained herein, the parties agree:

**A. Definitions and Restrictions.**

As used herein, the term “Confidential Information” shall mean the information, knowledge, know-how, systems, programs and other methods, Trade Secrets and techniques which the Franchisor designates as confidential and/or proprietary knowledge developed or to be developed or acquired by Franchisor, its Affiliates, and/or its developers and franchisees including but not limited to, (a) distinctive interior designs, equipment layout plans, invoices, operational forms, advertising signs, uniforms, procedures and instructions set forth in the Franchisor’s Manual (defined as manuals for franchise development, signage and décor, operations, marketing and real estate, and which may be distributed in print or provided in a digital or online format, and which the Franchisor may supplement the information with other written directives, includes, without limitation, and collectively, other related manuals, notices, video or audio recordings, letter, digital communications, books, bulletins, memoranda and other publications, documents or prepared by us or on our behalf for use by franchisees generally or for the

Franchise Owner in particular, setting forth standards, requirements, operating procedures, instructions, information, advice, or policies relating to the operation of the Franchised Business, as may be amended from time to time), proprietary software, financial data, instructional materials and training programs, research and development, product development plans; Data and Information on the Franchised Business (defined as sales, financial, marketing, management and other business information and all other data maintained and stored by the Franchise Owner in his/her computer databases, regarding customers, employees and all business operations) (b) marketing and promotional programs for the Franchised Business; and (c) Trade Secrets (defined as certain confidential and proprietary products, services, operational systems and management techniques developed by Franchisor currently in place or those developed in the future, including any data collected via e-commerce related to the System (defined as the proprietary system that Franchisor has developed through time, skill, effort and money), such as any customer data and information (including without limitation, any customer service history, customer invoices, customer warranty information, and customer contact information), click-stream data, cookies, user data and hits) (collectively, the “Confidential Information”).

Any actions prohibited in this Agreement shall also apply to prohibit the same actions by the Key Individual’s spouse as Key Individual agrees that it would be difficult if not practically impossible to limit information and restrict actions between spouses.

B. Confidentiality. Key Individual recognizes and acknowledges that during the course of his or her Position, he or she will have access to certain Confidential Information not generally known to the public relating to the products, sales, or business of Franchise Owner and the Franchisor. Key Individual recognizes and acknowledges that this Confidential Information constitutes a valuable, special, and unique asset of Franchise Owner and the Franchisor, access to and knowledge of which are essential to the performance of Key Individual’s duties. Key Individual acknowledges and agrees that all such Confidential Information, including, without limitation, that which Key Individual conceives or develops, either alone or with others, at any time during his or her Position with Franchise Owner, is and shall remain the exclusive property of the Franchisor.

C. Confidentiality and Nondisclosure. Key Individual agrees that, except as directed by Franchise Owner or the Franchisor, Key Individual will not use or disclose to any person for any purpose other than for the benefit of Franchise Owner or the Franchisor any Confidential Information, or permit any person to use, examine and/or make copies of any documents, files, data or other information sources which contain or are derived from Confidential Information, whether prepared by Key Individual or otherwise coming into the Key Individual’s possession or control, without the prior written permission of Franchise Owner or Franchisor, for the entire period of time for which such documents/information are trade secrets of Franchise Owner or Franchisor (regardless of whether Key Individual holds or does not hold a position with Franchise Owner), or, if such information is not a trade secret, during the entire time Key Individual holds a position with Franchise Owner and for two years after Key Individual no longer holds any position with Franchise Owner.

D. Franchisor Materials. Key Individual will safeguard and return to Franchise Owner or Franchisor upon termination of Key Individual’s employment with Franchise Owner, or sooner if Franchise Owner so requests, all documents and property in Key Individual’s care, custody or control relating to his or her employment or Franchise Owner’s or the Franchisor’s business, including, without limitation, any documents that contain the Confidential Information.

E. Saving Provision. The parties agree and stipulate that the provisions in this Agreement are fair and reasonably necessary for the protection of Confidential Information, goodwill, and other protectable interests, in light of all of the facts and circumstances of the relationship between the Franchisor, Key Individual and Franchise Owner. In the event a court of competent jurisdiction should decline to enforce

any provision of this Agreement, such provision shall be deemed to be modified to restrict Key Individual's activities to the maximum extent which the court shall find enforceable.

F. No Guarantee of Employment or Position. This Agreement does not constitute a guarantee of continued employment or retention of the Position. Key Individual's Position is terminable at any time by Franchise Owner or Key Individual, with or without cause or prior notice, unless otherwise provided in a written employment agreement or other ownership agreement governing Franchise Owner if Franchise Owner is an entity.

G. No Conflicting Agreements. Key Individual is not a party to any agreements, such as confidentiality or non-competition agreements, that limit Key Individual's ability to perform his or her duties for Franchise Owner.

H. Injunctive Relief. The Key Individual acknowledges that disclosure of any Confidential Information would give rise to irreparable injury to Franchise Owner or the Franchisor, which injury would be inadequately compensable in money damages. Accordingly, Franchise Owner or the Franchisor, at its sole discretion, may seek and obtain injunctive relief from the breach or threatened breach of any provision, requirement or covenant of this Agreement, in addition to and not in limitation of any other legal remedies which may be available. Key Individual further acknowledges, agrees and stipulates that, in the event of the termination of the Position with the Franchise Owner, the Key Individual's experience and capabilities are such that the Key Individual can obtain employment or make a living in business activities which do not utilize any Confidential Information; and that the enforcement of a remedy hereunder by way of injunction will not prevent the Key Individual from earning a reasonable livelihood. Key Individual further acknowledges and agrees that the covenants contained herein are necessary to protect the legitimate business interests of Franchise Owner and the Franchisor and are reasonable in scope and content.

I. Enforcement. The provisions of this Agreement shall be enforceable notwithstanding the existence of any claim or cause of action against the Franchisor, Franchise Owner by Key Individual, whether predicated on this Agreement or otherwise.

J. Governing Law and Venue. The Agreement shall be construed in accordance with the internal laws of the State of Florida. Key Individual's obligations under this Agreement supplement and do not supersede the obligations imposed on Key Individual by the laws of the State of Florida and the United States of America. Except as otherwise expressly provided by applicable state law or regulation, the parties agree that any action brought by either party against the other shall be brought in Florida and the parties do hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

K. Legal Expense. In any suit, proceeding or action to enforce any term, condition or covenant of this Agreement or to procure an adjudication or determination of the rights of the Franchisor, Franchise Owner or Key Individual, the prevailing party shall be entitled to recover from the other party reasonable sums as attorneys' fees and costs and expenses in connection with such suit, proceeding or action, including any appeal, which sums shall be included in any judgment or decree entered therein.

L. Waiver of Breach. The waiver of any breach of any provision of this Agreement or failure to enforce any provision hereof shall not operate or be construed as a waiver of any subsequent breach by any party.

M. Counterparts/Duplicate Originals. This Agreement may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same document.

