



## FRANCHISE DISCLOSURE DOCUMENT

VERON, INC.  
A California Corporation  
Franchisor of Purrfect Auto Service  
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The total investment necessary to begin operation of a Purrfect Auto Service franchise is estimated at between \$149,250 and \$377,650. This includes \$24,950 that must be paid to the franchisor or 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 this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **NOTE, HOWEVER, THAT NO GOVERNMENTAL AGENCY HAS VERIFIED THE INFORMATION CONTAINED IN THIS DOCUMENT.**

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW., Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: October 9, 2024

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about 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 I and J.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Purrfect Auto Service business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Purrfect Auto Service franchisee?</b>	Item 20 or Exhibits I and J lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even 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 K.

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 mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in [State] than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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.

California State Addenda:

- (a) The California Franchise Investment Law requires a copy of all proposed agreement relating to the sale of the franchise be delivered together with the Franchise Disclosure Document.
- (b) Neither the franchisor nor any person or franchise broker in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or nation securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.S. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
- (c) 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.dfpi.ca.gov](http://www.dfpi.ca.gov).
- (d) This franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- (e) California Business and Professions Code sections 20000 through 20043 (the Franchise Relations Act) provide rights to the franchisee concerning termination, transfer, or non-renewal of the franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control. In particular, Business and Professions Code section 20010 voids a waiver of your rights under the Franchise Relations Act.
- (f) Section 31125 of the California Corporations Code requires us to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
- (g) 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.)
- (h) You must sign a general release of you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).
- (i) The highest interest rate allowed by law in California is 10% annually.
- (j) The Department of Financial Protection and Innovation requires that we defer the collection of all initial fees from California franchisees until we have completed of our pre-opening obligations and you are open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.
- (k) The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- (l) We both waive the right to any award for exemplary or punitive damages. You must bring any action against us within one year following the alleged event or occurrence.
- (m) Waiver of Jury Trial. The Franchise Agreement contains a waiver of jury trial clause whereby you and we both agree to waive our separate rights to a trial by a jury which means any trial of disputes between us will be before a judge.
- (n) **The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the Commissioner.**

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## **ITEM 1. THE FRANCHISOR, AND ANY PARENT, PREDECESSORS AND AFFILIATES**

To simplify the language in this Disclosure Document "Veron" or "we" means Veron, Inc., the franchisor. We franchise the right to operate an auto service and repair business. We aren't in any other business. We were incorporated in California on June 22, 2010. We have offered franchises for this business since September 8, 2010. "You" means the person who may buy the franchise, or the corporation, partnership, or other business entity that may buy the franchise.

### Our Parent, Predecessors and Affiliates

We do business under the name Veron, Inc. We don't do business under any other name. Our principal place of business as of July 1, 2016 is 21700 Copley Drive, Suite 280, Diamond Bar, California 91765. Our agent for service of process in California relating to the sale of franchises is the Commissioner of Financial Protection and Innovation, Department of Financial Protection and Innovation, 201 Arena Boulevard, Sacramento, California 95834. You will do business under the name "Purrfect Auto Service."

Before our incorporation, our predecessor, Shera, Inc., was the franchisor of the Purrfect Auto Service system in California between May 1999 and June 2010. We acquired Shera, Inc.'s franchise system in June 2010, and, as a result Veron became the franchisor of all Purrfect Auto Service franchises located in the state of California. Shera, Inc.'s principal place of business is 1142 South Diamond Bar Blvd., Suite 511, Diamond Bar, California 91765.

Before Shera, Inc.'s incorporation, its predecessor, Paiza, Inc., was the franchisor of the Purrfect Auto Service system between January 1993 and May 20, 1999. Shera, Inc. acquired Paiza, Inc.'s franchise system known as the Purrfect Auto Service system in California on May 20, 1999, and, as a result, Shera, Inc. became the franchisor of all Purrfect Auto Service franchises located in the State of California. Paiza, Inc. filed for bankruptcy in July 1999. Before Paiza, Inc. obtaining the rights to franchise the Purrfect Auto Service system, VBC Capital Corporation, RAI International Inc. and Auto Investment, Inc. each owned and operated auto repair facilities using the Purrfect Auto Service trademarks (26 locations total). These corporations were operating the stores under licensing agreements with Purrfect Auto Service Inc., which had opened them between 1989 and 1992. Between May 1993 and June 1994, Paiza, Inc. purchased the rights to use these marks, along with the combined 26 Purrfect Auto Service stores. Shera, Inc.'s address is 1142 South Diamond Bar Blvd., Suite 511, Diamond Bar, California 91765. Paiza, Inc.'s address is 1940 North Tustin Avenue, Suite 105, Orange, California 92865. VBC Capital Corporation's address is 25422 Trabuco Road, #105-339, Lake Forest, California 9630-2797. RAI International's address is 12625 Frederick Street, #15, Suite 363, Moreno Valley, California. Auto Investment, Inc.'s address is 3552 Wynn Road, Suite 115, Las Vegas, Nevada 89103. Purrfect Auto Service, Inc.'s address is 382 North Lemon Avenue, Suite 189, Walnut, California 91789. Except as stated in this section, we have no other relationships with Shera, Inc., Paiza, Inc., VBC Capital Corporation, RAI International, Inc., or Auto Investments, Inc. We have no common ownership, officers, or directors with these companies.

We will start offering franchises under this Disclosure Document beginning the effective date of this Disclosure Document. We have been offering franchises since September 8, 2010 and we have no prior experience in operating similar businesses, except that of our principals stated in



Item 2 below and experience we acquire from time to time in the activities described in this Disclosure Document.

You will compete with other auto service garages, auto dealer service departments, department store service departments, national and regional service stations and auto service shops, chains and independents.

You must comply with numerous federal, state, county, city and local laws and rules on operating auto service and repair facilities. In California you must comply with rules of the Bureau of Automotive Repair, the Department of Consumer Affairs, the Environmental Protection Agency and all requirements of the Fire Marshal.

You must comply with laws and rules in many aspects of your business. A Franchisee must obtain an Automotive Repair Dealer License from the California Bureau of Automotive Repair before it can open. An application must be submitted along with the application fee to the Bureau of Automotive Repair Licensing Unit, P.O. Box 989001, West Sacramento, California 95798-9001. The Automotive Repair Dealer Registration Application and Instructions can be found on the Bureau of Automotive Repair's website, [www.bar.ca.gov](http://www.bar.ca.gov). Some areas require licensing before using, storing and disposing dangerous materials (like oil, petroleum products, solvents and other chemicals); licensing to repair motor vehicles (typically making you get, file and display a license); licensing to do emissions (smog) and vehicle safety inspections; record-keeping; zoning for your location; signs; parking; protecting your workers (by limiting their hours, setting minimum wages and making sure equipment is safe); tax withholding; and information stated in customer invoices and other forms. There are so many laws and rules that this list probably isn't complete. You must comply with all laws and rules, whether they are mentioned here or not. Ask a lawyer or government agency about the laws and rules that will apply to you.

You must comply with all applicable federal, state and local laws, rules, regulations ordinances, orders and licensing requirements, including those pertaining to air pollution, water pollution, noise control and/or the generation, storage, transportation, recycling, management, handling, discharge, treatment, disposal or recovery of solid wastes, used oil and hazardous wastes, substances or materials (as defined by applicable statutes), wages, hours; prepare and file all necessary tax returns, and pay promptly all taxes imposed on you or on your business or property; and timely file all required fictitious business name statements and similar submissions in your use of our Trademarks.

## **ITEM 2. BUSINESS EXPERIENCE**

Lizzet Berenice Sanchezrios, Chief Executive Officer, Chief Financial Officer, Secretary, Treasurer, and Director.

Lizzet Berenice Sanchezrios has been involved in the automotive repair industry since 2016.

### ITEM 3. LITIGATION

#### Our Litigation:

- (1) Veron, Inc. v. ZPurchase, Inc. (Filed December 15, 2011) in San Bernardino County Superior Court. Case No. UDFS 1102721). Veron brought this action against its franchisee ZPurchase, Inc. after the franchisee failed to pay its obligations under the franchise agreement and real property sublease. The franchisee abandoned the premises prior to the trial date and Veron dismissed the action with prejudice on January 13, 2012.
- (2) Cerritos Auto Center, Inc. v. Paisa, Inc., Shera, Inc., Veron, Inc., and Symar Enterprises, Inc. (filed October 23, 2012. Case No. VC062172). Cerritos Auto Center, Inc. filed this unlawful detainer action against, *inter alia*, Shera, Inc. and Veron, Inc. for possession of the premises located at 11600 South Street, Artesia, CA 90701, a Purrfect Auto Service franchise location. The plaintiff alleged that the defendants owed more than \$63,000 in past due rent. On February 6, 2013, the parties settled the lawsuit by signing a Stipulation for Entry of Judgment (No Judgment To Be Entered, Unless Default by Defendants). Under the settlement, the settlement monies were timely paid, Shera, Inc. and Veron, Inc. were permitted to remain in possession of the premises and to place a Purrfect Auto Service franchisee at the location.
- (3) Veron, Inc. and Shera, Inc. v. Buduzyan (filed on December 4, 2012) in Los Angeles Superior Court Case No. 12H04402. Veron, Inc. and Shera, Inc. filed this unlawful detainer action against Purrfect Auto Service franchisee Gevork Buduzyan after the franchisee failed to pay rent due under the real property sublease. A default judgment was obtained against the franchisee on January 22, 2013, and the Los Angeles County Sheriff's Department returned possession of the premises to Veron, Inc. on February 12, 2013.
- (4) Veron, Inc. and Shera, Inc. v. Symar Enterprises, Inc. (filed on October 19, 2012) in Los Angeles Superior Court Case No. 12C02991. Veron, Inc. and Shera, Inc. filed this unlawful detainer action against Purrfect Auto Service franchisee Symar Enterprises, Inc. after the franchisee failed to pay royalties and advertising fund contributions. A default judgment was obtained against the franchisee on January 10, 2013, and the Los Angeles County Sheriff's Department returned possession of the premises to Veron, Inc. on January 24, 2013.
- (5) Burns-Goodman, LLC v. Shera, Inc., Veron, Inc. et al. (filed November 14, 2013) in Alameda County Superior Court as Case No. RG13703414. Burns-Goodman LLC sued Shera, Inc. and Veron, Inc. for breach of contract, fraudulent conveyance, and single enterprise liability in connection with Shera's lease of the premises located at 1809 San Pablo Avenue, Berkeley, California, which was a former Purrfect Auto Service store location. The plaintiff alleged that, Shera's sale of its assets to Veron in June 2010 constituted an assignment of the lease, which was in effect until July 14, 2014, and rendered Veron liable under the lease. The premises were surrendered to plaintiff in February 2013. On February 7, 2014, the parties entered into a Settlement Agreement

that released Veron upon Veron's payment of specified amounts. The Settlement Agreement required Shera to confess judgment in the amount of \$82,510.34. Judgment on that amount was entered against Shera on May 7, 2014.

- (6) Autozone, Inc. v. Soma Auto, Inc. , et al. Orange County Superior Court Case No. 30-2013-00681526. On October 16, 2013, plaintiff filed a complaint against a Purrfect Auto Service franchisee for breach of a credit application. The complaint did not name Veron and Veron was not a party to the credit application. Nonetheless, on December 3, 2013, plaintiff filed an amendment to the complaint substituting Veron in for defendant Soma Auto, Inc. The court granted the amendment on December 6, 2013. Veron first learned of the substitution of Veron for Soma Auto, Inc. in April 2014. On May 7, 2014, Veron filed a motion to set aside the order. Plaintiff, upon being alerted to its mistake, filed a new amendment replacing Veron once again with Soma Auto, Inc., which the court granted on May 29, 2014.
- (7) Cintas Corporation v. Veron, Inc., doing business as Purrfect Auto Service #091, Los Angeles Superior Court Case No. 13N22806 (filed October 21, 2013). Plaintiff sued "Veron, Inc. doing business as Purrfect Auto Service #091" for the breach of a contract for the rental of uniforms. Plaintiff entered into the contract with "Purrfect Auto Service." Veron was not a party to the contract. The complaint was not served on Veron. Without Veron's prior knowledge, a default judgment for \$6,654.82 was entered against Veron on March 25, 2014. When Veron learned of the default judgment in April 2014, Veron notified plaintiff through counsel. Plaintiff subsequently signed a stipulation to set aside the default, which resulted in a dismissal with prejudice of the action on June 6, 2014. On October 6, 2014, Plaintiff filed a motion to set aside the dismissal with prejudice. On November 18, 2014, the court set aside the dismissal with prejudice and ordered the defendant, Veron, Inc., to respond to the complaint within 30 days. Veron, through counsel, demanded that Plaintiff dismiss Veron from the action, as the claims were on a contract with a franchisee, not with Veron. On November 24, 2014, at Plaintiff's request, the action was once again dismissed, although it was dismissed without prejudice. No further action has been taken in this matter by Cintas since then.
- (8) Veron, Inc. v. A. J.'s Automotive LLC, Angie Joshi, aka Anjie Joshi, and Does 1-100, Los Angeles Superior Court Case No. BC582466 (filed May 20, 2015). Veron terminated its franchise agreement with A. J.'s Automotive LLC in Diamond Bar, California in May 2015 for the franchisee's multiple breaches of the franchise agreement. The franchisee failed and refused to pay royalties and violated the noncompetition provisions of the franchise agreement. Veron sued the franchisee and its owner and guarantor, Angie Joshi, for breach of contract, unfair competition, declaratory relief and breach of guaranty. In June 2015, Ms. Joshi filed an answer to Veron's complaint on behalf of herself and her company, A. J.'s Automotive LLC. In July 2015, Veron filed a motion to strike the answer on behalf of A. J.'s Automotive LLC on the grounds that the answer was improperly filed by a person not licensed to practice law in California. The motion was noticed for hearing in early October 2015. On August 17, 2015, Ms. Joshi filed for personal bankruptcy and a notice of bankruptcy stay was subsequently filed in the pending action. The outcome of the action is uncertain in light

of the bankruptcy filing. Sometime before late August 2015, Ms. Joshi and her company vacated the premises where the franchise had been located. Ms. Joshi and her company are no longer operating a competing automotive service at that location.

- (9) Mathew Paley and Peter Paley v. Shera, Inc., Veron, Inc., Veronica Behar, et al., Los Angeles County Superior Court Case No. YC072640 (filed January 24, 2018). Plaintiffs Mathew Paley and Peter Paley sued Veron, Inc. and its officers, Veronica Behar and Julia Kiouisis, among others for the breach of lease and negligence. The original complaint and a first amended complaint were not served on Veron. The second amended complaint, which was filed on January 23, 2020, was not served on Veron until August 25, 2020. The second amended complaint alleges that Veron and its officers, as well as the other defendants, are jointly and severally liable for Shera, Inc.'s October 2017, breach of a lease with the plaintiffs on the theory that Veron had assumed Shera's obligations under the lease when Veron acquired Shera's assets in 2012, notwithstanding that the acquisition did not include Shera's leases. The plaintiffs are seeking the difference between the rent Shera was to pay under the lease and the rent the plaintiffs are receiving from a new tenant on the premises. The second amended complaint also alleges that the defendants, including but not limited to Veron and its officers, are jointly and severally liable for negligence in purportedly failing to leave the leased premises in good condition and repair. Veron and its officers have filed their answer to the second amended complaint. The action was settled on January 21, 2021, pursuant to which Veron agreed to make payments to the landlord totaling \$25,000 to settle all outstanding claims, the final payment of which was made on December 1, 2021, and the action was dismissed with prejudice on January 27, 2021.

#### Litigation Against Persons Identified in Item 2:

None.

Neither we nor any person in Item 2 of this 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. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

Other than these actions, no litigation is required to be disclosed in this Disclosure Document.

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

Neither we, nor any parent predecessor, affiliate, officer, general partner, or any other individual who occupies a similar status or performs similar functions has during the 10 year period immediately before the date of this Disclosure Document, except as disclosed above, has been involved as a debtor in proceedings under the U.S. Bankruptcy Code or is required to be disclosed in this item.

## ITEM 5. INITIAL FEES PAID TO THE FRANCHISOR

The initial franchise fee is \$24,950. You pay this in a lump sum on signing the Franchise Agreement. If you are entering into a Franchise Agreement following an early, mutually agreed termination of your prior Franchise Agreement, then there is no initial fee.

Other initial fees you pay us are security deposit and first month's rent if you sublease from us. The Franchisor did not receive any security deposits or payments for first month's rent from a franchisee in the past fiscal year. You must also reimburse us for all amounts we may have expended improving the facility.

The initial franchise fee is not refundable. The only exceptions are if we are not satisfied with your pursuit and completion of our training program or if you don't get a lease. Then, if we elect to rescind the Franchise Agreement, the initial franchise fee will be refunded.

The Department of Financial Protection and Innovation requires that we defer the collection of all initial fees from California franchisees until we have completed of our pre-opening obligations and you are open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.

## ITEM 6. OTHER FEES

Type of Fee(1)	Amount	Due Date	Remarks
Royalty	\$875 per week. Weekly amount during first twenty-six weeks of your operation at a new location is \$600. Your weekly minimum royalty during the first twenty-six weeks at an existing site you purchase is \$875. You may reduce the weekly royalty fee up to \$200 per week - \$100 for buying all bulk oil and \$100 buying virtually all stocking parts from a supplier we recommend for each. The minimum weekly royalty is adjusted upward each June 1, based on the then current Consumer Price	The \$875 minimum is due each Tuesday for the week ending the prior Saturday.	Gross revenues includes all amounts received from the business, less sales taxes and smog certificates used. Royalties and other payments are made by automatic withdrawals from your bank account.

	Index.		
Advertising Fund	You must place and spend \$1,000 per week on advertising through approved suppliers. This amount is adjusted upward each June 1 based on the then current Consumer Price Index.	If a Geographic Advertising Fund is established, your weekly contribution will be due each Tuesday for the week ended the prior Saturday.	We may establish a Geographic Advertising Fund in your region, and you may be required to contribute a portion or all of your \$1,000 required weekly advertising expenditures to the Geographic Advertising Fund. We may require Geographic Advertising Fund contributions to be made through automatic withdrawals from your operating bank account. We may charge an administrative fee of up to 15% of the Geographic Advertising Fund expenditures.
Computer Software.	Required software will cost you between \$90 and \$150 per month.	After signing the Franchise Agreement	The software is for writing of invoices, keeping of proper inventory and generation of management control reports. It is not a financial accounting software package.
Late Fee	Late fee is 10% of the amount overdue. You pay separate late fees for royalties and for advertising.	Immediately.	You must pay a late fee if you do not make timely payments to us. Late charge does not allow or excuse late payment.