N. Signatures. A PDF of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURE PAGE TO CONFIDENTIALITY AGREEMENT FOR CERTAIN EMPLOYEES]  
(Attachment H to Franchise Agreement)

IN WITNESS WHEREOF, the parties hereto have caused this Confidentiality Agreement for Certain Employees to be executed the day and year first above written.

KEY INDIVIDUAL:

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

FRANCHISE OWNER:

\_\_\_\_\_

By \_\_\_\_\_

Name \_\_\_\_\_

Its \_\_\_\_\_

FRANCHISOR:

H-1 AUTO CARE, LLC

By \_\_\_\_\_

Name Michael B. Cowan

Its President and CEO

**ATTACHMENT “J”**  
**STATE SPECIFIC ADDENDUM**



**ADDENDUM TO THE H-1 AUTO CARE, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF ILLINOIS**

This Addendum is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

1. The following item must be included within the Disclosure Document and shall replace the language that is in the Disclosure Document itself:

Section 4, Jurisdiction and Venue, of the Illinois Franchise Disclosure Act of 1987 (“Act”) states that “any provision in the franchise agreement which designates jurisdiction or venue in a forum outside of this State is void with respect to any cause of action which otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State.” This Section of the Act replaces any contradictory language contained in the Franchise Agreement.

2. Illinois law governs the Franchise Agreement.

3. Any releases and/or waivers that we request you to sign must conform with Section 41, Waivers Void, of the Illinois Franchise Disclosure Act of 1987 which states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section 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 this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.”

4. Under Illinois law at 200.608, Jurisdiction and Venue, a franchise agreement may not provide for a choice of law of any state other than Illinois. The Summary column of Items 17(v) and (w) of the Disclosure Document are amended to state “Illinois law”. The appropriate sections of the Franchise Agreement are amended accordingly.

5. Franchisees' right upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

6. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Counterparts/Duplicate Originals. This Addendum may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same Addendum.

Signatures. A pdf of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO STATE SPECIFIC ADDENDUM FOR THE STATE OF ILLINOIS]  
(Exhibit J to Franchise Agreement)

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum as of the date first above written.

ATTEST

H-1 AUTO CARE, LLC

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

By:\_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

FRANCHISE OWNER:

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

By:\_\_\_\_\_  
Name:\_\_\_\_\_  
Its\_\_\_\_\_

**ADDENDUM TO THE H-1 AUTO CARE, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT AS REQUIRED**  
**BY THE STATE OF WASHINGTON**

This document will serve as the State Addendum for H-1 Auto Care, LLC for the State of Washington (this “Addendum”) for H-1 Auto Care, LLC’s Franchise Disclosure Document and for its Franchise Agreement. This Addendum is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

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

RCW 19.100.180 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 or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder 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, or 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.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any

statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned does hereby acknowledge receipt of this addendum.

Counterparts/Duplicate Originals. This Addendum may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same Addendum.

Signatures. A PDF of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO STATE SPECIFIC ADDENDUM FOR WASHINGTON]  
(Attachment J to Franchise Agreement)

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum as of the date first above written.

H-1 AUTO CARE, LLC

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

By:\_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

FRANCHISE OWNER:

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

By:\_\_\_\_\_  
Name:\_\_\_\_\_  
Title:\_\_\_\_\_

**EXHIBIT D**

**INTENTIONALLY OMITTED**

**EXHIBIT E TO THE FRANCHISE DISCLOSURE DOCUMENT**

**CURRENT FRANCHISEES**

**Locations Operating  
As of December 31, 2023  
As reflected in Item 20 of the FDD  
(Certain events between January 1, 2024 and June 30, 2024 are noted, if any)**

<b>Operating Locations as of 12/31/2023</b>	
<b>ARIZONA</b>	
The Steward Group, LLC Tracy Steward 12621 N. Paradise Village Pkwy. Phoenix, AZ 85032 602-404-6785	
<b>CALIFORNIA</b>	
Harry Downs 780 N. Diamond Bar Blvd #B2 Diamond Bar, CA 91765 909-396-9700	Green Auto LLC Jim Greenslade, Jill and Brad McBride 845 Baker Street Costa Mesa, CA 92626 714-545-2544
John Sterne 7375 Jackson Drive San Diego, CA 92119 619-464-1644	
<b>COLORADO</b>	
Fast Trac Lube Center Inc. Steve Spahn 9975 West Bowels Ave. Littleton, CO 80123 303-972-7108	Colorado BD Auto Care LLC Adam Drexler and David Broadway 2901 W 92 <sup>nd</sup> Ave Denver, CO 80260 303-426-8610
<b>FLORIDA</b>	
H1-SDB, LLC Dan Morris 2200 South Ridgewood Drive South Daytona, FL 32119 386-898-0774	Zafar Hussain and Murtaza Hemani 3201 North University Drive Hollywood, FL 33024 954-443-8805
Driven Ventures #10 LLC Eric Sewell 720 S Nova Rd Ormand Beach, FL 32174 386-262-1089	Honorable Auto Care, LLC George Maajoun 14318 N. Dale Mabry Tampa, FL 33618 813-515-5151

Operating Locations as of 12/31/2023	
Chin-See, Inc. Leighton and Marie Chin-See 4797 S. Semoran Blvd. Orlando, FL 32822 407-479-3063	Driven Ventures #20 LLC Eric A. Sewell 3125 Howland Blvd. Deltona, FL 32725 386-516-0800
GEORGIA	
ERW Enterprises, Inc. Dennis Eidson 1270 Alpharetta Street Roswell, GA 30075 770-876-6956	Hugh W. ("Butch") Carter 1391 East Cobb Drive Marietta, GA 30068 770-635-2487
JSZ AUTOMOTIVE, LLC Hugh W. ("Butch") Carter 3531 Peachtree Parkway Suwanne, GA 30024 770-800-2502	
ILLINOIS	
MJPS Auto Aurora, LLC Joseph ("Joe") and Melanie Koehnen 989 S Eola Road Aurora, IL 60504 630-870-1262	MJ PS Inc. Joseph ("Joe") and Melanie Koehnen 660 N. LaFox Street South Elgin, IL 60177 224-230-4812
INDIANA	
None	
MINNESOTA	
H1 MN, Inc. Peter Lee and Edith Gonzali-Lee 3114 Lexington Ave. N Roseville, MN 55113 651-482-0035	CG H1 Inc. Evan Staples and Tyler Staples 8118 Hadley Avenue South Cottage Grove, MN 651-528-6226
Peter Lee and Edith Gonzali-Lee 1565 Hamline Ave. N Falcon Heights, MN 55108 651-815-1941	Seed Incorporated 2217 S. Lyndale Avenue Minneapolis, MN 55405 612-871-7545
Steadfast Autocare Eagan, LLC Fred Haynes 525 Diffly Road Eagan, MN 55123 651-994-9000	Frederick ("Fred") Michael Haynes 1014 County Rd 42 West Burnsville, MN 55337 952-892-1750



Operating Locations as of 12/31/2023	
Staples Holdings, Inc. Evan Staples and Tyler Staples 2701 Fair Oak Avenue Anoka, MN 55303 763-270-0424	Staples Holdings, Inc. Evan Staples and Tyler Staples 10705 University Ave NE Blaine, MN 55434 763-862-8411
Randall Rada Holdings, Inc. Randall ("Randy") Rada 7140 42 <sup>nd</sup> Avenue North New Hope, MN 55427 763-535-5599	NB H1 Inc. Evan Staples and Tyler Staples 2166 Silver Lake Rd New Brighton, MN 55112 651-888-2609
JG Adlin Services, LLC Fred Haynes 4195 Nicols Rd Eagan, MN 55122 651-688-0034	Nandl Services LLC Fred Haynes 16683 Duluth Ave. SE Prior Lake, MN 55472 952-649-5381
Seed Incorporated Matthew Sederstrom 6310 Vinewood Lane N Maple Grove, MN 55311 763-432-0513	R & J Investments Inc. Randall ("Randy") Rada and James Henkel 5936 Portland Ave S Minneapolis, MN 55417 612-294-6283
Hometown Station LLC Matthew Richter 7101 W Old Shakopee Rd Bloomington, MN 55438 952-260-4244	South-Falcon Incorporated Troy Garris 1125 S. Oak Ave. Owatonna, MN 55060 507-431-4446
NEVADA	
None	
NEW JERSEY	
G.A.S. Automotive of Middlesex, Inc. Gary A. Smith, Jr. 683 Bound Brook Rd. Middlesex, NJ 08846 732-424-2222	Raj Auto Inc. Rupinder ("Richie") Singh Jassal 352 Ryders Lane Milltown, NJ 08850 732-416-8591
NORTH CAROLINA	
AutoFleet Services LLC Robert ("Bob") and Jonathan ("Jon") Adams 215 Williamson Rd Mooresville, NC 28117 980-223-3130	Leftwich Enterprises, Inc. Gregg & Lora Leftwich 9200 Monroe Road Charlotte, NC 28270 704-846-9200

Operating Locations as of 12/31/2023	
OHIO	
Brüder Industries, Inc. Mark Santen 5907 Wooster Pike Cincinnati, OH 45227 513-271-1069 (Closed 05/29/24)	Patricia ("Pat") and Carl Heaton 10645 Loveland Madeira Rd Loveland, OH 45140 513-429-7180
OREGON	
Grimes Enterprises, Inc. Stephen P. Grimes, Jr. 2002 SE Stark Street Portland, OR 97214 503-444-8590	Grimes Enterprises, Inc. Stephen P. Grimes, Jr. 15653 SE 135 <sup>th</sup> Ave. Clackamas, OR 97015 503-850-0450
Gresham Auto Care LLC Stephen P. Grimes, Jr. 1690 NE Division Street Gresham, OR 97030 503-766-4802	Steve Grimes and Barry Cade 13840 SE McLoughlin Blvd Milwaukie, OR 97222 503-343-5594
Cascade Automotive Group LLC Anthony ("Tony") Cha 6332 SE 82 <sup>nd</sup> Ave. Portland, OR 97266 503-505-9946	Stephen P. Grimes, Jr. 20745 SW Tualatin Valley Hwy Beaverton, OR 97006 971-238-5825
PENNSYLVANIA	
None	
SOUTH CAROLINA	
LEI II Corporation Robert G. & Lora G. Leftwich 1654 Carolina Place Ft. Mill, SC 29708 803-281-3993	C&S Automotive, Inc. Christopher Lloyd and Sheryl Rector 3470 Shelby Ray Ct Charleston, SC 27414 843-766-5537
Christopher W. Lloyd and Sheryl L. Rector 566 College Park Road Ladson, SC 29456 843-718-2413	
TENNESSEE	
WASDGAP, LLC Rodney ("Rod") and Peggy Holliman 4875 Port Royal Rd. Spring Hill, TN 37174 615-392-1856	RTS Investments Inc. Ronald Tucker Seiber 2068 Wilma Rudolph Blvd. Clarksville, TN 37040 931-266-0621

Operating Locations as of 12/31/2023	
TEXAS	
Collings LLC. Christopher and Martin Collings 908 Grapevine Hwy. Hurst, TX 76054 817-514-3877	B&M Ingenuity Inc. Brian and Michelle Johnson 7640 HWY 6 North Houston, TX 77095 832-263-6845
RLMKKS, LLC Robin Mainer and Kimera Shepler 4740 Windhaven Pkwy Lewisville, TX 75056 972-829-6283	G&S Macchina LLC Blake Sellers and John Gutierrez 2771 Virginia Pkwy. McKinney, TX 75071 429-422-6147
White Knuckle Auto Care, LLC Ralph and Camille Tipple 2425 WSW Loop 323 Tyler, TX 75701 903-525-6434	
UTAH	
Bob and Kris Silvester 1155 North Freedom Boulevard Provo, UT 84604 801-373-1270	
VIRGINIA	
Shasan LLC Hassan Osman Hassan and Elshafei Dafalla Mohamed 8648 A Richmond Hwy Alexandria, VA 22309 571-257-4976	Virginia Wheels & Tires, llc Meenahil Chaudhary and Shahid Soma 10350 Courthouse Rd Spotsylvania, VA 22553 540-891-0300 (Transfer from Northern Virginia Auto Service LLC)
Arun & Harinder Pabbi 43185 Broadlands Center Plaza Ashburn, VA 20148 571-291-2945	
WASHINGTON	
Stephen P. Grimes, Jr. 316 SE 123 <sup>rd</sup> Ave Vancouver, WA 98683 360-952-8039	Minnehaha Auto Care Inc. Stephen P. Grimes, Jr. and Maria Grimes 4706 NE Minnehaha Street Vancouver, WA 98661 360-450-2755

**FRANCHISEES WHO SIGNED FRANCHISE AGREEMENTS  
BUT HAVE NOT OPENED AS OF DECEMBER 31, 2023**

(Certain events between January 1, 2024 and June 30, 2024 are noted, if any)

<b>Locations Not Open as of 12/31/23</b>	
<b>ARIZONA</b>	
William Tracy and Kristin Steward 6552 E. Calle de Las Estrellas Dr. Cave Creek, AZ 85331 602-677-2575 (Existing franchisee with right to open one additional Center)	
<b>CALIFORNIA</b>	
None	
<b>COLORADO</b>	
Colorado BD Auto Care, LLC Adam Drexler & David Broadway 2901 W. 92 <sup>nd</sup> Avenue Denver, CO 80260 303-426-8610 (Existing franchisee with the right to open two (2) additional Centers)	
<b>FLORIDA</b>	
Tambo Opportunities Inc. John Turner 9522 59 <sup>th</sup> Ave E Bradenton, FL 34202 214-264-9588	Driven Ventures #10 LLC Eric Sewell 5099 Rockaby Rd. St. Cloud, FL 34772 407-421-3153 (Existing franchisee with the right to open one additional Center)