Interest on Late Payment	Interest is 10% not to exceed highest rate allowed by law (if any). This is in addition to the above late fee.	As incurred.	Interest charge does not allow or excuse late payment.
Insurance	Varies	As incurred.	If you don't buy insurance required by your Franchise Agreement and Sublease, we can buy it and you must pay us back.
Audit Costs	CPA fees and other costs of audit. Currently \$80 per audit hour.  Missing invoices \$25 each.	Paid to us immediately.	Payable if audit discloses failure to comply with material provision of Franchise Agreement or the Franchisee Business Guide.
Rent/Lease under Sublease	Based on contracted amount if you rent your location from us.	Monthly	Rent and/or lease payments are made directly to the lessor. If you sublease from us, you may be required to pay us a monthly rental premium in addition to the rent paid to the lessor.
Security Deposit under Sublease	Will vary. Usually equals one to two months rent.	On signing the Sublease	When rent increases the Security Deposit will also increase to equal the new rent amount.
Late Fee under Sublease	10% of overdue rent premium plus interest of 10% per year.	As incurred.	You must pay a 10% late fee to Shera for any overdue rent premium. You must also pay a late fee to the master lessor if you do not pay your rent. The amount of the late fee due to the master lessor is determined by the master lease and varies from 5% to 15%.
Loan Payments	Will vary.	First day of each month.	Payable if you finance a purchase from us and sign the Promissory Note. See Exhibit G.

Interest on Loans	10% per year	First day of each month.	Payable if you finance a purchase from us and sign the Promissory Note. See Exhibit G.
Early Repayment Penalty on Loans.	None unless we incur a prepayment penalty or other charges we incur due to your early repayment. The prepayment penalty or other charges we may incur could range between 5% and 10% of the outstanding balance of the amount you owe under the promissory note.	When you make the early repayment.	Payable if you finance a purchase from us, sign the Promissory Note, and make an early prepayment, which results in us incurring a prepayment penalty or other charges. See Exhibit G.
Transfer Fee	\$10,000	Before transfer occurs. Not refundable.	Payable if you sell your franchise. We can charge a fee for approving a transfer to a corporation you control.
Transfer Security Deposit	\$3,000	Before Transfer occurs	We will use it to pay debts and we will return balance, if any, to you.
Renewal Fee	\$5,000	Between 9 months and 12 months before requesting renewal.	The renewal fee is to be delivered with your written request to renew.
Indemnification under all agreements with us	Will vary.	As incurred.	You reimburse us and certain individuals if costs are incurred because of the operation of your business.
Collection	Will vary.	As incurred.	You reimburse us for all costs we incur because of your failure to comply with the Franchise Agreement or other agreement with us.
Attorneys Fees under all agreements with us	Will vary.	As incurred.	You reimburse us for attorneys' fees or legal costs we incur because of your failure to comply with the Franchise Agreement or other agreement with us.



Defaults Cured under all agreements with us	Will vary.	As incurred.	You reimburse us if we incur any costs while curing any of your defaults.
Taxes	Sales Tax + Use Tax + Personal Property Tax and other similar taxes, including any tax payments advanced by us on your behalf.	As assessed.	If we get charged a tax on your behalf, you must reimburse us.
Site Refurbishment Costs.	We can require you to spend up to 3% of the Gross Revenues of your business for refurbishing your location during the term of your franchise agreement. This 3% of Gross Revenues limit shall not apply to refurbishment costs you may incur if you elect to renew your franchise agreement.	As incurred.	Gross Revenues includes all amounts received from the business, less sales taxes and smog certificates used.
Liquidated Damages	\$100 for each failure to submit weekly report on time; \$25 for each invoice or item missing or requested from weekly report; \$25 for each other noncompliance other than nonpayment; and 10% of each amount overdue.	As incurred.	You pay us these as damages for each time you fail to comply with your obligations to us. These amounts are paid to us through automatic withdrawals from your operating bank account.

**FOOTNOTE:**

- (1) All fees are payable to us. All are non-refundable, except the initial franchise fee which may be refundable if you don't get a lease or don't complete training to our satisfaction. The security deposit under the Sublease may be refundable.

## ITEM 7. INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT (1)

<b>Type of Expenditure</b>	<b>Amount Low - High</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee (1)	\$24,950	Lump Sum or installments	On signing Franchise Agreement	Shera
Computer Software	\$2,500	Lump Sum	On signing Franchise Agreement	Shera
Travel and Living Expenses While Training (2)	\$500 - \$2,000	Cash	As incurred	Employees; third parties
Minimum Royalty for first 3 months (3)	\$7,800 (3)	Cash	Weekly	Shera.
Advertising Fund for first 3 months (4)	\$13,000 + \$500-\$1,000 for yellow/white pages	Cash	Weekly	Suppliers or Geographic Advertising Fund.
Real Estate (lease/sublease) security dep. & 1st three Months Rent (5)	\$16,000 - \$40,000	Cash	On signing lease and monthly after	Shera Third Party
Real Property Improvements (6)	\$1,000 - \$25,000	Cash or credit (Lump Sum or installments)	Before Opening	Contractors
Equipment (7)	\$12,800 - \$160,000	Cash or credit (Lump Sum or installments)	Before Opening	Third Party
Fixtures and Other Assets (8)	\$10,000 - \$14,000	Cash or credit (Lump Sum or installments)	Before Opening	Third Party
Opening Inventory (9)	\$18,000 - \$25,000	Cash or credit (Lump Sum or installments)	Before Opening	Supplier

Uniform Rental	\$300 - \$600	Cash or credit (Lump Sum or installments)	Before Opening and periodically	Supplier
Security Alarm, Installation and Monitoring	\$500 - \$1,200	Cash or credit (Lump Sum or installments)	Before Opening	Vendor
Utilities (Power and Phone)	\$900 - \$3,000	Cash	Before Opening	Utility Company
Trash and Waste Oil Pickup	\$900 - \$1,200	Cash	As needed	Third Parties
Insurance (10)	\$4,200 - \$6,000 (per year)	Cash or credit (Lump Sum or installments)	Before Opening	Insurance Company
Principal Operating Account (11)	At least \$10,000	Cash	As needed	N/A
Training Expenditure	\$0.00	Not Applicable	Not Applicable	Not Applicable
Misc. Opening Costs	\$5,000 - \$10,000	Cash or credit (Lump Sum or installments)	As incurred	Third Parties
Additional Funds: 3 months	\$20,000 - \$30,000	Cash or credit (Lump Sum or installments)	As needed	Employees Suppliers Utilities
Estimated Total Investment (1)	\$149,250 - \$377,650	N/A	N/A	N/A

FOOTNOTES:

- (1) This table and these estimates are accurate if you are new to the system and in a new location. If you are entering into the Franchise Agreement following early mutually agreed termination of your prior Franchise Agreement, then you already made your initial investment and this table does not apply to you. In addition, if you are buying an existing site, your total investment may exceed the high amount listed, since your price may include an amount greater than the value of the tangible assets and your mortgage payment may be greater than a lease payment.
- (2) Training is usually held partly at our office and partly at or near your location.
- (3) This is the minimum royalty. If your sales grow above a certain level, your actual

royalty payments to us will be higher. There is no maximum weekly royalty since the royalty due is based on your weekly sales. In addition, if you purchase an existing location, rather than opening a new location, your weekly minimum royalty for the first twenty-six weeks is \$875 instead of \$600. Therefore, for existing locations, your minimum royalty payments for the first three months (thirteen weeks) of your operations are \$11,375.00.

- (4) This estimate for 3 months (13 weeks) includes the required \$1,000 a week advertising expenditure and the approximately \$500-\$1,000 you must also spend on listings in a "white pages" and "yellow pages" for your area.
- (5) These are estimated payments for three months' rent and security deposit equal to one month's rent with a low monthly rent estimate of \$4,000 and a high of \$10,000. These estimates assume you lease your business location. If you already own a location, your initial expense for this item may be lower or may be zero. If you buy a location, your initial expense for this item could be much higher. Real estate values vary widely. The amount of your rent will depend on many factors such as current market, geographic location, size, condition of the premises, and wide ranging other factors. If you sublease from us, you may be required to pay us a monthly rental premium in addition to the monthly rent paid directly to the lessor
- (6) You must construct, renovate or make leasehold improvements to comply with our current standards and with all government regulations. An amount may be contributed by your landlord towards the leasehold improvements and will vary based on your negotiations. If you lease or sublease from us, you must pay all costs for improving the location.
- (7) The estimate range is for 3 months lease payments (including a security deposit) for equipment consisting of hoists, compressors, diagnostic and testing equipment, pumps and other dispensers; workbench and related automotive repair equipment to a high, assuming you purchase the equipment. The cost will also vary if you lease new or used equipment, the model and brand you select and other factors.
- (8) Fixtures and other assets include furniture consisting of desk(s), table(s), chairs, office equipment consisting of computers, copier and various office supplies and equipment. The cost of these items will depend on whether you buy or lease them, whether you get new or used equipment, the models and brands you select, and other factors.
- (9) Opening inventory includes our recommended list of automobile parts, motor oils and other supplies.
- (10) You must buy and maintain insurance policies issued by carriers approved by us, including all risks insurance sufficient to cover the business and replacement value of all equipment, fixtures and supplies; comprehensive general liability coverage under a garage liability policy and product liability insurance of at least \$1,000,000;

business interruption insurance; pollutant clean-up and removal coverage of at least \$25,000 per accident; workers' compensation and employer's liability insurance; automobile liability coverage; and other insurance or higher coverage required under your lease, sublease, loan, equipment lease or as determined by us.

- (11) You must open a principal operating account at a bank. You must always keep at least \$10,000 in it. Amounts due to us are automatically withdrawn from the account.

Only the security deposit and/or insurance may be refundable.

The initial phase of the business is estimated at 3 months.

In determining the additional funds used, we relied on payroll required during the initial phase, which is not covered by the other expenses listed in the Table.

We used our experience in the automotive repair and service business to make these estimates. There may be other factors not listed which may affect your initial investment. You should get professional advice from an accountant, financial planner, and/or attorney.

## **ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

Before opening your business, we will provide you a list of tools, fixtures, equipment, uniforms, office supplies, forms, computer, inventory and other materials required to operate your business. You must buy or lease these before opening your store. You must buy or lease all required materials from us, if we make them available, or suppliers we designate. You must use only customer invoices supplied by our approved supplier.

To get our approval of a supplier you select, you must submit a written request. The request must include the supplier's identity, address, the items you wish to buy and all other information about the supplier that you want us to consider. We may request the proposed supplier to agree in writing to comply with our standards. Our standards for approving a supplier only include the requirement that the supplier is a recognized supplier in the automotive industry which supplies these items and materials to other automotive repair businesses as part of its operation and has been in the business of providing such items and materials for at least three years. We don't currently charge for supplier approval, but we could in the future. We may revoke approval at any time. (Franchise Agreement Paragraph 9) It takes a period of thirty days from the time we receive the information regarding the proposed supplier from you in order for us to provide you with our decision to approve or disapprove the proposed supplier. You will receive notification of supplier approval or disapproval within forty days from the time we receive the information regarding the proposed supplier from you.

If you acquire a Franchise for an existing location from us, or certain companies affiliated with us, you will: (a) enter into a sublease for the location, see Exhibit C; (b) enter into a Contract for Sale of Assets, see Exhibit F; and (c) assume our obligations under existing third party contracts for services and products used at the location, including equipment leases, burglar alarm systems,

telephone systems and laundry services.

We may negotiate approved supplier arrangements with parties that will pay us a rebate. As of this date, there is no such agreement between us and a supplier.

The Franchisor does not provide any material benefit to franchisees if franchisees buy from approved suppliers.

We may, from time to time, negotiate purchase arrangements for the benefit of franchisees. We presently have no such purchase arrangements in place.

Presently, there are no franchisee purchasing or distribution cooperatives. No officer or director owns any interest in any supplier

Neither the Franchisor nor any persons/entities affiliated with the Franchisor are currently approved suppliers.

## **ITEM 9. YOUR OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in Agreements</b>	<b>Item in Disclosure Document</b>
a. Site Selection and Acquisition Lease	Section 3 of Franchise Agreement. Section 8 of Sublease; Conditional Lease Assignment Agreement.	Items 6, 11 and 12
b. Pre-opening purchases/lease	Sections 5.6(b), 7.1, 9.1, 9.5 & 11 of Franchise Agreement; Sections 5 & 12 of Sublease.	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 3.4 - 3.7 of Franchise Agreement.	Items 6, 7 and 11
d. Initial and ongoing training	Section 6 of Franchise Agreement.	Items 6, 7 and 11
e. Opening	Sections 3.10 & 3.11 of Franchise Agreement; Section 3.2 of Sublease.	Items 11 and 12

f. Fees	Sections 3.5, 5, 7.1, 7.4, 9.1 & 14.22 of Franchise Agreement; Sections 4, 5, 13.3 & 13.4 of Sublease; Section 22 of Conditional Lease Assignment; Section 10.16 of Guaranty; Section 2 & 19 of the Contract for Sale of Assets; Section 1, 2, 4 & 13 of Promissory Note; Section 7.1 of Security Agreement; Sections 2 & 22 of Consent to Transfer Agreement.	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	Sections 8 & 9 of Franchise Agreement; Sections 3.3 & 15.21 of Sublease.	Item 11
h. Trademarks and proprietary information	Sections 4 & 10 of Franchise Agreement.	Items 13 and 14
i. Restrictions on products/services offered	Sections 9.1 - 9.5 of Franchise Agreement; Section 6 of Sublease.	Items 8 and 16
j. Warranty and customer service requirements	No customer service obligations. Warranty: Section 3 of Security Agreement.	Item 11
k. Territorial development and sales quotas	Section 3.2 of Franchise Agreement.	Item 12
l. Ongoing product service purchases	Section 9 of Franchise Agreement; Section 7.4 of Sublease.	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 3.5, 9.9 & 9.10 of Franchise Agreement.	Item 11
n. Insurance	Section 11 of Franchise Agreement; Section 12 of Sublease; Section 4.1(j) of Security Agreement.	Item 7
o. Advertising	Section 7 of Franchise Agreement.	Items 6 and 7

p. Indemnification	Section 14.6 of Franchise Agreement; Sections 11 & 14.3 of Sublease; Section 9 of Conditional Lease Assignment Agreement; Section 6(b) of the Contract for Sale of Assets; Section 7.2 of Security Agreement.	Items 6 and 17
q. Owner's participation/management staffing	Sections 9.6 - 9.8 of Franchise Agreement.	Items 11 and 15
r. Records/reports	Sections 5.7, 9.11 - 9.13 of Franchise Agreement.	Item 6
s. Inspections/audits	Section 9.12 of Franchise Agreement.	Items 6 and 11
t. Transfer	Section 12 of Franchise Agreement; Section 10 of Sublease; Conditional Lease Assignment Agreement; Consent to Transfer Agreement.	Item 17
u. Renewal	Sections 2.3 - 2.6 of Franchise Agreement; Section 3.4 of Sublease.	Item 17
v. Post-termination obligations	Sections 10.6(d), 13.4 & 13.5 of Franchise Agreement; Section 13 of Sublease; Section 1.2 of Conditional Lease Assignment; Section 8 of Conditional Lease Assignment Agreement; Section 5.2 of Security Agreement; Section 2 of Consent to Transfer Agreement.	Item 17
w. Non-competition covenants	Sections 3.2 & 10.6 of Franchise Agreement; Section 10 of Consent to Transfer Agreement.	Items 12 and 17
x. Dispute resolution	Sections 15.1 & 15.2 of Sublease; Section 15 of Conditional Lease Assignment; Section 4 of Guaranty; Section 12 of Contract for Sale of Assets; Section 14 of Promissory Note; Section 7.14 of Security Agreement; Section 15 of Consent to Transfer.	Item 17



y. Principal Operating Account	Section 5.6 of Franchise Agreement; 4.2 of the Sublease	Items 6, 7 & 8
z. Pricing	Section 9.15 of Franchise Agreement.	Item 8
Other: Hours of Operation	Section 9.7 of Franchise Agreement.	Item 11
Assumptions	Section 14.3 of Franchise Agreement; 7.3 of Sublease; Section 4 of Conditional Lease Assignment Agreement; Section 5 of Contract for Sale of Assets.	Item 8
Guaranties	Page 42 of Franchise Agreement; Guaranty Agreement.	Item 17
Hazardous Material	Section 14 of Sublease.	Item 16
Liquidated Damages	Section 5.8 of Franchise Agreement.	Item 17
Notice of Claim	Section 14.1 of Franchise Agreement; Section 15.1 of Sublease.	Item 17
Indemnity	Section 14.6 of Franchise Agreement.	Item 17
Use of Premises	Section 6.1 of Sublease	Item 11

## ITEM 10. FINANCING

We may suggest various financing lenders on request. We don't receive any payment directly or indirectly for these referrals. However, we do under some circumstances finance the \$24,950 initial franchise fee, depending upon your ability to pay and our ability to provide financing at the time. You must sign a promissory note which requires monthly payments of the financed amount and interest. Payments to us are made through automatic withdrawal from your operating bank account. The repayment term is normally five years. Interest is normally at a fixed rate ranging from zero to approximately 10%, but usually 8%.

When you buy an operating store from us or an affiliate, part of the purchase price may be financed. Financing typically ranges from \$50,000 to \$150,000. You must pay the purchase price with a down payment and a promissory note. We don't require an application fee. The financed amount depends on the cost of the item financed, your ability to pay and our ability to provide financing at the time. You must sign a promissory note which requires monthly payments of the financed amount and interest. Payments to us are made through automatic withdrawals from your

operating bank account. The repayment term is normally five years. Interest is normally at a fixed rate ranging from zero to approximately 10%, but usually 8%.

See the sample promissory note, Exhibit G. It does not have a penalty for early repayment except that you must reimburse us for any prepayment penalties or other charges we incur due to your early repayment. The prepayment penalties or other charges we may incur due to your early repayment may range between five and ten percent of the outstanding balance you owe us under the promissory note. It provides a late payment penalty of 10% of the amount overdue and acceleration of the entire amount remaining due if you fail to make a payment within 5 days after payment is due. The Note is secured by a security agreement which you must sign and which provides for foreclosure of all your business and your personal (non-business) property wherever located, including equipment, inventory, fixtures, all accounts, cash, proceeds, insurance claims, tax refunds and personal property acquired in the future. You must maintain insurance to protect the secured property against fire and other damage. The security agreement appoints us as attorney-in-fact to protect, take and sell the secured property if you fail to comply. The note is governed by California law. You must pay our attorneys' fees if we sue to collect.

If you don't comply with the promissory note, the security agreement, or any of the other agreements with us we can terminate your franchise. (Franchise Agreement Section 13.2(m)). See the sample security agreement, Exhibit G.

We don't make you sign a confession of judgment and we don't make you waive a defense against us or other holder. However, you may only bring an action against us in Los Angeles California and you waive your right to file an action against us in any other court. Under the Franchise Agreement you must bring any action against us within one year after the alleged event or occurrence and you waive your right to any award for exemplary or punitive damages. The Security Agreement appoints us as your attorney-in-fact. We don't have any past or future intent to sell, assign or discount to a third party all or part of the promissory note and security agreement, however, we reserve the right to do so.

We don't guarantee your note, equipment leases or other obligations, except those property leases if we are the lessee and we sublease the location to you.

We will comply with all appropriate laws governing any direct financing offered by us to you, including, if applicable, the California Finance Lenders Law.

## **ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEM AND TRAINING**

Except as disclosed below, we need not provide any assistance to you.

Before you open your business, we will:

(1) On your request, assist you to obtain a Location, although the Franchise Agreement does not require us to do so (Franchise Agreement Paragraph 3.3);

(2) Provide an initial training program on management and operation of a Purrfect Auto Service franchise (Franchise Agreement Paragraph 6.1). The initial training program is described in the chart below;

(3) Lend you one copy of our confidential Franchisee Business Guide which specifies our standard operational procedures, policies, rules and regulations (Franchise Agreement Paragraph 8). See Exhibit M for a copy of the table of contents of the Confidential Franchisee Business Guide, the number of pages contained in each section of the guide, and the total pages contained in the guide;

(4) Provide you with our building and equipment requirements, plans and standards but it is still your responsibility to make sure you comply with the law, including building and zoning rules (Franchise Agreement Paragraph 3.4); and

(5) Assist you with initial hiring of your employees, but all final decisions are your sole responsibility. All hiring and training of your employees is to be done by you.

During the operation of the franchised business, we will:

(1) Suggest retail prices (Franchise Agreement Paragraph 9.15). We do not represent or warrant that the use of our suggested prices will maximize profits. Any list or schedule of prices is a recommendation only. You determine all your prices; and

(2) Administer and contribute to the Geographic Advertising Fund, if one is established in your region (Franchise Agreement Paragraph 7.4).

Training: After signing the Franchise Agreement, if you have not previously received training from us, then you must enroll and complete our training course when scheduled by us. The initial training program consists of approximately two days of classroom instruction and training, as determined by us, plus three days at your location, on the management and operation of the franchised business. Training will be at our corporate headquarters in West Covina, California or at a place we designate to be more convenient to you. You pay all travel and living expenses incurred by you and your employees. You must satisfactorily complete the classroom training to our satisfaction, exercised in good faith.

#### **TRAINING:**

SUBJECT	TIME BEGIN	INSTRUCTIONAL MATERIALS	HOURS OF CLASSROOM TRAINING(1)	HOURS ON SITE (1)	INSTRUCTOR (2)	LOCATION
Preliminary Matters	Will Vary	Franchisee Business Guide	½ hour	1 hour	See Note (2) below.	Diamond Bar, California
Franchisee/ Franchisor Roles	Will Vary	Franchisee Business Guide	1 hour	2 hours	See Note (2) below.	Diamond Bar, California

Importance of the L.O.F Business	Will vary	Franchisee Business Guide	1 hour	2 hours	See Note (2) below.	Diamond Bar, California
The Brake Business	Will Vary	Franchisee Business Guide	1 hour	2 hours	See Note (2) below.	Diamond Bar, California
The Other Businesses You Operate	Will Vary	Franchisee Business Guide	1 hour	2 hours	See Note (2) below.	Diamond Bar, California
Layout-Cleanliness-Professionalism	Will Vary	Franchisee Business Guide	1 hour	4 hours	See Note (2) below.	Diamond Bar, California
Necessary Equipment, Signs, Fixtures, and Inventory Required to Open Your Location	Will Vary	Franchisee Business Guide	1 hour	6 hours	See Note (2) below.	Diamond Bar, California
Inventory Ordering and Control	Will Vary	Franchisee Business Guide	1 hour	4 hours	See Note (2) below.	Diamond Bar, California
Staffing Your Business	Will Vary	Franchisee Business Guide	1 hour	4 hours	See Note (2) below.	Diamond Bar, California
Invoicing-Manual and Computerized	Will Vary	Franchisee Business Guide	1 hour	6 hours	See Note (2) below.	Diamond Bar, California
Inspection Forms and 4-Step Sales Procedure, Description of Services & Flow Chart Describing a Customer Transaction	Will Vary	Franchisee Business Guide	1 hour	4 hours	See Note (2) below.	Diamond Bar, California

Marketing Your Business	Will Vary	Franchisee Business Guide	1 hour	1 hour	See Note (2) below.	Diamond Bar, California
Three Variables Analysis and the Annual Binder	Will Vary	Franchisee Business Guide	1 hour	1 hour	See Note (2) below.	Diamond Bar, California
Management reports from Your Computer Software- "The Auto Repair Manager"	Will Vary	Franchisee Business Guide	½ hour	1 hour	See Note (2) below.	Diamond Bar, California
Administrative Tasks	Will Vary	Franchisee Business Guide	1 hour	1 hour	See Note (2) below.	Diamond Bar, California
Test	Will Vary	Franchisee Business Guide	1 hour	N/A	See Note (2) below.	Diamond Bar, California
Computer Software Training	Will Vary	Third Party Materials	1 hour	N/A	Third Party Vendor	Diamond Bar, California

FOOTNOTES:

- (1) The time devoted in training to a particular topic will vary within the scope of the overall program depending on your prior experience, aptitude, questions and particular interests.
- (2) Various individuals, including representatives of our vendors, conduct the training.

We may occasionally require, at no additional cost to you, additional training such as refresher or supplementary courses on old or new procedures or on programs which we believe are important (Franchise Agreement Paragraph 6.6). This additional training is provided at or close to your site and will not involve travel and lodging costs to you. This additional training could be required as often as once a year and could last for one day and will consist of topics which are contained in our classroom training agenda detailed above.

Geographic Advertising Fund. Presently, we have established a Geographic Advertising

Fund to which you are required to contribute at the rate of \$300 per month. You are required to spend the remainder of your \$1,000 weekly advertising fund contribution directly with local advertising suppliers approved by us.

We have established a Geographic Advertising Fund, administered by us. You are required to contribute \$300 per month of your \$1,000 weekly advertising fund contribution into the fund. The Geographic Advertising Fund will be used for advertising, marketing, public relations, marketing surveys, research, public relations firms, employment ads, prospective franchisee advertising, video, audio written marketing materials, regional marketing programs, television, cable, computer software and hardware, radio, magazine, billboard, newspaper, other media advertising, and related purposes that we deem appropriate. We will contribute to the Geographic Advertising Fund in your region, if established, for any stores we own in your region.

In the past year, one hundred percent of the Geographic Advertising Fund was spent on shop management software provided to the franchisees at no additional cost.

If at any time the Geographic Advertising Fund is discontinued in your region or requires a contribution of an amount less than your required \$1,000 weekly advertising fund contribution, you must place directly and pay for advertising amounting to \$1,000 per week with suppliers approved by us. You must provide us with proof of your advertising placement and payment on a monthly basis. The amounts are stated in Item 6.

Non-Geographic advertising funds represent the funds that franchisees are required to spend on their local store marketing. The franchisor allows the franchisee to spend that money directly on their local marketing instead of remitting it to the franchisor. The franchisees are given a voluntary option to pay such amount to the franchisor, who then places the local advertising for those franchisees. Currently only two franchisees have elected to have the franchisor place their local marketing for them.

We are entitled to 10% of the non-geographic advertising fund's contributions and 15% of the contributions to Geographic Advertising Fund as an administrative fee, regardless of the expenses actually incurred by us in administering the fund. We are also entitled to receive rebates from suppliers which are separate from the 15% administrative fee owed to us. Any contributions remaining in either Advertising Fund at the end of our fiscal year (June 30<sup>th</sup>) will be rolled over for use by that Fund in the next fiscal year. Our non-geographic advertising fund is not audited, but appears as a line item in our year end audited financial statements. The Geographic Advertising Fund will not be audited.

Advertising on the Internet or on a World Wide Web Page. Any advertising you place on the Internet or on a World Wide Web Page must be approved by us in writing in advance of such publication. We will approve or disapprove the proposed content you provide us within fifteen business days from the date you provide us with the information. The fifteen business day time period commences each time you make changes to the information you provide to us for our approval.

Computer System. You must purchase computer hardware, from any supplier, which is

compatible with the operation of the point of sale software you are required to use. We estimate the cost of purchasing the computer system and software will range from \$1,800.00 to \$2,000.00, plus an ongoing software fee of approximately \$1,500.00 per year. You must use the software for writing invoices, keeping of proper inventory and generation of management control reports. This software is not designed to be a financial accounting package. The computer must be equipped with a minimum of a Pentium IV processor and Windows XP Home edition or newer operating system. You must also purchase a laser printer that prints at a minimum seventeen (17) pages per minute. The specifications for hardware, software and printer will change over time due to technology. The estimated cost to purchase the computer hardware is \$2,000.00 which amount is included in the table contained in Item 7 under the category of Fixtures and Other Assets. You must use the software developed by Universal Systems Software, Inc. You will incur costs ranging from \$90 to \$150 more per month. You are required to upgrade and maintain your computer hardware to ensure its continuing ability to operate the required software. It will cost you between \$700 and \$1,000 per year to upgrade and maintain your computer hardware. We have, at our option, the right to independently access and retrieve the information and data that is electronically stored in your computer.

Manuals. The table of contents of our Franchisee Business Guide is attached to this Disclosure Document as Exhibit M.

Site Selection. You select your store location which we must approve. We are not obligated to assist you in selecting a location site but will provide assistance or suggestions on request. Sometimes locations can be leased or subleased from us. Factors which we consider in deciding whether to approve a location include building size or lot size, accessibility, site appearance, parking, neighborhood and median household income, together with proximity to other Purrfect Auto Service businesses. We will approve or disapprove any site you propose within thirty days of your submission of the site to us.

Time for Opening. You typically should open your business between 30 to 180 days after signing the Franchise Agreement. Factors that affect this time are your ability to obtain a lease, amount of construction needed, financing, building permits, completion of training and zoning and local ordinances. You must open your business within one year of the date of your franchise agreement. We have the right, but not the obligation, to extend this one year time limit if we decide that reasons beyond your control prevented you from opening your business within this one year time period.

Completion of Our Obligations. All of our obligations should be performed at least 30 days prior to opening.

## ITEM 12. TERRITORY

If you fully comply with the Franchise Agreement, we will not grant a franchise to any other person or entity (including ourselves, our parent, subsidiary or affiliated companies) to operate a "Purrfect Auto Service" business at any site located within one mile (measured by travel on surface streets in existence when the Franchise Agreement is signed) of another Purrfect Auto Service business, (Section 3.2 of the Franchise Agreement). There are no restrictions on the territory or market area from which you or others may solicit or service prospective customers. Other franchisees may advertise or solicit customers from your territory.

You must operate your franchise from one location only. You have no automatic right to acquire additional franchises in your territory or in the vicinity around your store and you are not granted any rights of first refusal. We do not currently operate or franchise any other business under a different trademark. However, we reserve the right to do so and in your territory.

There are no minimum sales quotas. However, you may lose your exclusive territory if you do not fully comply with all terms of the Franchise Agreement.

## ITEM 13. TRADEMARKS

We grant you the right to operate your business under our right to use the principal trademark "PURRFECT AUTO SERVICE" (see the cover of this Disclosure Document), under the terms of the Franchise Agreement, paragraph 4.

The following trademarks are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO").

<u>REGISTRATION NO.</u>	<u>SERVICE/GOODS</u>	<u>DATE REGISTERED</u>
1,579,447	PURRFECT AUTO SERVICE for automobile maintenance and repair service	January 23, 1990
1,633,445	PURRFECT AUTO SERVICE Logo as it appears on cover of this Disclosure Document for automobile maintenance and repair services	January 29, 1991



Our predecessor filed certificates of use and incontestability for the above marks, so the registration is incontestable. King Royale, Inc., the franchisor of the Purrfect Auto Service System in all states other than California, is the owner of the trademarks and has renewed the above registrations. We have the exclusive rights to use and market the trademarks in California.



There are presently no effective determinations of the USPTO or any trademark administrator of any state or any court proceedings which limit or restrict our right to use or license these trademarks, trade names, service marks, commercial symbols or logotypes ("trademarks") which are relevant to your use of these marks in your business.

Under our agreement with King Royale, Inc., we have the right to use the trademark as long as we remain in business and King Royale, Inc. has no right to unilaterally terminate this right. There are no agreements presently in effect which significantly limit our rights to use or license the use of these trademarks in any manner material to you.

If you receive notice or are informed of any claim or suit against you because of any alleged infringement, unfair competition or similar matter relating to your use of our trademarks, owned by us and used by you in compliance with the terms of the Franchise Agreement, you must promptly notify us of these claims or suits. We will take whatever action we deem necessary. We do not have any obligation to protect or defend you against claims by third parties. We do not have any obligation to protect your right to use our trademarks or any obligation to protect you against claims of infringement or unfair competition arising from your use of the trademarks. You may not settle or compromise any claim by a third party without our prior written consent. We may defend, compromise or settle any claim at our sole cost and expense, using our attorneys and you must cooperate fully with us in the defense of any claim.

We do not know of any infringing uses which would materially affect your use of the trademarks licensed to you in this State. If you learn of any infringing use, you must promptly notify us, and our decision as to whether or not to prosecute is final.

#### **ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

There are no patents or copyrights material to the franchise.

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

If you are an individual you must directly supervise the business on its premises and devote your full time and best efforts to develop and expand the business. If you are a corporation, then the President or Chief Operating Officer will supervise and devote full time to the business. Full time means at least eight hours per day, five days per week. (Section 9.6 of the Franchise Agreement.)

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

You must offer all goods and services we require. Optional services are alignments. The Franchisee Business Guide further describes these services and the manner the services must be provided. We will provide you with a list of tools, equipment, fixtures, uniforms, office supplies, forms, inventory and other materials required to operate the business (the "Materials").

You must comply with the standards and procedures in our Franchisee Business Guide and conduct your business according to the Guide and any supplemental bulletins and notices we send to you. However, if the law requires you to do something different than our requirements, the law

controls.

## ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This Table lists important provisions of the Franchise Agreement. You should read these provisions in the agreements attached to this Disclosure Document.

Provision	Section in Franchise Agreement	Summary
a. Franchise Term	2.1	The term of your new Franchise Agreement is ten years from the date designated on page one of your franchise agreement. However, if your lease or sublease expires sooner and you don't renew the lease within 60 days, the Franchise Agreement will terminate. If you buy an existing franchisee's business, your term will be the Seller's remaining term. If you sign a new Franchise Agreement after a mutually agreed termination of your prior Franchise Agreement with us, your new term will be the remaining term of your prior Franchise Agreement.
b. Renewal or extension of the term	2.3	If you complied with all the contract requirements you may renew for one term of 10 years at the terms in the then current franchise agreement, unless we elect to terminate the Master Lease.
c. Requirements for you to renew or extend	2.4	You must give us 9-12 months notice of your election to renew; pay \$5,000 renewal fee; comply with training and remodeling requirements; be in compliance with all agreements with us and Franchisee Business Guide; have no more than 3 defaults in last 5 years; and sign a general release.
d. Termination by you	None	The Franchise Agreement does not grant you the right to terminate early.
e. Termination by us without cause	None	We can't terminate you early unless there is good cause.
f. Termination by us with cause	13.1	We can only terminate for "good cause."
g. "Cause" defined – defaults which can be cured	13.1	<p>There are some defaults that we have no obligation to let you cure. Otherwise we will give you 15 days' notice to cure non-monetary defaults.</p> <p>A default in any of your other agreements with us will be a default in your Franchise Agreement.</p>

h. "Cause" defined – defaults which cannot be cured	13.2	Misrepresentation to us, conviction of felony, repeated cured defaults, abandonment, trademark misuse, unapproved transfer, violation of federal or state laws, bankruptcy, unsatisfactory completion of training, failure to submit location within 180 days, conduct hurting our reputation, foreclosure, levy of execution on any property of business, breach of any agreement with us, failure to pay overdue fees, or substantial customer complaints.
i. Your obligations on termination/ non-renewal	13.5	Obligations include: pay us all money owed, disassociation with the franchise, return Franchisee Business Guide, stop use of trademarks, assign certain rights to us; change identity of location; no competing.
j. Assignment of contract by us	12.1	No restrictions on our right to assign.
k. "Transfer" by you – definition	12.3	Includes transfers, contract or asset ownership change and your death (does not include death of owners of stock if you are a corporation). You do not have the right to pledge or give any in any form to any third party a security interest in the Franchise Agreement without our prior written permission, which permission may be withheld for any reason in our judgment.
l. Our approval of transfer by you	12.4	We have the right to approve transfers, and will not unreasonably withhold approval.
m. Conditions for our approval of transfer	12.4	Assignee must qualify, transfer fee must be paid, purchase agreement approved, release signed by you.
n. Our right of first refusal to acquire your business	12.4	We have 30 days after notice of assignment to exercise our right of first refusal.
o. Our option to purchase your business	None	We have no option.
p. Your death or disability	12.8	Surviving spouse, heirs or legal representatives can operate the business for 180 days after your death or disability and during this time they must either satisfy all our requirements for a new purchaser or sell the business to a person who does.
q. Non-competition covenants during the term of the franchise	10.6(d)	No involvement in competing business within a 3 mile radius of your business or a 2 mile radius of any Purrfect Auto Service business.

r. Non-competition after the franchise is terminated or expires	10.6(d)	No involvement in competing business for one year after termination within a 3 mile radius of the business or a 2 mile radius of any Purrfect Auto Service business.
s. Modification of the agreement	14.17(c)	The Franchise Agreement cannot be modified or amended unless both parties agree in writing.
t. Integration/merger clause	14.17	Only the terms of the written Franchise Agreement are binding, subject to state law. Nothing in the agreement or in any related agreement is intended to disclaim the representations franchisor made in the Franchise Disclosure Document. You can't claim there are any other promises.
u. Dispute resolution by Arbitration or Mediation; Waiver of punitive damages; Waiver of right to a jury trial; Reduction of statute of limitations period.	14.2, 14.3	The Franchise Agreement does not provide for arbitration of claims. We both also waive our right to a jury trial and agree to try all matters in front of a judge. We both waive the right to any award for exemplary or punitive damages. You must bring any action against us within 1 year after the alleged event or occurrence.
v. Choice of forum	14.16	Litigation may be brought in Los Angeles, California. We may from bring an action in another court.
w. Choice of law	14.15	California State Law applies.
x. Notice of claim	13	You must notify us in writing within 90 days of any wrongdoing or claim you have against us.
y. Liquidated Damages	5.8	You pay us \$100 for each failure to submit a weekly report on time; \$25 for each invoice or other item missing or requested from a weekly report; \$25 for each other noncompliance other than nonpayment; and 10% of each amount overdue. Each breach related to different amounts due or different provisions are each separate breaches resulting in separate liquidated damages.

## ITEM 18. PUBLIC FIGURES

We do not use any public figures for the endorsement of the franchise or our products.

You may obtain the endorsement of public figures for your business. However, we make no arrangements and charge no fee, and any arrangement would be subject to our prior written approval.

## 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 franchises and/or franchisor-owned outlets, if there is a reasonable basis for the information and if the information is disclosed in the disclosure document. Financial performance information that differs from that disclosed 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchase an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information of projections of your future income, you should report it to the franchisor's management by contacting Lizzet Berenice Sanchezrios at 21700 Copley Drive, Suite 280, Diamond Bar, California 91765 at (866) 856-2890, the Federal Trade Commission and the appropriate state regulatory agencies.