Locations Not Open as of 12/31/23	
ILLINOIS	
None	
MINNESOTA	
Hometown Station LLC Matthew Richter 7101 W Old Shakopee Rd Bloomington, MN 55438 952-260-4244 (Existing franchisee with the right to open two (2) additional Centers)	JG Adlin Services L.L.C. Fred Haynes 14033 Commerce Ave NE Suite 300, Number 352 Prior Lake, MN 55372 (Existing franchisee with the right to open two (2) additional Centers)
Peter and Edith Lee 1299 Josephine Road Roseville, MN 55113 651-815-1941 (Existing franchisee with the right to open one additional Center)	Rodney Olthoff 682 S. Moody Road St. Croix Falls, WI 54002 515-538-0136 (Location to be opened in Minnesota)
NEW JERSEY	
G.A.S. Automotive of Middlesex, Inc. Gary A. Smith, Jr. 115 Nassau Avenue South Plainfield, NJ 07080 908-757-5361 (Existing franchisee with the right to open two (2) additional Centers)	
NORTH CAROLINA	
None	
OREGON	
None	
SOUTH CAROLINA	
None	
TENNESSEE	
None	

Locations Not Open as of 12/31/23	
TEXAS	
Collings LLC. Christopher and Martin Collings 121 Hurstwood Court Anna, TX 75409 626-233-3256 (Existing franchisee with the right to open one additional Center)	G&S Macchina LLC Blake Sellers and John Gutierrez 2771 Virginia Pkwy. McKinney, TX 75071 429-422-6147 (Existing franchisee with the right to open two (2) additional Centers)
RLMKKS, LLC Robin Mainer and Kimera Shepler Dallas/Fort Worth, TX 972-829-6283 (Existing franchisee with the right to open two (2) additional Centers)	Left Coast Inc. Renee and Mike Hansen 9598 Landmark Pl. Frisco, TX 75035 (Franchisee has the right to open three (3) Centers)
VIRGINIA	
None	

**FRANCHISEES WHO SIGNED A FRANCHISE AGREEMENT**

**BETWEEN JANUARY 1, 2024 AND JUNE 30, 2024**

**BUT ARE NOT OPEN**

None	

**FRANCHISEES WHO HAVE OPENED**

**BETWEEN JANUARY 1, 2024 AND JUNE 30, 2024**

None	

**CORPORATE/AFFILIATE LOCATIONS**

**Locations Operating  
As of December 31, 2023  
As reflected in Item 20 of the FDD**

<b>FLORIDA</b>	
Honest-1 Bayshore, LLC 3010 W. Gandy Blvd. Tampa, FL 33611 727-231-6950	Honest1 Lakewood Ranch, LLC 2603 Lakewood Ranch Blvd. Bradenton, FL 34211 941-714-1000
Honest1 Cypress Ranch, LLC 17735 Harpers Run Lutz, FL 33558 813-820-6513	

**Locations Under Development  
Anticipated to be Opened  
After December 31, 2023**

<b>FLORIDA</b>	
None	

**EXHIBIT F TO THE DISCLOSURE DOCUMENT**

**FORMER FRANCHISEES**

**FRANCHISEES WHO HAVE LEFT SYSTEM  
(as of December 31, 2023)**

Franchisees whose agreements were terminated, cancelled or not renewed, who ceased doing business or who otherwise left the system during the period from January 1, 2023 through December 31, 2023, are listed in the chart below.

(Certain events, if any, between January 1, 2024 and June 30, 2024 are noted)

Your contact information may be disclosed to other buyers when you leave the system.

NEVADA	
Immergent Investments LLC Christopher James North Las Vegas, NV 89030 702-632-0411 Closed on 08/18/23	
VIRGINIA	
Northern Virginia Auto Service LLC Miguel and Wanda Cruz Spotsylvania, VA 22553 703-398-4041 Transferred on 03/16/23	

**FRANCHISEES WHO LEFT SYSTEM**

**BETWEEN JANUARY 1, 2024 AND JUNE 30, 2024**

Franchisees whose agreements were terminated, cancelled or not renewed, who ceased doing business, or who otherwise left the system during the period from January 1, 2024 and June 30, 2024, are listed in the chart below.

OHIO
Brüder Industries, Inc. Mark Santen Cincinnati, OH 45227 513-271-1069 Closed 05/29/24



**CORPORATE/AFFILIATE LOCATIONS**

**Locations No Longer Operating  
As of December 31, 2023  
As reflected in Item 20 of the FDD**

None

**EXHIBIT G**

**H-1 AUTO CARE, LLC**

**AUDITED FINANCIAL STATEMENTS**

**and**

**Independent Auditors' Report**

**For the Periods Ending**

**December 31, 2023, 2022 and 2021**

**-AND-**

**Unaudited Interim Financial Statements**

**For the six month period ending June 30, 2024**

## **Unaudited Interim Financial Statements**

**For the six month period ending June 30, 2024**

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR THE FORM.**

**H-1 AUTO CARE, LLC**  
**BALANCE SHEET**  
**June 30, 2024**

**ASSETS**

**Year to date**

**Current Assets**

Cash and cash equivalents	\$ 5,923,092
Accounts receivable, net of allowance	152,461
Franchise fee receivable	4,000
Prepaid expenses and other	<u>149,358</u>

**Total Current Assets** 6,228,911

**Property and Equipment, Net** 214,529

**Other Assets**

Deposits and other	36,681
Right-of-use asset	693,416
Intangibles, net	<u>883,604</u>
<b>Total Other Assets</b>	<u><u>1,613,701</u></u>

**\$ 8,057,141**

## LIABILITIES AND MEMBER'S EQUITY

	<u>Year to date</u>
<b>Current Liabilities</b>	
Accounts payable	\$ 300,991
Accrued liabilities	90,918
Current portion of termination payments	15,000
Current portion of operating lease liability	93,343
Current portion of long-term debt	<u>569,700</u>
 <b>Total Current Liabilities</b>	 <b>1,069,952</b>
 <b>Long Term Obligations, Net of Current Portion</b>	
Operating lease liability	<u>684,417</u>
 <b>Total Long-Term Obligations, net</b>	 <b>684,417</b>
 <b>Member's Equity</b>	 <u>6,302,772</u>
	\$ <u>8,057,141</u>

**H-1 AUTO CARE, LLC**  
**STATEMENT OF OPERATIONS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2024**

		<u>Year to date</u>
<b>Revenues</b>		
Royalties	\$	2,688,285
Advertising fund contributions		461,966
Ancillary		154,496
		<hr/>
Total Revenues		3,304,747
 <b>Operating Expenses</b>		 <u>2,809,042</u>
 Income from Operations		 495,705
 <b>Other Income (Expenses)</b>		
Other Income		4,746,065
Depreciation and amortization		(115,693)
Interest expense		(27,807)
		<hr/>
		4,602,565
 Net income	 \$	 <u>5,098,270</u>

**H-1 AUTO CARE, LLC**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**  
**with**  
**INDEPENDENT AUDITORS' REPORT**

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## INDEPENDENT AUDITORS' REPORT

**To the Member**  
**H-1 Auto Care, LLC**

### **Opinion**

We have audited the accompanying financial statements of H-1 Auto Care, LLC (the "Company"), which comprise the balance sheets as of December 31, 2023, 2022 and 2021, and the related statements of income and member's equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, 2022 and 2021, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### **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 Auditors' 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 other 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 opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; this includes 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 for one year after the date of this report.