## ITEM 20. LIST OF OUTLETS

**Table No. 1**

<b>SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2022, 2023 &amp; 2024</b>				
<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year*</b>	<b>Net Change</b>
Franchised	2022	19	19	0
	2023	19	19	0
	2024	18	18	1
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	2022	19	19	0
	2023	19	19	0
	2024	18	18	1

\*See Exhibit I

**Table No. 2**

<b>TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS* (OTHER THAN THE FRANCHISOR) FOR YEARS 2022, 2023 &amp; 2024</b>		
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
California	2022	0
	2023	2
	2024	4
Total	2022	0
	2023	2
	2024	3

\*See Exhibit J

**Table No. 3**

<b>STATUS OF FRANCHISE OUTLETS FOR YEAR 2022, 2023 &amp; 2024*</b>								
<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non- Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations – Other Reasons</b>	<b>Outlets at End of the Year</b>
California	2022	20	0	0	0	0	1	19
	2023	19	0	0	0	0	0	19
	2024	19	0	0	0	0	1	18
Total	2022	20	0	0	0	0	1	20
	2023	19	0	0	0	0	0	19
	2024	19	0	0	0	0	1	18

\*See Exhibits I & J

**Table No. 4**

<b>STATUS OF COMPANY-OWNED OUTLETS FOR YEAR 2022, 2023 &amp; 2024</b>							
<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Outlets Reacquired From Franchisee</b>	<b>Outlets Closed</b>	<b>Outlets Sold to Franchisee</b>	<b>Outlets at End of the Year</b>
California	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Total	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

**Table No. 5**

<b>PROJECTED OPENINGS AS OF JULY 1, 2024</b>			
<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Yet Opened</b>	<b>Projected New Franchised Outlet In The Next Fiscal Year</b>	<b>Projected New Company-Owned Outlet in the Next Fiscal Year</b>
California	0	2	0
Total	0	2	0

We project the opening of 2 businesses during our fiscal year beginning July 1, 2024.

In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

## **ITEM 21. FINANCIAL STATEMENTS**

See Exhibit A for our initial audited financial statements.

## **ITEM 22. CONTRACTS**

The following are agreements to be entered into in this state.

Exhibit B	Franchise Agreement
Exhibit C	Sublease
Exhibit D	Conditional Lease Assignment Agreement
Exhibit E	Guaranty
Exhibit F	Contract for Sale of Assets
Exhibit G	Secured Promissory Note and Security Agreement
Exhibit H	Consent to Transfer

### **State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, 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:

<b>State</b>	<b>Effective Date</b>
California	October 9, 2024

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.

### **ITEM 23. RECEIPT**

The receipt for this Disclosure Document is a separate document and is found at Exhibit M of the Disclosure Document.



## **EXHIBIT A**

Nalin Bhatt CPA

FORMER FTB AUDITOR

[nalin@accuacct.com](mailto:nalin@accuacct.com)

P : (951) 234 5175 (562) 697 4920, (951) 526 2650 F : (951) 251 1171

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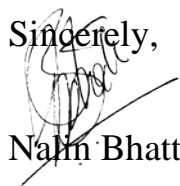
September 05, 2024

Veron, Inc.  
21700 Copley Drive  
Suite 280  
Diamond Bar, CA 91765

**CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT**

I hereby consent to the use of my audit opinion dated September 5, 2024, concerning the financial statements of Veron, Inc. for the period ended June 30, 2024 in the Franchise Disclosure Document, required by the Federal Trade Commission, to be submitted for approval to the Department of Business Oversight of the State of California.

Sincerely,



Nalin Bhatt, C.P.A.

FORMER FTB AUDITOR

[nalin@accuacct.com](mailto:nalin@accuacct.com)

P : (951) 234 5175 (562) 697 4920, (951) 526 2650 F : (951) 251 1171

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**INDEPENDENT AUDITOR'S REPORT**

**To the Stockholders of  
Veron, Inc.  
Diamond Bar, CA**

I have audited the accompanying Balance Sheet of Veron Inc. (a California Corporation) as of June 30th, 2024, and the related statements of income, cash flows and changes in owner's equity for the year then ended, and the related notes to the financial statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Veron Inc. as of June 30<sup>th</sup>, 2024 and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'Nalin Bhatt', with a stylized flourish at the end.

Nalin Bhatt CPA

Murrieta, CA  
09/05/24

**Veron Inc.**  
**Comparative Balance Sheet**  
**As of 06/30/2023 and 06/30/2024**

<b>Assets</b>		6/30/2023	6/30/2024
<b>Current Assts</b>			
<i>Cash In Bank</i>	4 \$	5,608	\$ 7,099
<i>Security Deposit</i>		-	
<i>Accounts Receivable</i>	\$	924	\$ 925
<b>Total Current Assets</b>		<u>\$ 6,533</u>	<u>\$ 8,025</u>
<b>Long Term Assets</b>			
<i>Franchise System Rights(Net)</i>	5 \$	-	\$ -
<i>Prepaid Software Fees ( Net)</i>	5 \$	107,500	\$ 82,500
<b>Total Long Term Assets</b>		<u>\$ 107,500</u>	<u>\$ 82,500</u>
<b>Total Assets</b>		<u><u>\$ 114,033</u></u>	<u><u>\$ 90,525</u></u>
<b>Liabilities and Capital</b>			
<b>Liabilities</b>			
<b>Short Term Liabilities</b>			
<i>Security Deposit</i>	\$	-	\$ -
<i>Advertisement Fund</i>			48,411
<i>Current Portion of SBA Loan EIDL</i>			\$ 6,209
<b>Total Short Term Liabilities</b>		<u>\$ -</u>	<u>\$ 54,620</u>
<b>Long Term Liabilities</b>			
<i>Note Payable-Other</i>	7 \$	300,000	\$ 255,931
<i>Accrued SBA Loan</i>	7	6,209	
<i>Note Payable-SBA</i>	7 \$	144,883	\$ 150,000
<b>Total Long Term Liabilities</b>		<u>\$ 451,092</u>	<u>\$ 405,931</u>
<b>Total Liabilities</b>		<u><u>\$ 451,092</u></u>	<u><u>\$ 460,551</u></u>
<b>Capital</b>			
<i>Common Stock</i>	3 \$	1,500	\$ 1,500
<i>Additional Paid In Capital</i>	8	623,081	615,932
<i>Retained Earnings</i>	\$	(961,640)	\$ (987,459)
<b>Total Capital</b>		<u>\$ (337,059)</u>	<u>\$ (370,026)</u>
<b>Total Liabilities and Capital</b>		<u><u>\$ 114,033</u></u>	<u><u>\$ 90,525</u></u>

**Veron Inc.****Comparative Statement of Income****For the Year that Ended on 06/30/2023 and 06/30/2024**

	For the Year That Ended on 06/30/2023	For the Year That Ended on 06/30/2024
<b>Gross Revenue</b>		
<i>Royalty Revenue</i>	\$ 435,900	\$ 464,700
<i>Miscellaneous Income</i>	\$ -	\$ 10,000
<b>Total Gross Revenue</b>	<u>\$ 435,900</u>	<u>\$ 474,700</u>
<b>Operating Expenses</b>		
<i>Professional Fees</i>	\$ 229,304	\$ 293,192
<i>Software License Fees</i>	124,821	121,255
<i>Office Expenses</i>	<u>\$ 32,739</u>	<u>\$ 25,251</u>
<b>Total Operating Expenses</b>	<u>\$ 386,864</u>	<u>\$ 439,699</u>
<b>Income Before Debt Service and Depreciation</b>	<u>\$ 49,036</u>	<u>\$ 35,001</u>
<b>Debt Service</b>		
<i>Interest Expense Loan</i>	\$ 38,377	\$ 21,931
<i>Interest Expense SBA Loan EIDL</i>		\$ 13,889
<b>Total Debt Service</b>	<u>\$ 38,377</u>	<u>\$ 35,820</u>
<b>Income/(Loss) Before Depreciation</b>	<u>\$ 10,660</u>	<u>\$ (819)</u>
<b>Depreciation Expense</b>		
<i>Amortization Expense</i>	\$ -	\$ 12,500
<b>Total Depreciation/Amortization</b>	<u>\$ -</u>	<u>\$ 12,500</u>
<b>Net Income</b>	<u><u>\$ 10,660</u></u>	<u><u>\$ (13,319)</u></u>

**Veron Inc.****Comparative Statement of Income****For the Year that Ended on 06/30/2023 and 06/30/2024**

	For the Year That Ended on 06/30/2023	For the Year That Ended on 06/30/2024
<b>Gross Revenue</b>		
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<i>Amortization Expense</i>	\$ -	\$ 12,500
<b>Total Depreciation/Amortization</b>	<u>\$ -</u>	<u>\$ 12,500</u>
<b>Net Income</b>	<u><u>\$ 10,660</u></u>	<u><u>\$ (13,319)</u></u>

## Veron Inc.

### Comparative Statement of Changes in Owner's Equity For the Year that Ended on 06/30/2023 and 06/30/2024

	07/01/2022 To 06/30/2023	07/01/2022 To 06/30/2024
<i>Net Income for the Year</i>	<u>\$ 10,660</u>	<u>\$ (13,319)</u>
<i>Amortization not closed to books</i>	<u>\$</u>	<u>\$ (12,500)</u>
<i>Net Change in Equity</i>	<u>\$ 10,660</u>	<u>\$ (25,819)</u>
<i>Equity Balance Beginning of the Year</i>	<u>\$ (972,300)</u>	<u>\$ (961,640)</u>
	<u>\$ -</u>	
<i>Equity Balance End of the Year</i>	<u><u>\$ (961,640)</u></u>	<u><u>\$ (987,459)</u></u>



## 1. **ORGANIZATION**

Veron, Inc. (the “**Company**”) was organized under the laws of the State of California on June 22, 2010 and is a development stage company. The company’s purpose is to develop and market automotive maintenance businesses through a franchise system in the State of California. The Company purchased the business system, including all rights and certain obligations from Shera, Inc., a California corporation. As of the balance sheet date there were eighteen (18) franchise locations in California.

As a California franchisor, the company is regulated by the State of California, and is required to file its annual Franchise Disclosure Document with the regulator, the California Department of Financial Protection and Innovation (CDFPI).

## 2. **THE COMPANY’S BUSINESS**

Under its Franchise Agreements, the Company licenses the right to operate stores under the name “Purrfect Auto Service.” The Franchise Agreement requires a franchisee to pay a weekly royalty fee to the Company which varies from \$300 to \$675.

The Company also operates an advertising fund, to which most franchisees are required to contribute, in varying amounts depending on their agreement.

## 3. **SIGNIFICANT ACCOUNTING POLICIES**

A. **Basis of Preparation and Use of Estimates:** These financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP). The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. There are no areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are material to the financial statements.

B. **Accrual Basis of Accounting** The accompanying consolidated financial statements of the Company and its subsidiary have been prepared on the

accrual basis of accounting and conform to generally accepted accounting principles.

- C. **Income Recognition:** Income from the sale of new franchises, and income from royalties on the sales of the franchisees, is not recognized prior to the completion of substantially all of the duties of the Company under the franchise agreement, and in no case is it recognized prior to the date the new franchisee begins operations. Funds received from franchisees in the beginning of their licensing process are recorded as liabilities until earned.
- D. **Allowance for Bad Debts:** It is the Company's policy to write off receivables based on a case-by-case basis. The collectability of receivables is examined by management periodically to determine whether a receivable balance should be written off.
- E. **Provisions:** Provisions are recognized when the Company has present legal or constructive obligation as a result of past event, it is more likely than not require an outflow of resources to settle the obligation, and the amount has been reliably estimated. There are no provisions for such liabilities in this report.
- F. **Cash and Cash Equivalents:** Cash and Cash and Equivalents consists primarily of checking accounts, certificates of deposits and Highly liquid investments with remaining stated maturities of three months or less when purchased are considered cash equivalents and recorded at cost.
- G. **Financial Risk Management**
  - H. **Liquidity Risk:** Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched

position potentially enhances profitability but can also increase the risk of losses. The Company has implemented procedures with the object of minimizing such losses

H. **Credit Risk:** Credit Risk is the risk that a customer will not meet his/her obligations to pay the Company at the due date that was agreed upon at the time of the sale. The Company is developing credit policy and tools for credit risk management

H. **Fair Value Estimation:** The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

H. **Common Stock:** Company is authorized to issue 20,000 shares of common stock with par value of \$1.00. There are a total of 1,500 shares issued and outstanding. There are no shares in the treasury stock.

#### 4. **CASH IN BANK**

The company maintains two separate cash accounts: The Operating Account and the Advertising Fund Account. As of June 30, 2024, the account balances were:

Operating Account	\$6,120
Advertisement Account	979
<b>Total</b>	<b>\$7,099</b>

#### 5. **FRANCHISE SYSTEM RIGHTS**

In conjunction with its formation in 2010, the Company purchased the right to sell franchises from a third party. The Company amortizes this intellectual property over a 10-year period using the straight-line method, with no residual value.

Original Purchase price of Franchising System rights (June 2010)	\$2,000,000
Amortization Expense for the period July 1, 2019 to June 30, 2022	\$-2,000,000
Amortization Expense for period ending before June 30, 2023	\$-0.00
<b>Net Franchise System rights as of June 30, 2024</b>	<b>\$0.00</b>

Prepaid Software Fees:

Company has prepaid a software that is used as part of the Franchisee's operation in the amount of \$82,500.

#### 6. **SHORT TERM LIABILITIES AS OF 6.30.2024**

The current portion of the long-term liabilities are not included in the Short-Term Liabilities mainly because the Long-Term Liabilities include Note Payable SBA and to a trust that is related to the Shareholders please see note 7.

## **7. LONG TERM LIABILITIES AS OF JUNE 30, 2024**

### Major Debt Terms Disclosures:

#### Related Party

Note Payable to Behar Family Trust (\$255,931) has maturity date of April 10, 2028 and it carries interest at the rate of 7% per year. Behar Family Trust and Veron, Inc. are related parties. This loan is from the shareholder's spouse.

#### Non-related Party

SBA loan commonly referred to as EIDL loan obtained as part of the CARES Act is a loan in the amount of \$150,000. It carries interest at the rate of 3.75% per year fully amortized over the period of 30 years. As per SBA guidelines it is currently interest only loan.

## **8. ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

## **9. TAX**

The Company is treated as a C corporation for federal income tax purposes. The prior three years tax returns remain subject to examination by the IRS. Management does not believe that any reasonably possible changes will occur within the next twelve months that will have material impact on the financial statements. Since company had small income in current year there is no provision for income taxes made for the current year. The Company, in past, had substantial amount of losses due to amortization expense. It is not practical to recognize any tax benefit of material amount in current or near future. As such no such tax benefits are reflected in the current financial statements.

## **10. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through September 5, 2024, which is the date the financial statements were available to be issued.

Nalin Bhatt CPA

FORMER FTB AUDITOR

[nalin@accuacct.com](mailto:nalin@accuacct.com)

P : (951) 234 5175 (562) 697 4920, (951) 526 2650 F : (951) 251 1171

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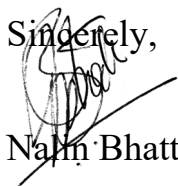
September 05, 2023

Veron, Inc.  
21700 Copley Drive  
Suite 280  
Diamond Bar, CA 91765

**CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT**

I hereby consent to the use of my audit opinion dated September 5, 2023, concerning the financial statements of Veron, Inc. for the period ended June 30, 2023 in the Franchise Disclosure Document, required by the Federal Trade Commission, to be submitted for approval to the Department of Business Oversight of the State of California.

Sincerely,



Nalin Bhatt, C.P.A.

FORMER FTB AUDITOR

[na1in@accuacct.com](mailto:na1in@accuacct.com)

P : (951) 234 5175 (562) 697 4920, (951) 526 2650 F : (951) 251 1171

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**INDEPENDENT AUDITOR'S REPORT**

**To the Stockholders of  
Veron, Inc.  
Diamond Bar, CA**

I have audited the accompanying Balance Sheet of Veron Inc. (a California Corporation) as of June 30th, 2023, and the related statements of income, cash flows and changes in owner's equity for the year then ended, and the related notes to the financial statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Veron Inc. as of June 30<sup>th</sup>, 2023 and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'Nalin Bhatt', is positioned above the printed name.

Nalin Bhatt CPA

Murrieta, CA  
09/05/23

**Veron Inc.**  
**Comparative Balance Sheet**  
**As of 06/30/2022 and 06/30/2023**

<b>Assets</b>		6/30/2022	6/30/2023
<b>Current Assts</b>			
<i>Cash In Bank</i>	4 \$	14,311	5,608
<i>Security Deposit</i>			-
<i>Accounts Receivable</i>	\$	2,662	924
<b>Total Current Assets</b>	\$	16,973	6,533
<b>Long Term Assets</b>			
<i>Franchise System Rights(Net)</i>	5 \$	-	\$ -
<i>Prepaid Software Fees ( Net)</i>	5 \$	125,000	\$ 107,500
<b>Total Long Term Assets</b>	\$	125,000	\$ 107,500
<b>Total Assets</b>	\$	141,973	114,033
<b>Liabilities and Capital</b>			
<b>Liabilities</b>			
<b>Short Term Liabilities</b>			
<i>Security Deposit</i>	\$	2,500	\$ -
<b>Total Short Term Liabilities</b>	\$	2,500	\$ -
<b>Long Term Liabilities</b>			
<i>Note Payable-Other</i>	7	300,000	300,000
<i>Accrued SBA Loan</i>	7	6,209	6,209
<i>Note Payable-SBA</i>	7 \$	150,000	\$ 144,883
<b>Total Long Term Liabilities</b>	\$	456,209	\$ 451,092
<b>Total Liabilities</b>	\$	458,709	\$ 451,092
<b>Capital</b>			
<i>Common Stock</i>	3 \$	1,500	\$ 1,500
<i>Additional Paid In Capital</i>	8	654,063	623,081
<i>Retained Earnings</i>	\$	(972,300)	\$ (961,640)
<b>Total Capital</b>	\$	(316,737)	\$ (337,059)
<b>Total Liabilities and Capital</b>	\$	141,972	\$ 114,033

**Veron Inc.****Comparative Statement of Income****For the Year that Ended on 06/30/2022 and 06/30/2023**

	For the Year That Ended on 06/30/2022	For the Year That Ended on 06/30/2023
<b>Gross Revenue</b>		
<i>Royalty Revenue</i>	\$ 435,500	\$ 435,900
<i>Miscellaneous Income</i>		\$ -
<b>Total Gross Revenue</b>	<u>\$ 435,500</u>	<u>\$ 435,900</u>
<b>Operating Expenses</b>		
<i>Professional Fees</i>	\$ 222,478	\$ 229,304
<i>Software License Fees</i>	120,200	124,821
<i>Office Expenses</i>	<u>\$ 51,540</u>	<u>\$ 32,739</u>
<b>Total Operating Expenses</b>	<u>\$ 394,218</u>	<u>\$ 386,864</u>
<b>Income Before Debt Service and Depreciation</b>	<u>\$ 41,282</u>	<u>\$ 49,036</u>
<b>Debt Service</b>		
<i>Interest Expense</i>	<u>\$ 30,000</u>	<u>\$ 38,377</u>
<b>Total Debt Service</b>	<u>\$ 30,000</u>	<u>\$ 38,377</u>
<b>Income/(Loss) Before Depreciation</b>	<u>\$ 11,282</u>	<u>\$ 10,660</u>
<b>Depreciation Expense</b>		
<i>Amortization Expense</i>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Depreciation/Amortization</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Income</b>	<u><u>\$ 11,282</u></u>	<u><u>\$ 10,660</u></u>