### **Auditors' 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 auditors' 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 can arise from fraud or error and 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.

## **Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

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.

*Smith and Howard PC*

Atlanta, GA  
April 4, 2024

**H-1 AUTO CARE, LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2023 , 2022 AND 2021**

**ASSETS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current Assets			
Cash and cash equivalents	\$ 1,410,746	\$ 1,805,004	\$ 1,466,721
Accounts receivable, net of allowance	117,940	131,772	105,137
Prepaid expenses and other	<u>109,026</u>	<u>49,562</u>	<u>40,374</u>
Total Current Assets	1,637,712	1,986,338	1,612,232
Property and Equipment, Net	99,991	146,581	156,066
Other Assets			
Right-of-use asset	779,648	949,516	-
Intangibles, net	967,146	1,152,993	1,339,115
Deposits and other	<u>36,681</u>	<u>36,681</u>	<u>36,681</u>
	<u>1,783,475</u>	<u>2,139,190</u>	<u>1,375,796</u>
	<u>\$ 3,521,178</u>	<u>\$ 4,272,109</u>	<u>\$ 3,144,094</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

**H-1 AUTO CARE, LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2023, 2022 AND 2021**

(Continued)

**LIABILITIES AND MEMBER'S EQUITY**

	<u><b>2023</b></u>	<u><b>2022</b></u>	<u><b>2021</b></u>
Current Liabilities			
Accounts payable	\$ 355,202	\$ 360,715	\$ 329,483
Accrued liabilities	111,369	124,402	104,840
Deferred rent	-	-	26,590
Deferred revenue	-	-	7,750
Current portion of termination payments	15,000	15,000	15,000
Current portion of operating lease liability	183,821	160,499	-
Current portion of long-term debt	<u>214,286</u>	<u>214,286</u>	<u>214,284</u>
Total Current Liabilities	879,678	874,902	697,947
Long Term Obligations, Net of Current Portion			
Termination payments	-	15,000	30,000
Operating lease liability	684,417	868,238	-
Long-term debt, net of debt issuance costs	<u>461,075</u>	<u>672,398</u>	<u>883,723</u>
	1,145,492	1,555,636	913,723
Member's Equity	<u>1,496,008</u>	<u>1,841,571</u>	<u>1,532,424</u>
	<u><u>\$ 3,521,178</u></u>	<u><u>\$ 4,272,109</u></u>	<u><u>\$ 3,144,094</u></u>

The accompanying notes are an integral part of these financial statements.

**H-1 AUTO CARE, LLC**  
**STATEMENTS OF INCOME AND MEMBER'S EQUITY**  
**YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**

	<u><b>2023</b></u>	<u><b>2022</b></u>	<u><b>2021</b></u>
Revenues			
Royalties	\$ 5,410,360	\$ 5,135,339	\$ 4,594,904
Advertising fund contributions	932,378	886,099	792,731
Ancillary	<u>280,219</u>	<u>376,145</u>	<u>189,877</u>
Total Revenues	6,622,957	6,397,583	5,577,512
Operating Expenses	<u>5,821,982</u>	<u>5,388,611</u>	<u>4,362,933</u>
Income from Operations	800,975	1,008,972	1,214,579
Other Expense			
Depreciation and amortization	241,282	239,341	214,534
Interest expense	65,162	44,807	35,065
Loss on disposal of asset	<u>-</u>	<u>181</u>	<u>-</u>
	<u>306,444</u>	<u>284,329</u>	<u>249,599</u>
Net Income	494,531	724,643	964,980
Member's Equity, Beginning of Year	1,841,571	1,532,424	1,309,723
Member's Distributions	<u>(840,094)</u>	<u>(415,496)</u>	<u>(742,279)</u>
Member's Equity, End of Year	<u>\$ 1,496,008</u>	<u>\$ 1,841,571</u>	<u>\$ 1,532,424</u>

The accompanying notes are an integral part of these financial statements.

**H-1 AUTO CARE, LLC**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:			
Net Income	\$ 494,531	\$ 724,643	\$ 964,980
Adjustments to reconcile net income to net cash provided by operating activities:			
Bad debts expense	51,790	65,015	8,742
Depreciation	52,910	50,969	16,386
Amortization of intangible assets	188,372	188,372	198,148
Amortization of debt issuance costs	2,963	2,963	4,304
Operating lease expense	189,083	189,083	-
Payments on operating lease liability	(179,714)	(136,452)	-
(Increase) decrease in:			
Accounts receivable	(37,958)	(91,650)	(40,102)
Prepaid expenses and other	(59,464)	(9,188)	(18,449)
Deposits	-	-	(28,681)
Increase (decrease) in:			
Accounts payable	(5,513)	31,232	199,431
Accrued liabilities	(13,033)	19,562	62,053
Deferred rent	-	-	26,590
Deferred revenue	-	(7,750)	7,750
Net Cash Provided by Operating Activities	<u>683,967</u>	<u>1,026,799</u>	<u>1,401,152</u>
Cash Flows from Investing Activities:			
Purchase of intangible assets	(2,525)	(2,250)	-
Purchases of property and equipment	<u>(6,320)</u>	<u>(41,484)</u>	<u>(129,271)</u>
Net Cash Required by Investing Activities	<u>(8,845)</u>	<u>(43,734)</u>	<u>(129,271)</u>
Cash Flows from Financing Activities:			
Principal payments on long-term debt	(214,286)	(214,286)	(197,866)
Termination payments	(15,000)	(15,000)	(67,493)
Member distributions paid	<u>(840,094)</u>	<u>(415,496)</u>	<u>(742,279)</u>
Net Cash Required by Financing Activities	<u>(1,069,380)</u>	<u>(644,782)</u>	<u>(1,007,638)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(394,258)	338,283	264,243
Cash and Cash Equivalents at Beginning of Year	<u>1,805,004</u>	<u>1,466,721</u>	<u>1,202,478</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,410,746</u>	<u>\$ 1,805,004</u>	<u>\$ 1,466,721</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>			
Cash paid during the year for interest	<u>\$ 62,199</u>	<u>\$ 41,844</u>	<u>\$ 30,761</u>

Supplemental Disclosure of Non-Cash Operating Activity:

On January 1, 2022, the Company adopted Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). The adoption of this ASU resulted in the recognition of an operating lease liability of \$1,143,293 and a corresponding right-of-use asset of \$1,116,703, based on the present value of future minimum rental payments on the Company's operating lease and elimination of deferred rent of \$26,590 at the date of adoption.

The accompanying notes are an integral part of these financial statements.

**H-1 AUTO CARE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

**NOTE 1 – DESCRIPTION OF BUSINESS**

H-1 Auto Care, LLC (the “Company”) was formed June 29, 2007 and is a franchising business organized to sell auto care franchises across the United States. Each store provides auto repair and maintenance services. H-1 Auto currently offers individual retail store franchises.

The Company is a wholly-owned subsidiary of H-1 Holdings, LLC (“Holdings”).

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The Company follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

New Accounting Policy

During 2023, the Company adopted the requirements of Accounting Standards Update (“ASU”) 2016-03, *Financial Instruments – Credit Losses*. This ASU introduces a “current expected credit loss” (“CECL”) model which requires all expected credit losses for financial instruments held at the reporting date to be based on historical experience, current conditions, and reasonable supportable forecasts. The CECL model replaces the existing incurred loss method and is applicable to the measurement of credit losses of financial assets. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in FASB Accounting Standards Codification (“ASC”) 326 were accounts receivable. There was no material impact to the financial statements or footnotes upon adoption of this new accounting policy.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk and Uncertainties

The Company’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and notes receivable. The Company maintains its cash in bank deposits which, at times, may exceed federally-insured limits. The Company has not experienced any losses in such accounts. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

**H-1 AUTO CARE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts relating to accounts receivable through a charge to earnings based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off.

Accounts receivable consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Royalty and advertising fund contributions	\$ 251,871	\$ 242,193	\$ 150,543
Less: allowance for doubtful accounts	<u>(133,931)</u>	<u>(110,421)</u>	<u>(45,406)</u>
	<u>\$ 117,940</u>	<u>\$ 131,772</u>	<u>\$ 105,137</u>

Revenue Recognition

Revenues for the Company are disaggregated into the following revenues streams: Royalties, Franchise Fees, Advertising Fund Contributions, and Ancillary.

The Company sells franchises which grant franchisees a right to operate a store within a designated territory. These franchises are conveyed through a Franchise Agreement. The sale of the franchises are reflected within Franchise fees in the accompanying statement of income and member's equity.

Following execution of the Franchise Agreement, the franchisee is provided operations and management training, marketing assistance and site selection assistance. The training program is completed typically 90-120 days following execution of the Franchise Agreement. Upon completion of the training program, the franchisee begins operations in their designated territory and the Company has fulfilled its performance obligations required to recognize revenues associated with the franchise fee. The execution of the franchise agreement marks the point in time where the franchisee has the right to operate its franchise location for a period of 20 years.

The fair value of the franchise fee charged to franchisees is determined by the Company based on the estimated future cash flows of the territory being purchased. Collection of Franchise Fees typically occurs within a year of execution of the Franchise Agreement. Amounts receivable associated with Franchise Agreements are included in Franchise Agreement Assets. The direct costs of training, broker fees and commissions incurred by the Company are typically greater than Franchise Fees charged, accordingly, all revenues associated with franchise fees are recognized upon completion of the training program. For the years ending December 31, 2023, 2022 and 2021, franchise fee revenues were not significant. There were no contract assets or liabilities related to franchise sales at December 31, 2023, 2022 and 2021.



**H-1 AUTO CARE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition (Continued)

The Company collects royalties and advertising fund contributions ranging from 1% to 6% of a franchisee's weekly revenues. Royalties and advertising fund contributions are considered variable consideration. GAAP requires variable consideration that is to be recognized over the term of the franchise agreement to be estimated at the inception of the Franchise Agreement. Deferred revenue and a note receivable would be recognized at inception of the Franchise Agreement based on this estimate. GAAP specifically excludes these fees from this treatment. Given the nature of the business, the constraints associated with estimating these fees cannot be overcome in order to determine an estimate of the variable consideration that would not be likely to result in a significant reversal. Accordingly, the fees are recognized in the week in which service revenues are earned. Amounts receivable associated with royalties are included within accounts receivable on the accompanying balance sheet.

Property and Equipment

Property and equipment are recorded at cost. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, generally 3 to 7 years. Minor maintenance, repairs, and renewals are expensed as incurred.

Intangible Assets

Goodwill and Franchise Rights

The Company has adopted Accounting Standards Update ("ASU") 2014-02, *Intangibles – Goodwill and Other: Accounting for Goodwill*, and as chosen to amortize goodwill and franchise rights over a period of ten years, starting January 1, 2019. Goodwill and franchise rights are tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount or diminish its value.

Architectural Designs

Costs incurred in connection with the design and drafting on certain architectural designs are deferred and amortized over their estimated useful life. These costs are being amortized on a straight-line basis over a 6-year period. The Company periodically evaluates whether changes have occurred that would require revision of the remaining estimated useful life of these costs.

Patents and Trademarks

Patents and trademarks are not amortized but are tested for impairment using a fair value approach. If the fair value of the reporting unit is less than its carrying value, or if the fair value of the patents or trademarks has been diminished, an impairment loss would be recorded to the extent of that difference. The Company tests and trademarks for impairment as of each year-end.

**H-1 AUTO CARE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Intangible Assets (Continued)

Management believes that there has been no impairment of intangible assets as of December 31, 2023, 2022 and 2021.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were approximately \$1,080,000, \$847,000 and \$793,000 for the years ended December 31, 2023, 2022 and 2021, respectively.

Income Taxes

The Company is treated as a partnership for federal and state income tax purposes with the earnings and losses of the Company being included in its member's income tax returns. Consequently, the Company's income or loss is presented without a provision or credit for federal and state income taxes.

The Company annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Company takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In general, the Company is no longer subject to tax examinations for the tax years ending before December 31, 2020.

**NOTE 3 – PROPERTY AND EQUIPMENT, NET**

Property and equipment is summarized as follows at December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Computers equipment	\$ 113,224	\$ 110,724	\$ 100,406
Furniture and fixtures	113,845	110,026	79,765
Vehicles	31,500	31,500	31,500
	<u>258,569</u>	<u>252,250</u>	<u>211,671</u>
Less: accumulated depreciation	<u>(158,578)</u>	<u>(105,669)</u>	<u>(55,605)</u>
	<u>\$ 99,991</u>	<u>\$ 146,581</u>	<u>\$ 156,066</u>

Depreciation expense was \$52,910, \$50,969 and \$16,386 for the years ended December 31, 2023, 2022 and 2021, respectively.

**H-1 AUTO CARE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

**NOTE 4 – INTANGIBLES**

Intangibles consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Goodwill and franchise rights	\$ 1,877,855	\$ 1,877,855	\$ 1,877,855
Architectural designs	62,171	62,171	62,171
Less: accumulated amortization	<u>(1,001,099)</u>	<u>(812,727)</u>	<u>(624,355)</u>
	938,927	1,127,299	1,315,671
Patents and trademarks	<u>28,219</u>	<u>25,694</u>	<u>23,444</u>
	<u>\$ 967,146</u>	<u>\$ 1,152,993</u>	<u>\$ 1,339,115</u>

Amortization expense was \$188,372 for the years ended December 31, 2023 and 2022 and \$198,148 for the year ended December 31, 2021.