**Veron Inc.****Comparative Statement of Changes in Owner's Equity****For the Year that Ended on 06/30/2022 and 06/30/2023**

	<b>07/01/2021 To 06/30/2022</b>	<b>07/01/2022 To 06/30/2023</b>
<i>Net Income for the Year</i>	<u>\$ 11,283</u>	<u>\$ 10,660</u>
<i>Owner's Distribution</i>		
<i>Net Change in Equity</i>	<u>\$ 11,283</u>	<u>\$ 10,660</u>
<i>Equity Balance Beginning of the Year</i>	<u>\$ (983,582)</u>	<u>\$ (972,300)</u>
		\$ -
<i>Equity Balance End of the Year</i>	<u><u>\$ (972,300)</u></u>	<u><u>\$ (961,640)</u></u>

**Veron Inc**  
**Comparative Statement of Cash-Flow**  
**For the Year that Ended on 06/30/2022 and 06/30/2023**

	07/01/2021 To 06/30/2022	07/01/2022 To 06/30/2023
<b>Cash Flows from Operations</b>		
Income before debt service	\$ 41,282	\$ 49,036
Interest expense	\$ 30,000	\$ 38,377
<b>Net Income after debt service</b>	<b>\$ 11,282</b>	<b>\$ 10,660</b>
<b>Add/(Subtract)</b>		
Amortization	\$ -	\$ -
(Increase)/Decrease in Accounts Receivables	\$ 10,449	\$ 1,738
Increase/(Decrease) in Security Deposits Payable		\$ (2,500)
(Increase)/Decrease in Security Deposits		\$ -
(Increase)/Decrease in Prepaid Expenses	\$ (95,000)	\$ 17,500
<b>Total Addition/(Subtraction)</b>	<b>\$ (84,551)</b>	<b>\$ 16,738</b>
<b>Cash From Operation</b>	<b>\$ (73,269)</b>	<b>\$ 27,398</b>
<b>Cash From Financing Activities</b>		
<b>Add/(Subtract)</b>		
Additional Borrowing/(Pay-offs)		\$ (5,117)
Owners' contribution/(Distribution)	\$ (30,982)	\$ (30,982)
<b>Cash from financing activities</b>	<b>\$ (30,982)</b>	<b>\$ (36,099)</b>
<b>Net Change in cash</b>	<b>\$ (104,250)</b>	<b>\$ (8,701)</b>
<b>Cash at Beginning of the Year</b>	<b>\$ 118,560</b>	<b>\$ 14,310</b>
<b>Cash at End of the Year</b>	<b>\$ 14,310</b>	<b>\$ 5,609</b>

# Veron, Inc.

## Notes to the Financial Statements For the Year that Ended on 06/30/2023

### 1. **ORGANIZATION**

Veron, Inc. (the “**Company**”) was organized under the laws of the State of California on June 22, 2010 and is a development stage company. The company’s purpose is to develop and market automotive maintenance businesses through a franchise system in the State of California. The Company purchased the business system, including all rights and certain obligations from Shera, Inc., a California corporation. As of the balance sheet date there were nineteen (19) franchise locations in California.

As a California franchisor, the company is regulated by the State of California, and is required to file its annual Franchise Disclosure Document with the regulator, the California Department of Financial Protection and Innovation(CDFPI).

### 2. **THE COMPANY’S BUSINESS**

Under its Franchise Agreements, the Company licenses the right to operate stores under the name “Purrfect Auto Service.” The Franchise Agreement requires a franchisee to pay a weekly royalty fee to the Company which varies from \$300 to \$675.

The Company also operates an advertising fund, to which most franchisees are required to contribute, in varying amounts depending on their agreement.

### 3. **SIGNIFICANT ACCOUNTING POLICIES**

- A. **Basis of Preparation and Use of Estimates:** These financial statements have been prepared in accordance with Generally Acceptance Accounting Principles in the United States of America (GAAP). The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. There are no areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are material to the financial statements.

# Veron, Inc.

## Notes to the Financial Statements

For the Year that Ended on 06/30/2023

- B. **Accrual Basis of Accounting** The accompanying consolidated financial statements of the Company and its subsidiary have been prepared on the accrual basis of accounting and conform to generally accepted accounting principles.
- C. **Income Recognition:** Income from the sale of new franchises, and income from royalties on the sales of the franchisees, is not recognized prior to the completion of substantially all of the duties of the Company under the franchise agreement, and in no case is it recognized prior to the date the new franchisee begins operations. Funds received from franchisees in the beginning of their licensing process are recorded as liabilities until earned.
- D. **Allowance for Bad Debts:** It is the Company's policy to write off receivables based on a case-by-case basis. The collectability of receivables is examined by management periodically to determine whether a receivable balance should be written off.
- E. **Provisions:** Provisions are recognized when the Company has present legal or constructive obligation as a result of past event, it is more likely than not require an outflow of resources to settle the obligation, and the amount has been reliably estimated. There are no provisions for such liabilities in this report.
- F. **Cash and Cash Equivalents:** Cash and Cash and Equivalents consists primarily of checking accounts, certificates of deposits and Highly liquid investments with remaining stated maturities of three months or less when purchased are considered cash equivalents and recorded at cost.

# Veron, Inc.

## Notes to the Financial Statements For the Year that Ended on 06/30/2023

### G. Financial Risk Management

- H. **Liquidity Risk:** Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Company has implemented procedures with the object of minimizing such losses
  
- H. **Credit Risk:** Credit Risk is the risk that a customer will not meet his/her obligations to pay the Company at the due date that was agreed upon at the time of the sale. The Company is developing credit policy and tools for credit risk management
  
- H. **Fair Value Estimation:** The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.
  
- H. **Common Stock:** Company is authorized to issue 20,000 shares of common stock with par value of \$1.00. There are a total of 1,500 shares issued and outstanding. There are no shares in the treasury stock.

### 4. CASH IN BANK

The company maintains two separate cash accounts: The Operating Account and the Advertising Fund Account. As of June 30, 2023, the account balances were:



# Veron, Inc.

## Notes to the Financial Statements For the Year that Ended on 06/30/2023

Operating Account	\$5,213
Advertisement Account	395
<b>Total</b>	<b>\$5,608</b>

### 5. **FRANCHISE SYSTEM RIGHTS**

In conjunction with its formation in 2010, the Company purchased the right to sell franchises from a third party. The Company amortizes this intellectual property over a 10-year period using the straight-line method, with no residual value.

Original Purchase price of Franchising System rights (June 2010)	\$2,000,000
Amortization Expense for the period July 1, 2019 to June 30, 2022	\$-2,000,000
Amortization Expense for period ending before June 30, 2023	\$-0.00
<b>Net Franchise System rights as of June 30, 2023</b>	<b>\$0.00</b>

### Prepaid Software Fees:

Company has prepaid a software that is used as part of the Franchisee's operation in the amount of \$107,500

### 6. **SHORT TERM LIABILITIES AS OF 6.30.2023**

The current portion of the long-term liabilities are not included in the Short-Term Liabilities mainly because the Long-Term Liabilities include Note Payable SBA and to a trust that is related to the Shareholders please see note 7.]

# Veron, Inc.

## Notes to the Financial Statements For the Year that Ended on 06/30/2023

### 7. *LONG TERM LIABILITIES AS OF JUNE 30, 2022*

#### Major Debt Terms Disclosures:

##### Related Party

Note Payable to Behar Family Trust (\$300,000) has maturity date of October 27, 2024 and it carries interest at the rate of 10% per year. Behar Family Trust and Veron Inc. are related parties. This loan is from the shareholder's spouse.

##### Non-related Party

SBA loan commonly referred to as EIDL loan obtained as part of the CARES Act is a loan in the amount of \$150,000. It carries interest at the rate of 3.75% per year fully amortized over the period of 30 years.

### 8. *ACCOUNTING ESTIMATES*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

# **Veron, Inc.**

## **Notes to the Financial Statements For the Year that Ended on 06/30/2023**

### **9. TAX**

The Company is treated as a C corporation for federal income tax purposes. The prior three years tax returns remain subject to examination by the IRS. Management does not believe that any reasonably possible changes will occur within the next twelve months that will have material impact on the financial statements. Since company had small income in current year there is no provision for income taxes made for the current year. The Company, in past, had substantial amount of losses due to amortization expense. It is not practical to recognize any tax benefit of material amount in current or near future. As such no such tax benefits are reflected in the current financial statements.

### **10. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through September 1, 2023, which is the date the financial statements were available to be issued.

Nalin Bhatt CPA

FORMER FTB AUDITOR

[nalin@accuacct.com](mailto:nalin@accuacct.com)

P : (951) 234 5175 (562) 697 4920, (951) 526 2650 F : (951) 251 1171

September 11, 2022

Veron, Inc.  
21700 Copley Drive  
Suite 280  
Diamond Bar, CA 91765

**CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT**

I hereby consent to the use of my audit opinion dated September 5, 2022, concerning the financial statements of Veron, Inc. for the period ended June 30, 2022 in the Franchise Disclosure Document, required by the Federal Trade Commission, to be submitted for approval to the Department of Business Oversight of the State of California.

Sincerely,

  
Nalin Bhatt, C.P.A.

## **INDEPENDENT AUDITOR'S REPORT**

**To the Stockholders of  
Veron, Inc.  
Diamond Bar, CA**

I have audited the accompanying Balance Sheet of Veron Inc. (a California Corporation) as of June 30<sup>th</sup>, 2022, and the related statements of income, cash flows and changes in owner's equity for the year then ended, and the related notes to the financial statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant

accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Veron Inc. as of June 30<sup>th</sup>, 2022 and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'Nalin Bhatt', is positioned above the printed name.

Nalin Bhatt CPA

Murrieta, CA  
09/05/22

**Veron Inc.**  
**Comparative Balance Sheet**  
**As of 06/30/2021 and 06/30/2022**

<b>Assets</b>		6/30/2021	6/30/2022
<b>Current Assts</b>			
<i>Cash In Bank</i>	4 \$	118,560	\$ 14,311
<i>Security Deposit</i>		-	
<i>Accounts Receivable</i>	\$	13,111	\$ 2,662
<b>Total Current Assets</b>		<u>\$ 131,671</u>	<u>\$ 16,972</u>
<b>Long Term Assets</b>			
<i>Franchise System Rights(Net)</i>	5 \$	-	\$ -
<i>Prepaid Software Fees</i>	5 \$	30,000	\$ 125,000
<b>Total Long Term Assets</b>		<u>\$ 30,000</u>	<u>\$ 125,000</u>
<b>Total Assets</b>		<u><u>\$ 161,671</u></u>	<u><u>\$ 141,972</u></u>
<b>Liabilities and Capital</b>			
<b>Liabilities</b>			
<b>Short Term Liabilities</b>			
<i>Security Deposit</i>	\$	2,500	\$ 2,500
<b>Total Short Term Liabilities</b>		<u>\$ 2,500</u>	<u>\$ 2,500</u>
<b>Long Term Liabilities</b>			
<i>Note Payable-Other</i>	7 \$	300,000	\$ 300,000
<i>Accrued SBA Loan</i>	7	6,209	6,209
<i>Note Payable-SBA</i>	7 \$	150,000	\$ 150,000
<b>Total Long Term Liabilities</b>		<u>\$ 456,209</u>	<u>\$ 456,209</u>
<b>Total Liabilities</b>		<u>\$ 458,709</u>	<u>\$ 458,709</u>
<b>Capital</b>			
<i>Common Stock</i>	3 \$	1,500	\$ 1,500
<i>Additional Paid In Capital</i>		685,044	654,063
<i>Retained Earnings</i>	\$	(983,582)	\$ (972,300)
<b>Total Capital</b>		<u>\$ (297,038)</u>	<u>\$ (316,737)</u>
<b>Total Liabilities and Capital</b>		<u><u>\$ 161,671</u></u>	<u><u>\$ 141,972</u></u>

**Veron Inc.****Comparative Statement of Income****For the Year that Ended on 06/30/2021 and 06/30/2022**

	For the Year That Ended on 06/30/2021	For the Year That Ended on 06/30/2022
<b>Gross Revenue</b>		
<i>Royalty Revenue</i>	\$ 439,074	\$ 435,500
<b>Total Gross Revenue</b>	<u>\$ 439,074</u>	<u>\$ 435,500</u>
<b>Operating Expenses</b>		
<i>Professional Fees</i>	\$ 214,501	\$ 222,478
<i>Software License Fees</i>	115,600	120,200
<i>Office Expenses</i>	\$ 55,234	\$ 51,540
<b>Total Operating Expenses</b>	<u>\$ 385,335</u>	<u>\$ 394,217</u>
<b>Income Before Debt Service and Depreciation</b>	<u>\$ 53,739</u>	<u>\$ 41,283</u>
<b>Debt Service</b>		
<i>Interest Expense</i>	\$ 30,000	\$ 30,000
<b>Total Debt Service</b>	<u>\$ 30,000</u>	<u>\$ 30,000</u>
<b>Income/(Loss) Before Depreciation</b>	<u>\$ 23,739</u>	<u>\$ 11,283</u>
<b>Depreciation Expense</b>		
<i>Amortization Expense</i>	\$ -	\$ -
<b>Total Depreciation/Amortization</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Income</b>	<u><u>\$ 23,739</u></u>	<u><u>\$ 11,283</u></u>



## Veron Inc.

### Comparative Statement of Changes in Owners Equity

For the Year that Ended on 06/30/2021 and 06/30/2022

	07/01/2020 To 06/30/2021	07/01/2021 To 06/30/2022
<i>Net Income for the Year</i>	<u>\$ 23,739</u>	<u>\$ 11,283</u>
<i>Net Change in Equity</i>	<u>\$ 23,739</u>	<u>\$ 11,283</u>
<i>Equity Balance Beginning of the Year</i>	<u>\$ (1,007,322)</u>	<u>\$ (983,582)</u>
<i>Equity Balance End of the Year</i>	<u><u>\$ (983,582)</u></u>	<u><u>\$ (972,299)</u></u>

# Veron Inc

## Comparative Statement of Cash-Flow

For the Year that Ended on 06/30/2021 and 06/30/2022

	07/01/2020 To 06/30/2021	07/01/2021 To 06/30/2022
<b>Cash Flows from Operations</b>		
Income before debt service	\$ 53,739	\$ 41,283
Interest expense	\$ 30,000	\$ 30,000
Net Income after debt service	\$ 23,739	\$ 11,283
Add/(Subtract)		
Amortization	\$ -	
(Increase)/Decrease in Accounts Receivables	\$ 8,550	\$ 10,449
Increase/(Decrease) in Security Deposits Payable	\$ (9,400)	
(Increase)/Decrease in Security Deposits	\$ 5,826	
(Increase)/Decrease in Prepaid Expenses	\$ (30,000)	\$ (95,000)
Total Addition/(Subtraction)	\$ (25,026)	\$ (84,551)
<b>Cash From Operation</b>	\$ (1,287)	\$ (73,268)
<b>Cash From Financing Activities</b>		
Add/(Subtract)		
Additional Borrowing/(Pay-offs)	\$ (562,317)	
Owners' contribution/(Distribution)	\$ 636,544	\$ (30,982)
<b>Cash from financing activities</b>	\$ 74,228	\$ (30,982)
<b>Net Change in cash</b>	\$ 72,941	\$ (104,250)
<b>Cash at Beginning of the Year</b>	\$ 45,619	\$ 118,560
<b>Cash at End of the Year</b>	\$ 118,560	\$ 14,310

## 1. **ORGANIZATION**

Veron, Inc. (the “**Company**”) was organized under the laws of the state of California on June 22, 2010 and is a development stage company. The company’s purpose is to develop and market automotive maintenance businesses through a franchise system in the State of California. The Company purchased the business system, including all rights and certain obligations from Shera, Inc., a California corporation. As of the balance sheet date there were nineteen (19) franchise locations in California.

As a California franchisor, the company is regulated by the State of California, and is required to file its annual Franchise Disclosure Document with the regulator, the California Department of Financial Protection and Innovation(CDFPI).

## 2. **THE COMPANY’S BUSINESS**

Under its Franchise Agreements, the Company licenses the right to operate stores under the name “Purrfect Auto Service.” The Franchise Agreement requires a franchisee to pay a weekly royalty fee to the Company which varies from \$300 to \$675.

The Company also operates an advertising fund, to which most franchisees are required to contribute, in varying amounts depending on their agreement.

## 3. **SIGNIFICANT ACCOUNTING POLICIES**

- A. **Basis of Preparation and Use of Estimates:** These financial statements have been prepared in accordance with Generally Acceptance Accounting Principles in the United States of America (GAAP). The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. There are no areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are material to the financial statements.

- B. **Accrual Basis of Accounting** The accompanying consolidated financial statements of the Company and its subsidiary have been prepared on the accrual basis of accounting and conform to generally accepted accounting principles.
- C. **Income Recognition:** Income from the sale of new franchises, and income from royalties on the sales of the franchisees, is not recognized prior to the completion of substantially all of the duties of the Company under the franchise agreement, and in no case is it recognized prior to the date the new franchisee begins operations. Funds received from franchisees in the beginning of their licensing process are recorded as liabilities until earned.
- D. **Allowance for Bad Debts:** It is the Company's policy to write off receivables based on a case-by-case basis. The collectability of receivables is examined by management periodically to determine whether a receivable balance should be written off.
- E. **Provisions:** Provisions are recognized when the Company has present legal or constructive obligation as a result of past event, it is more likely than not require an outflow of resources to settle the obligation, and the amount has been reliably estimated. There are no provisions for such liabilities in this report.
- F. **Cash and Cash Equivalents:** Cash and Cash and Equivalents consists primarily of checking accounts, certificates of deposits and Highly liquid investments with remaining stated maturities of three months or less when purchased are considered cash equivalents and recorded at cost.

## G. Financial Risk Management

- H. **Liquidity Risk:** Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Company has implemented procedures with the object of minimizing such losses
  
- H. **Credit Risk:** Credit Risk is the risk that a customer will not meet his/her obligations to pay the Company at the due date that was agreed upon at the time of the sale. The Company is developing credit policy and tools for credit risk management
  
- H. **Fair Value Estimation:** The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.
  
- H. **Common Stock:** Company is authorized to issue 20,000 shares of common stock with par value of \$1.00. There are a total of 1,500 shares issued and outstanding. There are no shares in the treasury stock.

## 4. CASH IN BANK

The company maintains two separate cash accounts: The Operating Account and the Advertising Fund Account. As of June 30, 2022, the account balances were:

Operating Account	\$13,047
Advertisement Account	1,264
<b>Total</b>	<b>\$14,311</b>

#### 5. **FRANCHISE SYSTEM RIGHTS**

In conjunction with its formation in 2010, the Company purchased the right to sell franchises from a third party. The Company amortizes this intellectual property over a 10-year period using the straight-line method, with no residual value.