**NOTE 5 – TERMINATION PAYMENTS**

During the normal course of business, the Company terminates certain previously sold franchise territory rights in consideration for cash payments. At December 31, 2023 and 2022, there was one non-interest bearing note outstanding to be paid out in annual installments of \$15,000 through 2024.

**NOTE 6 – FINANCING ARRANGEMENTS**

During 2020, the Company obtained a \$1,500,000 loan and revolving line of credit which allows for maximum borrowings of \$250,000. The loan and line of credit bear interest at the one-month Secured Overnight Financing Rate plus 2.80% (an effective rate of 8.14% at December 31, 2023). The loan requires monthly principal payments of \$17,857 through February 2025 at which time the outstanding balance is due in full. At December 31, 2023 the Company was in compliance with all financial covenants. There were no outstanding borrowings on the line of credit at December 31, 2023, 2022, and 2021.

Principal maturities of the above financing arrangements, are as follows for years ending December 31:

2024	\$ 214,286
2025	<u>464,285</u>
	678,571
Less: debt issuance costs, net of accumulated amortization	<u>(3,210)</u>
	<u>\$ 675,361</u>

**H-1 AUTO CARE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022 AND 2021**

**NOTE 7 – COMMITMENTS**

The Company has a non-cancellable operating lease for office space that expires in April 2028. Effective January 1, 2022, the Company adopted ASU 2016-02, *Leases*, and has recorded a ROU asset and operating lease liability which represents the present value of future lease payment using a discount rate of 2.00%.

At December 31, 2023, the Company's operating lease liability was comprised of the following:

Gross operating lease liability	\$ 907,949
Less: present value discount	<u>(39,711)</u>
Present value of operating lease liability	868,238
Less: current portion of operating lease liability	<u>(183,821)</u>
Long-term operating lease liability	<u>\$ 684,417</u>

The schedule below summarizes the future minimum annual lease obligations for the year ending December 31:

2024	\$ 199,520
2025	205,481
2026	211,627
2027	217,958
2028	<u>73,363</u>
	907,949
Less: present value discount	<u>(39,711)</u>
	<u>\$ 868,238</u>

Lease expense was approximately \$189,000 for the years ending December 31, 2023, 2022 and 2021 and operating cash out flows were approximately \$180,000, \$136,000 and \$112,000 for the years ending December 31, 2023, 2022 and 2021, respectively.

**NOTE 8 – SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through April 4, 2024, the date the financial statements were available to be issued.

**EXHIBIT H TO THE FRANCHISE DISCLOSURE DOCUMENT**  
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# HONEST1 AUTO CARE OPERATIONS MANUAL

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# HONEST1 AUTO CARE SIGNAGE AND DÉCOR MANUAL

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**EXHIBIT I TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**GENERAL RELEASE**

## GENERAL RELEASE

THIS GENERAL RELEASE ("Release") is made and entered into this day of \_\_\_\_\_, 20\_\_\_\_ by and between H-1 Auto Care, LLC, a Nevada limited liability company having its principal place of business located at 100 2<sup>nd</sup> Ave S, Suite 1203, St. Petersburg, FL 33701 (the "Franchisor"), and \_\_\_\_\_, [an individual/a corporation/a limited liability company] whose \_\_\_\_\_ principal \_\_\_\_\_ address \_\_\_\_\_ is \_\_\_\_\_ located \_\_\_\_\_ at \_\_\_\_\_ (hereinafter referred to as "Releasor") [and \_\_\_\_\_ as guarantors of Releasor (hereinafter referred to as "Guarantors")] ]

Releasor and Franchisor have executed a Franchise Agreement dated \_\_\_\_\_ ("Franchise Agreement").

The parties hereto, in exchange for consideration related to \_\_\_\_\_ [describe conditions, such as execution of assignment, deferral of amounts due] and such other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

1. **Release by Releasor:**

Releasor does for itself, and [any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof, and its owners,] any officer, director, employee, or agent, as well as any successors and assigns of any of them [and Guarantors for themselves,] ("Releasor Parties") hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, member, officer, director, employee, or agent of any of them ("Franchisor Parties"), from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which the Releasor Parties may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Franchise Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor Parties, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Release; provided, however, that the foregoing release and discharge shall not apply to: (a) obligations or rights as expressly set forth in \_\_\_\_\_ [name the current document being executed or any other applicable document] between the parties or (b) [the future performance of the Franchise Agreement] [the post-termination obligations of the Franchise Agreement, including but not limited to the indemnification obligation or continuing obligations under the Franchise Agreement]. In the event any of the Releasor Parties breaches any of the promises, covenants, or undertakings made herein by any act or omission, the Releasor Parties shall pay, by way of indemnification, all costs and expenses of the Franchisor Parties caused by the act or omission, including reasonable attorneys' fees.

2. **Release by Franchisor:**

The Franchisor Parties do hereby release and forever discharge generally, the Releasor

Parties from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which the Franchisor Parties may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Franchise Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Releasor Parties, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Release; provided, however, that the foregoing release and discharge shall not apply to: (a) obligations or rights as expressly set forth in \_\_\_\_\_ [name the current document being executed or any other applicable document], or (b) [the future performance of the Franchise Agreement] [the post-termination obligations of the Franchise Agreement, including but not limited to, the non-compete, non-solicitation and indemnity provisions and the indemnification obligation or continuing obligations under the Franchise Agreements], and (c) any third party claim relating to or arising out of, or in any way connected with or resulting from the Releasor Parties' conduct of its franchise business prior to the effective date of this Release. In the event the Franchisor Parties breaches any of the promises, covenants, or undertakings made herein by any act or omission, the Franchisor Parties shall pay, by way of indemnification, all costs and expenses of the Releasor Parties caused by the act or omission, including reasonable attorneys' fees.

3. Each party acknowledges and warrants that his, her or its execution of this Release is free and voluntary.

4. Florida shall govern the validity and interpretation of this Release, as well as the performance due thereunder. This Release is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

5. In the event that any action is filed to interpret any provision of this Release, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein, and said action must be filed in the State of Florida.

6. This Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

7. No statement, questionnaire, or acknowledgement signed or agreed to by a Releasor in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by the Franchisor, franchise seller, or other person acting on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8. This Release may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same Release.

9. A PDF of an executed signature shall have the same force and effect as an originally signed signature.

[SIGNATURES ON FOLLOWING PAGE]



[SIGNATURE PAGE FOR GENERAL RELEASE]  
(Exhibit I to Franchise Disclosure Document)

**IN WITNESS WHEREOF**, the parties hereto, intending to be legally bound hereby, have executed this Release effective as of the date first above.