Original Purchase price of Franchising System rights (June 2010)	\$2,000,000
Amortization Expense for the period July 1, 2019 to June 30, 2022	\$-2,000,000
Amortization Expense for period ending before June 30, 2022	\$-0.00
<b>Net Franchise System rights as of June 30, 2022</b>	<b>\$0.00</b>

#### 6. **SHORT TERM LIABILITIES AS OF 6.30.2022**

The Company's short-term liabilities include amounts received from franchisees as security deposits. The current liability as of 06/30/22 is \$2,500. The liability relates to a store closing. It includes some bills to be paid to the suppliers. The current portion of the long-term liabilities are not included in the Short-Term Liabilities mainly because the Long-Term Liabilities include Note Payable SBA and to a trust that is related to the Shareholders please see note 7.

## **7. LONG TERM LIABILITIES AS OF JUNE 30, 2022**

### Major Debt Terms Disclosures:

#### Related Party

Note Payable to Behar Family Trust (\$300,000) has maturity date of October 27, 2024 and it carries interest at the rate of 10% per year. Behar Family Trust and Veron Inc. are related parties. This loan is from the shareholder's spouse.

#### Non-related Party

SBA loan commonly referred to as EIDL loan obtained as part of the CARES Act is a loan in the amount of \$150,000. It carries interest at the rate of 3.75% per year fully amortized over the period of 30 years. SBA has extended the payment beginning date until December of 2022.

## **8. ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

## **9. TAX**

The Company is treated as a C corporation for federal income tax purposes. The prior three years tax returns remain subject to examination by the IRS. Management does not believe that any reasonably possible changes will occur within the next twelve months that will have material impact on the financial statements. Since company had small income in current year there is no provision for income taxes made for the current year. The Company, in past, had substantial amount of losses due to amortization expense. It is not practical to recognize any tax benefit of material amount in current or near future. As such no such tax benefits are reflected in the current financial statements.

## **10. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through September 5, 2022, which is the date the financial statements were available to be issued.



## **EXHIBIT B**

## **FRANCHISE AGREEMENT**

This FRANCHISE AGREEMENT (this "Agreement") is made this \_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_, between VERON, INC., a California corporation ("Franchisor"), and \_\_\_\_\_, a(n) \_\_\_\_\_ ("Franchisee"), with reference to the following facts:

### **R E C I T A L S**

A. Franchisor owns and is continuing to develop unique training, management, marketing and operating programs for an automotive service system called the "Purrfect Auto Service System" (the "System").

B. Franchisor owns the rights to grant franchises to allow independent businesses to use the System and various trademarks and service marks associated with the System to provide automobile emission testing, tune-ups, rapid lubrication, brake repairs, air conditioning service, alignment, front end repair, shocks, struts and related services to the general public.

C. Federal, state and local laws, as well as restrictions that apply to particular locations, prevent some Purrfect Auto System stores from offering all services that are available under the System.

D. Franchisee desires to obtain a franchise to operate a business using the System. Franchisor is willing to grant a franchise to Franchisee according to the terms in this Agreement.

Accordingly, the parties have agreed as follows:

### **A G R E E M E N T**

#### **1. GRANTS.**

1.1 Grant of Franchise. Franchisor grants to Franchisee and Franchisee accepts the right to use, during the term hereof, the Purrfect Auto Service System in operating one automotive service business (the "Business") at, and only at, the Location (as defined in Section 3.1) according to all the terms of this Agreement and any other written agreement(s) with Franchisor.

1.2 Trademark License. Franchisor grants to Franchisee and Franchisee accepts a license to use and display Franchisor's trademarks only in operating and advertising the Business at, and only at, the Location according to all the terms of this Agreement and any other written agreement(s) with Franchisor.

## 2. DURATION.

2.1 Initial Term. Subject to Section 2.2, the term of this Agreement shall start on the date first written above and, unless sooner terminated as provided below, shall end on the 10th anniversary of that date.

2.2 Early Termination. Regardless of Section 2.1, this Agreement shall end on the soonest to occur of: (i) the date Franchisee's lease or sublease for the location of the Business expires or is terminated, or Franchisee fails to timely pay all amounts due under the lease or sublease, and/or Franchisee is dispossessed of the Premises via Summary Eviction, and/or Writ of Possession, and/or via an Unlawful Detainer lawsuit, and/or via any other lawful means, or Franchisee commits an Event of Default as defined under the lease or sublease which is not timely cured thereunder, unless a new location reasonably satisfactory to Franchisor (acknowledged in writing) and Franchisee is leased within 60 days thereafter; (ii) the date that this Agreement is terminated as provided in this Agreement; or (iii) if Franchisee is succeeding to the interests of a Purrfect Auto Service franchisee by means of sale or assignment by that franchisee, or is entering into this Agreement following an early, mutually agreed termination of a prior franchise agreement with Franchisor, on the date of expiration of the assigning franchisee's Franchise Agreement, and the parties acknowledge that date is \_\_\_\_\_.

In the event Franchisee is subleasing the location from Franchisor, Franchisor shall have no obligation to exercise any option granted to Franchisor to renew the real property master lease for the location in order to accommodate Franchisee's renewal or extension of the Franchise Agreement. Franchisor, at its sole discretion, shall decide whether to exercise an option to renew the real property master lease for the location, irrespective of the impact said decision may have upon Franchisee's ability to renew its franchise agreement for the location.

In the event Franchisor does not exercise an option to renew the real property master lease for the location, and in the event the term of Franchisee's Franchise Agreement would end as a result of the termination or non-renewal of the master lease or sublease for the location, Franchisor will use reasonable efforts to assist Franchisee in identifying a new location, provided that the assistance, if any, provided by Franchisor shall not be construed as any form of assurance by Franchisor with regard to suitability of the new location or that Franchisee can or will be successful in any way or at any time at any such location. Notwithstanding the foregoing, Franchisee shall remain responsible for finding and moving the Business to a new location that does not violate the exclusivity provisions of any other Purrfect Auto Service franchisee, subject to Franchisor's reasonable approval, which approval Franchisor shall not unreasonably withhold. It shall not be unreasonable for Franchisor to withhold its approval of a proposed location that Franchisor, in its sole discretion, determines may violate the exclusivity provisions of another of its franchisees.

In the event a new location is identified by Franchisee and approved by Franchisor following the termination or non-renewal of the master lease or sublease for the location, the parties shall enter into a new franchise agreement for the new location. The termination date of the new franchise agreement for the new location, including any option to renew, if any, shall be identical to the termination date and option period, if any, provided in Franchisee's most recent franchise agreement (terminated as a result of the termination or non-renewal of the master lease or sublease for the location), as if that most recent franchise agreement had not been terminated, subject to the

provisions of this section.

2.3 Renewal. If Franchisee has complied in all respects with the conditions precedent to renewal in Section 2.4, then Franchisee shall have the right, but no obligation, on expiration of this Agreement, to enter into a renewal Franchise Agreement (the "Renewal Agreement") for one consecutive term (the "Renewal Term") of 10 years.

2.4 Conditions Precedent to Renewal.

(a) Each of the following provisions in this Section 2.4 shall be conditions precedent to Franchisee's right to enter into a Renewal Agreement. Franchisee's failure to fully and timely perform any act or satisfy any other condition stated in this Section 2.4 shall be deemed an election by Franchisee not to exercise the right to enter into a Renewal Agreement. Franchisor's delivery of any documents to Franchisee pursuant to this Section 2.4 shall not constitute a waiver of any of Franchisee's obligations or of any conditions precedent to Franchisee's right to enter into a Renewal Agreement.

(b) Franchisee shall have given Franchisor written notice of Franchisee's election to renew at least nine months but no more than twelve months before the end of the term of this Agreement. The notice of election to renew shall be accompanied by a payment of \$5,000. Deposit of this check by Franchisor shall not obligate Franchisor to renew or constitute agreement to renew this Agreement. Franchisor shall return this payment if this Agreement is not renewed.

(c) Franchisee shall have complied with Franchisor's then-current requirements for qualification and training for a new Purrfect Auto Service franchisee.

(d) Franchisee shall have completed, to Franchisor's satisfaction, such maintenance, renovation and remodeling of the Business as Franchisor reasonably requires.

(e) At the end of the term of this Agreement, Franchisee is not in default of any provision of this Agreement or any other agreement with Franchisor or with any subsidiary or other entity affiliated with Franchisor.

(f) During the last 5 years of the term of this Agreement, Franchisee shall not have committed more than three defaults identified in notices of default received from Franchisor, whether or not cured.

(g) Franchisee shall have delivered to Franchisor a general release, in a form acceptable to Franchisor, of any and all claims against Franchisor and Franchisor's affiliates, shareholders, directors, officers, employees and other agents, except claims for which Franchisee has previously given written notice to Franchisor.

2.5 Renewal Agreement. The Renewal Agreement shall be Franchisor's then-current form of Franchise Agreement. Its terms may provide for different or additional fees, or both, and may otherwise materially differ from the terms of this Agreement, except that: (i) any provision for an initial franchise fee shall be deleted and replaced with the amount of the renewal fee stated in Section 2.4(b); (ii) the exclusive territory stated in Section 3.2(a) shall be the same; (iii) the duration

shall be the applicable period of time stated in Section 2.3; and (iv) any provision for further renewal shall be deleted.

2.6 Renewal Procedure. If Franchisee has exercised the right to enter into a Renewal Agreement as provided in this Agreement, and through and including the date this Agreement ends, Franchisee has satisfied all conditions precedent in Section 2.4, then on (or as of) the date this Agreement ends, Franchisor shall sign the Renewal Agreement previously signed and returned by Franchisee and shall provide Franchisee a copy of the signed Renewal Agreement.

### 3. LOCATION PROVISIONS.

3.1 Location. Franchisee shall conduct the franchised Business and operate only at the following location: \_\_\_\_\_ (the "Location").

#### 3.2 Exclusivity.

(a) Subject to the ongoing condition precedent that Franchisee is at all times in full compliance with all terms of this Agreement, Franchisor shall refrain from granting a franchise or license to any other person or entity to operate, and Franchisor shall itself refrain from operating, a "Purrfect Auto Service" business at any site located within one (1) mile (measured by the most direct public surface street route in existence when this Agreement is executed) of the Location.

(b) Franchisee acknowledges that the rights granted in this Agreement do not include any marketing exclusivity and that other Purrfect Auto Service businesses (whether owned fully or partly by Franchisor or by others) may solicit and service prospective customers and advertise to any person or entity regardless of geographic location.

(c) The exclusivity described in Section 3.2(a) shall not restrict Franchisor from itself operating or granting franchises or licenses to others to operate Purrfect Auto Service businesses at the outside edge of or anywhere beyond one mile (measured by the most direct surface street route in existence when this Agreement is executed) from the Location and does not restrict Franchisor from itself operating or granting franchises or licenses to others to operate businesses using a different name and operating system anywhere, outside or within such one mile of the Location.

3.3 Franchisor's Role. Franchisor shall have no obligation to purchase or lease a location or to construct any structure or facilities at any location. Franchisor may assist Franchisee in selecting a proposed Location. Franchisor may also suggest locations, whether or not owned or leased by Franchisor or any entity affiliated with Franchisor. Assistance, if any, provided by Franchisor, or Franchisor's encouragement to Franchisee or willingness to allow Franchisee, to lease or sublease a location from Franchisor or from anyone else shall not be construed as any form of assurance by Franchisor with regard to suitability of the location or the lease or that Franchisee can or will be successful in any way or at any time at any such Location.

3.4 Construction. Franchisee shall cause all construction and equipping of the premises to conform to building code requirements and to building plans, equipment specifications and other

standards which may be provided by Franchisor. Franchisee shall request Franchisor's consent to deviate from or make or allow modifications to these to accommodate the particular location. Franchisee shall not make any such change or deviation without prior written consent from Franchisor.

3.5 Construction Responsibility. Franchisee shall be solely responsible to pay all costs associated with development of the premises, including, but not limited to, government permits, licenses and fees, attorneys' fees, interest and commitment fees, surveys and other costs. Franchisor shall have the right to include all these amounts in determining rent amounts, if Franchisee leases the premises from Franchisor. Franchisee shall be solely responsible to obtain all permits and licenses needed for construction of the premises and operation of the Business.

3.6 Documents. Before starting any construction of the premises, Franchisee shall provide Franchisor with two copies of each of the following documents:

- (a) each document Franchisee has received or signed relating to the Location prior to start of construction;
- (b) site plan showing easements, access and building position as approved by the government agency(ies) whose approval is required to start construction;
- (c) building plans and design as approved by the government agency(ies) whose approval is required to start construction;
- (d) soils report as approved by the government agency(ies) whose approval is required to start construction;
- (e) signage plan for installation of a free-standing sign bearing the name "Purrfect Auto Service" in conformance to Franchisor's sign requirements, using the maximum size allowed by applicable governing authority(ies);
- (f) each bid for construction, whether or not Franchisee has accepted or intends to accept the bid; and
- (g) each construction permit obtained by Franchisee.

3.7 Modifications. Franchisor shall have the right to review all plans, reports, bids, permits and other documents provided by Franchisee for compliance with Franchisor's requirements, to require Franchisee to make or obtain (and to get government approval of) modifications to any of these before Franchisee starts (or, if Franchisee has started, before Franchisee continues further with) construction of the premises. On written notice, Franchisee shall make corrections to these as Franchisor requests. If Franchisee fails to do so in a timely manner, then Franchisor shall have the right, but no obligation, to make the corrections. Franchisee shall immediately reimburse any expense incurred by Franchisor to do so, and shall, in addition, pay Franchisor a service charge equal to 15% of the amount of the expense to be reimbursed.

### 3.8 Lease.

(a) If Franchisor already owns or leases the proposed location, then on signing this Agreement, Franchisee shall enter into a lease or sublease with Franchisor for the Location.

(b) If the Location is not yet stated in Section 3.1 when this Agreement is signed, then Franchisee shall find and propose for Franchisor's consent a location for the Business. Franchisee shall not sign a lease for a location until after Franchisee receives Franchisor's written consent to both the proposed location and the proposed lease.

(c) As a condition precedent to consenting to a proposed location and the proposed lease, Franchisor may require Franchisee to submit site analyses, maps, photos, diagrams of the premises with measurements and other information and materials that Franchisor reasonably requires to evaluate the proposed location and proposed lease.

(d) Promptly after receiving the proposed lease for a proposed location, Franchisor shall communicate whether Franchisor consents or withholds consent to the proposed lease. Failure or refusal of Franchisee or the landlord, or both, to enter into Franchisor's then standard form Conditional Lease Assignment Agreement, or an agreement substantially similar thereto, or absence of any or all of the following provisions from the proposed lease shall be among the grounds for Franchisor to withhold consent:

(i) A duration for a period which is not less than the duration of this Agreement, as stated in Section 2;

(ii) The premises to be occupied by Franchisee shall be constructed pursuant to Sections 3.4 through 3.7 above;

(iii) For 30 days after expiration or termination of this Agreement, Franchisor shall have the option to assume the obligations of and replace Franchisee as the lessee with itself or another franchisee and, at any time thereafter, to assign the lease to another franchisee;

(iv) The landlord shall furnish to Franchisor written notice specifying any default and the method of curing the default under the lease and shall allow Franchisor 30 days after receipt thereof to cure the default (except that if the default is for non-payment of rent the time for cure shall be 20 days from receipt of the notice);

(v) The landlord shall accept Franchisor as a substitute tenant under the lease on written notice from Franchisor that it is exercising its option to succeed to the interest of Franchisee in the lease;

(vi) The landlord acknowledges that only Franchisee is responsible for all debts, payments and performance due under the lease before the time, if any, that Franchisor takes actual possession of the premises;

(vii) Franchisee shall have the right to display at the premises Franchisor's standard signage and displays for the System, as these may be modified from time to time;

(viii) The lease may not be amended without Franchisor's prior written consent, which consent shall not be unreasonably withheld, and Franchisor shall be promptly provided with copies of all proposed amendments and all signed amendments; and

(ix) The above provisions are expressly for the benefit of Franchisor.

(e.) After the lease is executed, Franchisor may add the address of the Location to Section 3.1 above.

3.9 Lease Deadline. Franchisee shall obtain written consent of Franchisor for, and thereafter sign a lease for, the Location, all within one year after the date Franchisor signs this Agreement. If Franchisee fails to do so, and Franchisor terminates this Agreement due only to such failure, then Franchisor shall return to Franchisee the initial franchise fee paid.

3.10 Deadline to Open. Franchisee shall take all steps needed to comply with all provisions of this Agreement and to enable Franchisee to open the Business as soon as possible, and Franchisee shall open the Business within one year after the date first stated in the opening paragraph of this Agreement. Franchisor shall have the right, but no obligation, in writing to extend this one year deadline for a specific length of additional time, if Franchisor determines that reasons beyond Franchisee's control prevented or will prevent Franchisee from performing this obligation.

3.11 Opening. Franchisee shall open the Business promptly on completing construction of the Location. Franchisee shall not open the Business until Franchisor inspects and consents with regard to Franchisee's building, equipment and signage. This inspection and consent are for Franchisor's own analysis and information, and shall not constitute any approval or representation with regard to compliance with law, potential for success or other aspect of performance of the Business.

#### 4. TRADEMARKS.

4.1 Ownership. Franchisee acknowledges that the trademarks and service marks "Purrfect," "Purrfect Auto Service," the color schemes and designs adopted by Franchisor, and all other trademarks and service marks and other marks developed or acquired by Franchisor (the "Trademarks"), together with all goodwill associated with the Trademarks, are exclusively Franchisor's property. Franchisee acknowledges that Franchisee's use of the Trademarks is intended to be temporary, lasting only during the term of and while Franchisee is in compliance with this Agreement.

4.2 Use. Franchisee shall use the Trademarks only according to the terms of this Agreement. Franchisee acknowledges that any use of any of the Trademarks in any manner not expressly authorized by this Agreement, without first obtaining written consent of Franchisor, shall constitute a breach of this Agreement and infringement of Franchisor's rights in the Trademarks.

4.3 Contest. Franchisee shall never (whether during the term of this Agreement or after it ends, regardless of any reason(s) for expiration or termination), directly or indirectly, make any unauthorized use of, or contest or aid anyone in contesting the validity or ownership of any of the Trademarks, or take any other action in derogation of Franchisor's rights in the Trademarks.



4.4 Company Name. Franchisee shall not use the word “Purrfect” or any of the other Trademarks, or any word or phrase confusingly similar to any of the Trademarks, as Franchisee's corporate or other entity name or as a part of Franchisee's name.

4.5 Infringing Uses. Franchisee shall promptly notify Franchisor in writing of any actual or suspected use, by any person or entity other than Franchisor or another Purrfect Auto Service franchisee, of any of the Trademarks or any word, symbol or design confusingly similar to any of the Trademarks which Franchisee becomes aware of.

4.6 Trademark Proceedings. Franchisee shall notify Franchisor promptly in writing of any litigation or other proceeding instituted by any person or entity against or otherwise involving Franchisee concerning any of the Trademarks. Franchisor shall have the right, but not the obligation, in Franchisor's sole discretion, to undertake the prosecution or defense of any litigation or other proceeding involving any of the Trademarks.

4.7 Further Assurances. Franchisee shall execute any and all documents and instruments and render such assistance as Franchisor considers reasonably necessary to assist in the defense or prosecution of any action or other proceeding involving any of the Trademarks or to otherwise assist in protecting Franchisor's rights in the Trademarks.

4.8 Other Marks. Franchisor's acquisition or development of additional Trademarks shall not create any obligation of Franchisor to allow Franchisee to use such Trademarks.

4.9 Change. Franchisor reserves the right to require Franchisee to stop using any one or more of the Trademarks, to modify any of the Trademarks, to substitute one or more marks for any one or more Trademarks or any combination of these. Franchisee shall comply with instructions of Franchisor to stop using any of the Trademarks or to make such substitutions as Franchisor instructs. Franchisee shall be solely responsible for all expenses incurred to comply with such instruction. Franchisor shall have no liability to Franchisee in connection with any such instruction or Franchisee's compliance with the instruction.

4.10 Independent Ownership Notice. Franchisee shall affix in a prominent place at Franchisee's Business a conspicuous, easily readable sign stating as follows:

This Automotive Service Center is independently owned and operated by \_\_\_\_\_ under a franchise agreement with VERON, INC. As the independent owner and operator, \_\_\_\_\_ is solely responsible for all obligations and service at this center. The trademark “PURRFECT AUTO SERVICE” is owned by and used under a license from the franchisor.

At all times, and in all advertising, promotion and other display materials (whether print, broadcast or otherwise) on Franchisee's letterhead, business forms, in all business dealings and in all dealings with the public, Franchisee shall identify Franchisee as an independently owned and operated franchised location of Franchisor. Franchisee shall not identify itself as being a subsidiary, division, partner, joint venturer, agent or employee of Franchisor or of any other franchisee of Franchisor.

4.11 Fictitious Business Name. Franchisee shall comply with any applicable statute or

ordinance requiring Franchisee to publish and file with a government agency a notice of intent to do business or of doing business under the name "PURRFECT AUTO SERVICE" or similar notice.

4.12 Advertising. Franchisee shall display, or refrain from displaying at Franchisee's "PURRFECT AUTO SERVICE" business, such advertising, signs and other materials in the manner and form as Franchisor specifies from time to time. By way of example, Franchisor shall have the right to require Franchisee to install and display such signs, brochures, advertisements and similar promotional materials as Franchisor may direct relating to the offer and sale of franchises by the Franchisor or its authorized sales representatives.

## 5. PAYMENTS.

### 5.1 Initial Fee.

(a) Subject to Section 5.1(b), on signing this Agreement, Franchisee shall pay Franchisor an initial fee of \$ 24,950. This amount is deemed to be fully earned by Franchisor when paid. This amount is not refundable, except as stated in Sections 3.9, 6.2 and 13.4. Attached hereto as Exhibit A is a Receipt of Funds and Statement by Franchisee in Connection with the Sale of Brand New Franchise.

(b) If Franchisee is entering into this Agreement immediately following an early, mutually agreed termination of a prior franchise agreement with Franchisor, no initial fee shall be due to Franchisor by Franchisee.

(c) On signing this Agreement, Franchisee shall purchase certain computer software from a supplier designated by Franchisor. Franchisee shall use the computer software for writing invoices, maintaining required inventory and for accounting. The cost of the basic computer software is approximately \$1,500 per year, the entire portion of which shall be paid by Franchisee. Franchisee may obtain upgraded software modules from the supplier at its own additional cost. Franchisee shall also purchase a computer system, including modem compatible with the operation of the software.

### 5.2 Royalty.

(a) Each week, Franchisee shall pay Franchisor a royalty. As of September 1, 2009, the weekly royalty fee shall be \$875 and shall be adjusted annually on June 1st of each year, commencing June 1, 2010, pursuant to the Consumer Price Index provision detailed in section 5.2(b). During the first twenty-six weeks of a new franchisee's operation of a brand new location, the weekly royalty shall be \$600 instead of \$875. The reduced weekly royalty of \$600 shall only apply to brand new locations and shall not apply to existing locations acquired by the Franchisee. The weekly minimum royalty of \$875 shall apply to new franchisees who acquire an existing location.

(b) Franchisee shall submit a monthly report of its Gross Revenues to the Franchisor within 30 days of the end of each calendar month.

(c) Franchisor may from time to time recommend suppliers of bulk motor oil, parts or both. Franchisor allows Franchisee to reduce weekly royalty fees by \$100 conditioned on

Franchisee voluntarily purchasing all Franchisee's requirements of bulk oil from the recommended bulk motor oil supplier and a separate \$100 conditioned on Franchisee voluntarily purchasing at least 85% (by dollar volume) of Franchisee's requirements of stocking parts from the recommended parts supplier.

(d) **Cost of Living Adjustment.** On June 1 of each year, ("CPI Adjustment Date"), the weekly royalty amount set forth in Section 5.2(a) shall be adjusted to an amount determined by multiplying the rate payable immediately prior to such CPI Adjustment Date by a fraction, the numerator of which shall be the Index (as defined below) for the calendar month in which the CPI Adjustment Date falls and the denominator of which shall be the Index for the calendar month one year preceding the calendar month in which the CPI Adjustment Date falls. When the rate is determined after each CPI Adjustment Date, Franchisor shall give Franchisee written notice indicating the new rate and the method of computation. As used in this Section, the "Index" means the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for CPI U (Urban Wage Earners and Clerical Workers) for the West Region (1982-1984=100). If a substantial change is made in the Index, the revised Index shall be used, subject to such adjustments as Franchisor may deem appropriate to make the revised Index comparable to the prior Index. If the Bureau of Labor Statistics ceases to publish the Index, then the successor or most nearly comparable index, as determined by Franchisor, shall be used, subject to such adjustments as Franchisor may deem appropriate to make the revised Index comparable to the original index.

(e) The phrase "Gross Revenues" shall mean all amounts received by the Business on account of sales, whether for cash or credit, of services, parts, or any other goods or services, regardless of what they are called, whether or not sold or performed at or from the Location and whether or not identified by the Trademarks. Gross Revenues shall include, without limitation, all amounts received from vending and similar machines and all amounts received at the Location as a result of sales, if any, by persons who are not parties to this Agreement. Gross Revenues shall not include the cost of smog certificates actually used during the week; or sales, use or service taxes collected, required to be paid and timely paid to the appropriate taxing authority.

(f) Franchisee shall pay the weekly royalty at the times and in the manner stated in Section 5.6.

5.3 **Advertising.** Each week, Franchisee shall place advertising (as defined in Section 7.4).

5.4 **Week.** For purposes of this Agreement, a week is the seven day period starting with Sunday and ending at the end of Saturday.

5.5 **Additional Payments.** Franchisee shall pay to Franchisor, in addition to all other payments provided in this Agreement: (i) the amount of all sales taxes, use taxes, personal property taxes and other similar taxes imposed on Franchisee and required to be collected or paid by Franchisor on account of goods or services furnished by Franchisee, whether by sale, lease or otherwise or on account of the initial fee, royalties, advertising fund contributions or other amounts collected by Franchisor; and (ii) all amounts advanced by Franchisor or which Franchisor has paid, or for which Franchisor becomes obligated to pay on behalf of Franchisee for any reason whatsoever. This provision does not create any obligation to incur or pay any expense of or on behalf of

Franchisee.

5.6 Payment.

(a) Each Tuesday, Franchisee shall pay the weekly royalty of \$875, and the applicable contribution to the Advertising Fund, for the week ending the preceding Saturday.

(b) To facilitate payments of amounts due to Franchisor pursuant to this Agreement, Franchisee shall make the arrangements provided in this Section 5.6.

(c) Franchisee shall establish a principal operating account at a bank or other financial institution consented to in writing in advance by Franchisor. Franchisee acknowledges that at the time of executing this Agreement, the sole bank approved by Franchisor is Bank of America. Franchisee may request approval of another bank pursuant to the provisions of Article 9. Franchisor shall have the right to require that the following terms be included in the terms of the account:

(i) Franchisee shall maintain at least \$10,000 in the account at all times.

(ii) Regardless of the minimum balance requirement, Franchisor shall have the right, at any and all times, to withdraw funds from the account; and after any withdrawal by Franchisor, Franchisee shall replenish the account to \$10,000.

(iii) The bank shall make such automatic payments to Franchisor (or to bank accounts established by Franchisor) as Franchisor instructs the bank from time to time. These shall include, but not be limited to, automatic payments of the royalty pursuant to Section 5.2, Advertising Fund Contribution pursuant to Section 5.4 and any other payments followed by automatic withdrawals of additional royalties and other amounts.

(iv) The bank shall notify Franchisor immediately in writing of the establishment or termination of any other account with the bank.

(v) Franchisee shall execute all agreements and instruments required by the bank or financial institution to effectuate the terms and purposes of the account.

(vi) At any and all times, Franchisor shall have the right to request and the bank shall be authorized to provide Franchisor any and all information pertaining to the account for the purpose of verifying compliance with these provisions or otherwise.

(vii) Franchisor is an express third party beneficiary of the above provisions.

(d) Franchisee shall deposit all revenues from operation of the Business, whether received in the form of cash, checks, credit card vouchers or other form, into the principal operating account. Franchisee shall not establish any other account for the Business and shall not deposit revenues from operation of the Business into any other account, without Franchisor's prior written consent.

(e) Franchisee shall cooperate and assist Franchisor in arranging, from time to

time, to deliver royalty payments, advertising fund contributions and any other recurring payments by automatic payment from Franchisee's principal operating account.

(f) Franchisor shall have the right to withdraw from the principal operating account any other amounts Franchisor reasonably believes to be due to Franchisor. Franchisor may, at its discretion, implement other electronic procedures for obtaining payments from the Franchisee for payments owed to the Franchisor from the Franchisee under this Agreement as well as under any other agreements between the Franchisor and Franchisee.

#### 5.7 Reports.

(a) Within 30 days of the end of each calendar month,, Franchisee shall deliver to Franchisor a completed monthly business report, on a form prescribed by Franchisor for the prior week. The business report form may require Franchisee to provide: information on Gross Revenues, sales, customer and car counts, number of customers serviced, nature of services and advertising, purchase records and other records relating to the Business, whether for the prior month or for other periods of time; and any other information and documents Franchisor deems appropriate to enable Franchisor to confirm Franchisee's compliance with this Agreement, to analyze Franchisee's operation or results, or to further improve the System. Franchisee shall certify, by a signature of an officer of Franchisee, that each business report and accompanying documents are true, complete and correct.

(b) Franchisor's receipt and review of the business reports are for Franchisor's internal purposes only and are not a substitute for any recordkeeping obligation imposed on Franchisee by applicable law. Franchisor shall have no obligation to retain copies of any business report or accompanying documents. Franchisor's receipt of business reports and accompanying documents shall not affect Franchisee's obligation to itself maintain all such records and to make such records available for inspection and audit as provided in Section 9.12.

#### 5.8 Liquidated Damages.

(a) Franchisee acknowledges and agrees that Franchisor will suffer substantial administrative, legal, accounting and other losses, costs and expenses, the amount of which would be impracticable and extremely difficult to fix, if Franchisee fails to comply fully and on time with the payment and reporting obligations in this Article 5. These are real damages consisting of (but not limited to) expenses for administrative staff to monitor and request compliance Franchisor has already agreed to (herein), loss of use of funds and diverting of attention from other matters needed to administer the system. Therefore, for each week or partial week that Franchisee is not in compliance with any of these obligations, including but not limited to failure or lateness in delivering any payment to Franchisor, failure to maintain a bank account or balance according to the provisions in this Article 5, or failure or lateness in delivering to Franchisor any report Franchisee, shall pay Franchisor liquidated damages for that portion of the breach comprised of the tardiness or incompleteness in Franchisee's compliance. The method amount of the liquidated damages is stated in Section 5.8(b), below.

(b) Liquidated damages for each failure to comply with the obligations in this Article 5 shall be: (w) \$100 for each failure to submit a monthly report on time; (x) \$25 for each failure to

provide, within 30 days after delivery of written notice to Franchisee, any item of information missing from a monthly report provided for in Section 5.7; and (y) \$25 for each other noncompliance other than nonpayment of money; and (z) 10% of each amount overdue (together with the overdue amount). A breach relating to maintenance of the bank account, payment of the royalty, payment of the advertising fund contribution, delivery of a report or other noncompliance, shall each be deemed to be a separate breach, resulting in separate and additional liquidated damages.

(c) Franchisee acknowledges that the above liquidated damages are a reasonable estimate of the costs and expenses Franchisor can be expected to incur. The parties acknowledge that these liquidated damages are for only the tardiness or incompleteness of any report or failure to maintain the bank account or balance according to the provisions of this Article 5, and do not effect Franchisor's right to recover amounts due as well as interest thereon. This provision, and the payment of liquidated damages, does not excuse the applicable breach of this Agreement. Franchisor shall have the right, in addition to all other rights, to arrange payment of these liquidated damages from the bank account.

(d) In addition to Franchisor's other rights and remedies, if Franchisee fails to provide a weekly report or other information within 30 days after delivery of written notice to Franchisee that such item was not received, then Franchisor shall have the right to withdraw additional amounts from Franchisee's bank account pursuant to Section 5.6(f) equal to or exceeding Franchisor's estimate of royalties or other amounts due. Franchisor shall have the right to base the estimate on prior operating history or other analysis that Franchisee deems appropriate.

5.9 Application of Funds. If Franchisee is late in paying any obligation to Franchisor, whether under this Agreement or otherwise, Franchisor shall have the right, with or without notice, to apply all payments from Franchisee to obligation(s) that are the oldest, or are selected on another basis, regardless of any contrary designation by Franchisee as to application and whether or not indicated on Franchisee's check(s) or by other communication to Franchisor. Franchisor's acceptance or negotiation of any check bearing any purported application of funds shall not constitute a waiver of this provision nor bind Franchisor to apply a payment in any particular manner.

5.10 Interest. If Franchisee fails to pay all or any portion of any amount as and when due, or if Franchisor is unable to collect any amount due to unavailability of funds in Franchisee's principal operating account, then Franchisee shall also pay to Franchisor, in addition to the liquidated damages under Section 5.8, interest on the past due amount at an annual rate equal to 10% but not to exceed the highest rate, if any, allowed by law for such a late payment charge. The calculation of this charge shall be made on a daily basis.

## 6. TRAINING

6.1 Completing Training Course. If Franchisee has not previously received training from Franchisor, then Franchisor shall furnish to Franchisee, at time(s) and date(s) scheduled by Franchisor, a classroom course and on-site training course on management and operation under the System. Franchisee (or if Franchisee is a corporation or other entity, Franchisee's officer principally in charge of operations) shall attend, complete the course and demonstrate knowledge and commitment to operating under the System, all to Franchisor's sole subjective satisfaction exercised in good faith. Franchisee acknowledges that this judgment is one which only Franchisor is able to

make because of Franchisor's experience, knowledge of its business, operating methods, character and reputation of the System and plans for development of the System.

6.2 Failure to Complete Course to Franchisor's Satisfaction. If Franchisor determines that Franchisor is not satisfied with Franchisee's attendance, completion of the course or knowledge and commitment to operating under the System, then Franchisor shall have the right to rescind this Agreement and refund the initial fee paid by Franchisee under Section 5.1, and Franchisor shall have no obligation to Franchisee for any other loss, cost, expense or alleged damage whatsoever.

6.3 Topics. The course may include instruction on such topics as marketing, bookkeeping, safety, purchasing, inventory control and customer and employer-employee relations.

6.4 Time and Place. The course is anticipated to consist of approximately 5 days of training, as Franchisor in its judgment determines, at such place or places as Franchisor designates. The parties acknowledge that this may consist of approximately 2 days of classroom training at Franchisor's headquarters and approximately 3 days of assistance or training at Franchisee's location.

6.5 Responsibility. Franchisee shall be responsible for all travel, living and other expenses incurred by Franchisee in connection with attending the course.

6.6 Additional Training. Franchisor shall have the right from time to time to require Franchisee, Franchisee's personnel, or combinations thereof, to attend refresher or supplementary instruction courses on old or new procedures or programs which Franchisor deems important to the operation of the Business.

6.7 No Guaranty. Neither attendance nor completion of any course (nor both) is intended to imply any assurance of success or profit of the Business.

## 7. ADVERTISING.

7.1 Telephone Directory Advertising. Promptly after signing this Agreement, Franchisee shall obtain, and Franchisee shall thereafter maintain, all at Franchisee's own expense, a "white pages" and "yellow pages" listing, in a form prescribed in the Franchisee Business Guide, in telephone directories covering such geographic and subject areas as Franchisor directs. Franchisor shall have the right to require Franchisee to also include information on other Purrfect Auto Service businesses in any such listings. Franchisee shall not include any other business in the listing and shall not use Franchisee's telephone lines for any other business.

7.2 Consent to Advertising. Franchisee shall have the right to conduct its own advertising additional to the other advertising provided in this Article 7. Such advertising shall be subject to the following: Franchisee shall submit to Franchisor or its designated agency, for prior consent (except as to prices to be charged by Franchisee), at least 30 days before proposed use, all proposed promotional materials and advertising initiated by Franchisee, including, but not limited to, proposed print and broadcast advertising, coupons, signs and brochures proposed for use by Franchisee. Each submission shall include, without limitation, samples of the proposed promotional materials and advertising, scripts of proposed broadcast advertising and other information that Franchisor from time to time designates. Franchisee shall not use any advertising unless it is first approved by

Franchisor in writing. Franchisee shall not use any advertising that fails to conform to Franchisor's requirements for format, representations and media stated in the Franchisee Business Guide or otherwise stated in writing by Franchisor. Any advertising Franchisee desires to place on the Internet or on a World Wide Web Page must be approved by the Franchisor in writing and in advance of the publication. Franchisor will approve or disapprove such electronic advertising materials within fifteen business days from the date it is provided the proposed materials by the Franchisee. A new approval time period of fifteen business days will commence each time a change to the submitted materials is provided by the Franchisee, irrespective of whether such change is required by the Franchisor or proposed by the Franchisee.

7.3 Advertising Requirements. Franchisee shall never advertise in any deceptive or misleading manner.

7.4 Advertising Fund.

(a) Franchisor, in connection with franchisees of a region, may at its own option, establish a Purrfect Auto Service Advertising Fund (the "Geographic Advertising Fund"). The Geographic Advertising Fund shall be administered by Franchisor.

(b) Until the Geographic Advertising Fund is established, if at all, Franchisee must place and pay for advertising itself at the rate of \$1,000 per week with suppliers approved by Franchisor. Franchisor shall provide a list of approved suppliers in the Franchisee Business Guide. Franchisee shall provide Franchisor with proof of placement of such advertising and payment thereof on a monthly basis, or as otherwise required by Franchisor. Failure to provide proof of advertising to Franchisor shall constitute a default under this Agreement by Franchisee and may result in termination of the Franchise Agreement if not cured within 10 days after such default notice is mailed by Franchisor to Franchisee.

(c) After the Geographic Advertising Fund is established, if at all, Franchisor will have the right to require Franchisee to contribute a portion, or all, of the weekly required expenditure (\$1,000) to the Geographic Advertising Fund. Such advertising funds may be used for purposes outlined below.