**CALIFORNIA FRANCHISEES SHOULD NOT COMPLETE OR SIGN THE DISCLOSURE ACKNOWLEDGMENT STATEMENT.**

H-1 AUTO CARE, LLC

_____	By: _____
Witness (Print Name) _____	Name: <u>Michael B. Cowan</u>
	Title: <u>President and CEO</u>

RELEASOR:

_____	By: _____
Witness (Print Name) _____	Name: _____
	Title: _____

GUARANTORS:

_____	By: _____
Witness (Print Name) _____	Name: _____

_____	By: _____
Witness (Print Name) _____	Name: _____

**EXHIBIT J TO THE FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISE OWNER  
DISCLOSURE ACKNOWLEDGMENT STATEMENT**

As you know, H-1 Auto Care, LLC (the “Franchisor”) and you are preparing to enter into an agreement described below (the “Agreement”) for the establishment and operation of an Honest1 Center (the “Business”).

In the event that you are intending to purchase an existing Business from an existing Franchise Owner, you may have received information from the transferring Franchise Owner, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchise Owner. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Type of Agreement: Franchise Agreement

2. Are you seeking to enter into the Agreement in connection with a purchase or transfer of an existing Business from an existing Franchise Owner?

Yes \_\_\_\_\_ No \_\_\_\_\_

3. I had my first face-to-face meeting with a Franchisor representative on \_\_\_\_\_, 20\_\_\_\_.

4. Have you received, personally reviewed, and had the opportunity to ask questions on the Franchisor’s Franchise Disclosure Document that was provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

5. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?

Yes \_\_\_\_\_ No \_\_\_\_\_

6. A. Have you had the opportunity to discuss the benefits and risks of establishing and operating a Business with an attorney, accountant, or other professional advisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

B. If No, do you wish to have more time to do so?

Yes \_\_\_\_\_ No \_\_\_\_\_

7. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes \_\_\_\_\_ No \_\_\_\_\_

8. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes \_\_\_\_\_ No \_\_\_\_\_

9. Have you spoken to any other franchisee or Franchise Owner of this system before deciding to purchase this franchise? If so, who? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

If you have answered Yes to question 6(B), please let us know how much time you wish to have before completing the franchise sales process.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I signed the Agreement and addendum (if any) on \_\_\_\_\_, 20\_\_\_\_, and acknowledge that no Agreement or addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this questionnaire, you also acknowledge that:

A. The President of the United States of America has issued Executive Order 13224 (the “Executive Order”) prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti- terrorism measures (the “Anti-Terrorism Measures”). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

This Acknowledgment may be executed in counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same Acknowledgment.

A pdf of an executed signature shall have the same force and effect as an originally signed signature.

**THIS ACKNOWLEDGMENT DOES NOT WAIVE ANY LIABILITY THE FRANCHISOR MAY HAVE UNDER THE WASHINGTON FRANCHISE INVESTMENT PROECTION ACT, RCW 19.200 AND THE RULES ADOPTED THEREUNDER.**

**CALIFORNIA FRANCHISEES SHOULD NOT COMPLETE OR SIGN THIS DISCLOSURE ACKNOWLEDGMENT STATEMENT.**

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO FRANCHISE OWNER DISCLOSURE  
ACKNOWLEDGMENT STATEMENT]  
(Exhibit J to Franchise Disclosure Document)

**IN WITNESS WHEREOF**, the parties hereto, intending to be legally bound hereby, have executed this Acknowledgment as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

H-1 AUTO CARE, LLC

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

By:\_\_\_\_\_  
Name: Michael B. Cowan  
Title: President and CEO

FRANCHISE OWNER:

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

By:\_\_\_\_\_  
Name:\_\_\_\_\_  
Title:\_\_\_\_\_

## STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective date stated below:

California	Pending
Illinois	Pending
Indiana	Pending
Minnesota	Pending
Virginia	Pending
Washington	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller assisted marketing plans.

## RECEIPT

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully.

If H-1 Auto Care, LLC offers you a franchise, we must provide this Franchise Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this Franchise Disclosure Document at the earlier of the first personal 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.

Michigan requires that we give you this Franchise Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If H-1 Auto Care, LLC does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement or material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and your state agency listed in Exhibit A (State Agencies/Agents for Service of Process).

The name, principal business address and telephone number of each franchise seller offering the franchise are Michael B. Cowan and Garrett Williams, H-1 Auto Care, LLC, 100 2<sup>nd</sup> Avenue S., Suite 1203, St. Petersburg, FL 33701, 727-231-6950 and \_\_\_\_\_.

Issuance Date: April 4, 2024

See Exhibit A for our registered agents authorized to receive service of process.

I have received a Franchise Disclosure Document dated April 4, 2024 that included the following Exhibits:

Ex A:	State Agencies/Agents for Service of Process	Ex D:	[Intentionally Omitted]
Ex B:	State Specific Addendum	Ex E:	Current Franchisees
Ex C:	Franchise Agreement and Exhibits	Ex F:	Former Franchisees
	Attachment A	Ex G:	Financial Statements
	Attachment B	Ex H:	Table of Contents of Manuals
	Attachment C	Ex I:	General Release
	Attachment D	Ex J:	Franchise Owner Disclosure Acknowledgement Statement
	Attachment E		
	Attachment F	SED	State Effective Date Page
	Attachment G	RCPT	Receipts
	Attachment H		
	Attachment I		
	Attachment J		

6270615.2 09/24  
026106.00025  
FDD: 6270593.3

A: 6270807.2  
B: 6270815.2  
C: 3581505.8  
D: OMITTED

E: 6292415.2  
F: 6092423.3  
G: 6224674.2  
H: 6270823.1

I: 3270835.2  
J: 6270840.2  
  
SED: 6270842.1  
RCPT: 6270615.2

**FRANCHISOR'S COPY**  
**H1 2024 - RECEIPTS**

## RECEIPT

Please sign this copy of the receipt, date your signature, and return it to H-1 Auto Care, LLC, 100 2<sup>nd</sup> Avenue S., Suite 1203, St. Petersburg, FL 33701, 727-231-6950, or by faxing a copy of the signed and dated receipt to H-1 Auto Care, LLC at 727-550-0075.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Individually and, if applicable, as an officer, partner  
or manager of

\_\_\_\_\_  
a \_\_\_\_\_ corporation

a \_\_\_\_\_ partnership

a \_\_\_\_\_ limited liability company.

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**PROSPECTIVE FRANCHISEE  
H1 2024 - RECEIPTS**

## RECEIPT

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\_\_\_\_\_  
Date

\_\_\_\_\_  
Individually and, if applicable, as an officer, partner  
or manager of

\_\_\_\_\_  
a \_\_\_\_\_ corporation

a \_\_\_\_\_ partnership

a \_\_\_\_\_ limited liability company.

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**PROSPECTIVE FRANCHISEE  
H1 2024 - RECEIPTS**