(d) On June 1 of each year, (a "CPI Adjustment Date"), the rate stated in Section 7.4(b) shall be adjusted to an amount to be determined by multiplying the rate payable immediately prior to such CPI Adjustment Date by a fraction, the numerator of which shall be the Index (as defined below) for the calendar month in which the CPI Adjustment Date falls and the denominator of which shall be the Index for the calendar month one year preceding the calendar month in which the CPI Adjustment Date falls. When the rate is determined after each CPI Adjustment Date, Franchisor shall give Franchisee written notice indicating the new rate and the method of computation. As used in this Section, the "Index" means the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for CPI U (Urban Wage Earners and Clerical Workers) for the West Region (1982-1984=100). If a substantial change is made in the Index, the revised Index shall be used, subject to such adjustments as Franchisor may deem appropriate to make the revised Index comparable to the prior Index. If the Bureau of Labor Statistics ceases to publish the Index, then the successor or most nearly comparable index, as determined by Franchisor, shall be used, subject to such adjustments as Franchisor may deem appropriate to make the revised Index



comparable to the original index.

(e) For each Purrfect Auto Service business owned and operated by Franchisor, Franchisor shall contribute to the Geographic Advertising Fund, if one exists, on the same basis as Franchisor requires of franchisees, subject to adjustment to account for differing contribution requirements as between different franchisees.

(f) Franchisor shall have the right, but not the obligation, to collect any advertising or other rebates from suppliers or others that are based on purchases by Franchisor, franchisees or others. Franchisor shall not be required to contribute such rebates to the Geographic Advertising Fund and may treat it as its own income for administering the Geographic Advertising Fund.

#### 7.5 Uses of Geographic Advertising Fund.

(a) The Geographic Advertising Fund, if any, administered by Franchisor and Franchisee representatives, shall be used primarily for advertising, marketing, public relations and related purposes as Franchisor and the representatives deem appropriate in their sole discretion. By way of illustration, the Geographic Advertising Fund may be used to pay for marketing surveys, research, public relations firms, video, audio and written marketing materials, regional marketing programs, television, radio, magazine, billboard, newspaper and other media advertising, paying for musical jingles, point of sale materials, direct mail, employing advertising agencies, buying computer hardware and software for customers and marketing analysis, promotional events, providing and/or selling marketing materials to Purrfect Auto Service businesses, holding conventions and meetings for franchisees, advertising for personnel, and other forms of advertising and promotion and paying costs to account for and report on contributions, expenditures and related activities of the Geographic Advertising Fund.

(b) Should Franchisor elect to implement a Geographic Advertising Fund, Franchisor shall have the right to use or cause the Geographic Advertising Fund to pay Franchisor or affiliates of Franchisor 15% of the amount of contributions to the Geographic Advertising Fund each week as an administrative fee, regardless of the actual amount of expenses incurred to administer the Geographic Advertising Fund. This 15% fee shall be in addition to any rebates obtained by the Franchisor from any suppliers.

7.6 Carryover of Funds. Franchisor shall have the right, but no obligation, to accumulate and/or to borrow funds and/or to advance Franchisor's own funds to enable use of the Geographic Advertising Fund in periods before or after period(s) when funds were contributed. Franchisor shall have the right to repay itself or other lenders from the Geographic Advertising Fund for loans or advances made in anticipation of repayment from the Geographic Advertising Fund.

7.7 Geographic Advertising Fund Report. Franchisor shall, upon written request, provide to Franchisee within 90 days of the end of each calendar year, a report for the preceding year, prepared by Franchisor, stating the amount collected by the Geographic Advertising Fund as of the end of the prior quarter, the amount actually expended, and any amount to be carried over for future use or to be recouped from future contributions.

## 7.8 Administration.

(a) Franchisor shall oversee all programs financed by the Geographic Advertising Fund and shall have sole discretion over their creative concepts, materials, placement, allocation and other aspects.

(b) Franchisor undertakes no obligation to cause the Geographic Advertising Fund expenditures to benefit Franchisee equivalently or proportionately to Franchisee's contributions or to ensure that Franchisee or any one or more particular franchisees benefit equivalently or proportionately or in any way from uses of the Geographic Advertising Fund.

7.9 Cooperative Advertising With Suppliers. Franchisor shall have the right to engage in cooperative advertising from time to time with suppliers of merchandise and services to Franchisor, Franchisee, other franchisees, or combinations of these, on terms and conditions that Franchisor deems appropriate.

7.10 Exclusion of Franchisee. If Franchisee fails to pay any advertising fund contribution or other amount as and when due or is otherwise in breach of any provision of this Agreement, then Franchisor shall have the right, without prior notice, in addition to all other remedies, to stop or defer providing further advertising on behalf of Franchisee, to exclude Franchisee's Business from any or all advertising, or both. Franchisor shall provide Franchisee with written notice after exercising this remedy.

7.11 Increase of Contributions. The franchisees in a region covered by the Geographic Advertising Fund shall have the right by majority vote to increase the amount of weekly advertising contributions required to be made by the franchisees within such region.

## 8. FRANCHISEE BUSINESS GUIDE.

8.1 Loan of Franchisee Business Guide. Franchisor shall lend to Franchisee, during the term of this Agreement, one copy of Franchisor's confidential Franchisee Business Guide for Purrfect Auto Service businesses (the "Franchisee Business Guide"). The Franchisee Business Guide will contain mandatory specifications, standards and operating procedures prescribed from time to time by Franchisor for Purrfect Auto Service businesses and other information relating to operations of the Business and obligations of Franchisee. The Franchisee Business Guide may also contain recommended specifications, standards and operating procedures.

8.2 Location. Franchisee shall keep the Franchisee Business Guide at the Location at all times. Franchisee shall conduct the Business in full compliance with the Franchisee Business Guide.

8.3 Modification of Franchisee Business Guide. Franchisor shall have the right to modify the Franchisee Business Guide from time to time to reflect changes in image, decor, design, methods, standards, specifications, procedures, services and any other aspect of Purrfect Auto Service businesses. Franchisee shall keep Franchisee's copy of the Franchisee Business Guide current. In any dispute about the contents of the Franchisee Business Guide, the master copy maintained by Franchisor at its principal office shall be controlling.

8.4 Ownership. The Franchisee Business Guide shall at all times remain solely Franchisor's property. Franchisee shall return the loaned copy of the Franchisee Business Guide to Franchisor immediately on expiration or termination of this Agreement.

9. OPERATION OF BUSINESS.

9.1 Equipment and Other Supplies. At times Franchisor deems appropriate, Franchisor shall provide Franchisee with a list of tools, fixtures, equipment, uniforms, office supplies, forms, inventory and other materials and services ("Services") required to operate the Business. Franchisee shall buy or lease all Materials and Services before starting to operate the Business. Franchisee shall promptly buy additional Materials and Services as Franchisor directs from time to time. Franchisee shall maintain supplies of Materials in quantities and of such quality as Franchisor designates from time to time.

9.2 Sources of Materials. Franchisee shall buy or lease all Materials and Services for use in the Business from: (a) Franchisor, if Franchisor elects to make these available to Franchisee; (b) a supplier designated or approved by Franchisor in writing; or (c) a supplier selected by Franchisee and approved in writing by Franchisor. Franchisor may grant a discount to Franchisee for using recommended supplies, as provided in Section 5.2(c).

9.3 Approval of Supplier. In assessing whether to designate or approve any supplier or proposed supplier, Franchisor shall have the right to consider factors that Franchisor deems appropriate. Examples of factors Franchisor may elect to consider include the supplier's: (a) ability to supply a product or service meeting Franchisor's specifications; (b) pricing; (c) reliability with respect to quality of its products or services; and (d) willingness to permit Franchisor to make periodic inspections of its operations to assure ongoing conformity to specifications.

9.4 Request for Approval of Supplier. If Franchisee desires to obtain any Service or Materials from a supplier other than Franchisor or a supplier designated or approved by Franchisor, Franchisee shall notify Franchisor in writing. The notice shall state the proposed supplier's name and address and identify items Franchisee desires to buy from that supplier. Thereafter, Franchisee shall provide Franchisor such additional information about the proposed supplier and items as Franchisor requests. Within a reasonable time after receiving all such information, which shall be deemed to be at least 30 days, Franchisor shall advise Franchisee whether the supplier is approved and, if so, the items or Services for which the supplier is approved. Any approval shall be subject to revocation by Franchisor at any time. As a condition to approval, Franchisor shall have the right to require the supplier to agree in writing to: (a) comply with Franchisor's specifications for the applicable Materials or Services; (b) not provide Materials or Services bearing the Trademarks to persons or entities other than franchisees of Franchisor; (c) implement and comply with manufacturing and distribution procedures and specifications that Franchisor prescribes from time to time; and (d) other requirements that Franchisor deems appropriate.

9.5 Forms. Franchisor shall have the right to require Franchisee to purchase customer invoice forms and to use only customer invoice forms purchased from Franchisor's approved supplier. Franchisor shall have the right to require Franchisee to stop using any particular forms from time to time.

9.6 Full Time.

(a) Franchisee, or if Franchisee is a corporation or other form of entity, Franchisee's President or Chief Operating Officer, shall devote his full time, attention and best efforts exclusively to operating the Business and shall use his best efforts to develop and expand the Business at the Location. For purposes of this Agreement, full time means at least 8 hours per day 5 days per week.

(b) If Franchisee operates more than one Purrfect Auto Service business, then the time and effort obligation in Section 9.6(a) shall apply with regard to all such businesses collectively and Franchisee shall employ a full time manager at each such business.

9.7 Hours. Franchisee shall cause the Business to be open for business at least 10 hours per day Monday through Saturday, excluding religious or national holidays that Franchisor designates from time to time in the Franchisee Business Guide. Franchisor shall have the right, on reasonable notice, to require Franchisee to be open on Sundays, religious or national holidays, or additional times.

9.8 Staff.

(a) Franchisee shall, at all times, employ a staff of trained, competent and qualified personnel who meet automotive repair industry standards of competency. Franchisee shall not employ any individual who does not meet these requirements.

(b) Franchisor shall have the right but not the obligation to require Franchisee, Franchisee's personnel, or a combination of them, to obtain certifications, licenses, permits and training that Franchisor deems appropriate from time to time for the conduct of the Business. Franchisee shall promptly obtain and cause Franchisee's personnel to obtain same at Franchisee's sole cost and expense.

9.9 Maintenance. Franchisee acknowledges that good maintenance, repair and cleanliness are among the important elements of the System. Franchisee shall maintain the Location at all times according to standards in the Franchisee Business Guide or as otherwise directed by Franchisor. Franchisee shall keep the Location, including the building and all equipment, clean and in good repair according to standards in the Franchisee Business Guide.

9.10 Refurbishing. Franchisee shall refurbish the Location as Franchisor requires from time to time to maintain or improve its appearance or efficient operation or increase sales potential. Franchisor shall not require Franchisee to make aggregate expenditures for refurbishing exceeding 3% of Franchisee's Gross Revenues from the date of opening to the date of required refurbishing. This limit shall not apply with regard to renewal of this Agreement.

#### 9.11 Books; Records; Computerization.

(a) Franchisee shall cause all bookkeeping and accounting records, all financial statements, sales tax reports and all reports submitted to Franchisor to conform to all requirements in the Franchisee Business Guide.

(b) Franchisor shall have the right to require Franchisee to buy or lease, maintain and upgrade computer hardware, software and other equipment ("Computer Equipment") to perform bookkeeping, accounting or other functions in the operation of the Business. Franchisee shall assure that all such Computer Equipment conforms to specifications in the Franchisee Business Guide as modified from time to time.

(c) On Franchisor's request, Franchisee shall arrange and pay to connect the Computer Equipment to Franchisor's equivalent computer equipment by modem or otherwise as Franchisor specifies. Franchisor shall have the right, at its option, to independently access and retrieve the information and data that is electronically stored on the Franchisee's computer system. Franchisee shall use and maintain the Computer Equipment according to Franchisor's specifications in the Franchisee Business Guide.

#### 9.12 Inspection of Records.

(a) Franchisee shall maintain at the Location full, complete and accurate financial records, including, but not limited to, records of all assets, liabilities, owner's equity, revenues and expenditures of the Business. Franchisee shall retain all books and other records for a particular calendar year for at least five calendar years following the date franchisee submits its royalty reports to Franchisor.

(b) Franchisee shall permit Franchisor or Franchisor's representatives to examine, copy and audit, physically or by electronic or other means that Franchisor selects, any and all of Franchisee's books and records, including but not limited to bank statements, cancelled checks, check stubs, check registers, customer invoices, tax returns and other documents, records and papers ("Financial Records") at any time or times on Franchisor's request. Franchisee waives any claim of privacy in any Financial Records. On Franchisor's request, Franchisee shall deliver, or permit Franchisor and its representatives to temporarily move, any or all Financial Records to the offices of Franchisor or its representatives for the foregoing purposes.

(c) Franchisor shall have the right from time to time, with or without prior notice to Franchisee, to send Franchisor's representatives to the Location to inspect the Location, Franchisee's service, management, records and any and all other aspects of Franchisee's operation to assess its quality and Franchisee's compliance with this Agreement and the Franchisee Business Guide. Franchisee shall cooperate fully with Franchisor and its representatives with respect to such inspections.

(d) If any inspection or audit discloses that Franchisee has failed to comply with any material provision of this Agreement or the Franchisee Business Guide, then Franchisee shall reimburse the costs of the inspection or audit on written request from Franchisor. Any underreporting by Franchisee to Franchisor of Franchisee's revenues of five percent or more shall be

conclusively deemed a failure by Franchisee to comply with a material provision of this Agreement, and Franchisee must pay Franchisor for any and all costs related to such audit, in addition to any and all amounts owed to Franchisor as a result of such underreporting of revenues.

(e) If Franchisee at any time causes an audit of the Business or of Franchisee to be made by any accountant, Franchisee shall, on completion of the audit, provide Franchisor a copy of the audit report without cost to Franchisor.

(f) Franchisee hereby consents to disclosure by Franchisor of financial and other information concerning the Business in franchise disclosure documents or other disclosures made by Franchisor to a prospective franchisee.

#### 9.13 Financial Statements and Information.

(a) Within 30 days after the end of each calendar month, Franchisee shall furnish Franchisor with a profit and loss statement of the Business for the calendar month. Within 60 days after the end of each calendar year, Franchisee shall furnish Franchisor with a profit and loss statement and balance sheet of the Business for the calendar year. These financial statements shall be prepared according to generally accepted accounting principles and shall conform to any other specifications in the Franchisee Business Guide. These financial statements shall be certified by Franchisee or, if Franchisee is a corporation or other entity, by Franchisee's Chief Executive Officer or Chief Financial Officer, as accurately and fairly presenting the financial position of the Franchisee.

(b) If Franchisor requires Franchisee to install Computer Equipment as described in Section 9.11(b), Franchisee shall input into the Computer Equipment programming and financial and other information according to specifications in the Franchisee Business Guide.

9.14 Licensing; Compliance with Laws. Franchisee shall obtain and continuously maintain all government licenses, permits and other permissions needed to lawfully operate the Business. Franchisee shall operate the Business in compliance with all applicable laws, rules, regulations and orders of all government authorities, whether relating to: (a) air, water or other form of pollution, noise, generation, storage, transportation, recycling, management, handling, discharge, treatment, disposal or recovery of used oil, hazardous or other wastes, or other form of environmental protection; (b) wages, hours or other aspects of relations with employees; (c) licensing to operate the Business; (d) taxes; (e) public notice of the use of a fictitious business name; or (f) any other matter.

9.15 Suggested Prices. Franchisor shall have the right to suggest prices to Franchisee. Any suggestions are suggestions only. Franchisor does not represent or warrant that any suggested price or prices will maximize or increase Franchisee's revenues or profits. Franchisee shall have the sole right to determine each and all prices Franchisee charges for services and goods.

9.16 Reputation; Customer Satisfaction. In the event of a customer inquiry or complaint, Franchisee shall promptly respond and take all steps needed to promptly resolve the complaint to the customer's satisfaction. Franchisee shall provide service of sufficiently high quality and attention to customer inquiries so as to reduce the incidence and seriousness of customer complaints.

9.17 Non-Solicitation. Franchisee shall not, directly or indirectly, without Franchisor's prior written consent employ or attempt to employ any person who at that time or at any time within six months of such employment is or was employed by Franchisor, regardless of the position in which such person is or was employed or proposed to be employed and shall not induce or attempt to induce any personnel to leave employment with Franchisor. The obligations in this Section 9.17 shall survive during one year after expiration or termination of this Agreement, regardless of the reason(s) for expiration or termination.

## 10. TRADE SECRETS AND PROTECTION OF TRADE SECRETS.

10.1 Scope. Franchisor possesses confidential information consisting of methods for developing, training individuals to operate and operating independently owned businesses providing automobile emission testing, tune-ups, rapid lubrication, brake repairs, air conditioning service, alignment, front end repair, shocks, struts and related services to the general public. The confidential information also includes information on marketing techniques and programs, their effectiveness, suppliers, customers and other knowledge that Franchisor has obtained or developed and will obtain and develop and that Franchisor has kept confidential. All the foregoing are known as the "Trade Secrets."

10.2 Source of Knowledge. Franchisor shall disclose certain Trade Secrets to Franchisee in lending Franchisee the Franchisee Business Guide and in providing standard plans for the Business, guidance and assistance, and in performing other obligations and exercising rights under this Agreement. Franchisee acknowledges that substantially all Franchisee's knowledge of the material aspects of a Purrfect Auto Service business will come from Trade Secrets that Franchisor will disclose to Franchisee. Franchisee acknowledges that the Trade Secrets are proprietary, confidential information of Franchisor having economic value to Franchisor in part because they are not known to the public, competitors or others.

10.3 Interest. Franchisee shall acquire no interest in the Trade Secrets other than the right to use them in developing and operating the Business during the term of this Agreement.

### 10.4 Confidentiality.

(a) Franchisee shall maintain absolute confidentiality of the Trade Secrets during and after the term of this Agreement. Franchisee shall not use any Trade Secrets in any other business or venture and shall not use the Trade Secrets in any manner not specifically authorized or consented to in writing by Franchisor.

(b) Franchisee shall not make any unauthorized copy of any Trade Secrets disclosed in writing (including but not limited to written plans, the Franchisee Business Guide, bulletins or memos from Franchisor) or Trade Secrets disclosed other than in writing and put in writing.

(c) Franchisee shall implement reasonable procedures and all procedures prescribed from time to time by Franchisor to prevent unauthorized use and disclosure of the Trade Secrets, including but not limited to restrictions on disclosure to employees of Franchisee and use of confidentiality and noncompetition clauses prescribed by Franchisor in agreements with shareholders, directors, officers, partners, employees and independent contractors of Franchisee. Franchisee shall divulge the Trade Secrets only to personnel who must know them to do their jobs

and shall divulge only such portions that such personnel need to know.

10.5 Public Information. The restrictions in this Article 10 on Franchisee's disclosure of Trade Secrets shall not apply to information that is or becomes generally known and used by other similar businesses, other than through disclosure (whether deliberate or not) by Franchisee.

10.6 Other Businesses.

(a) The phrase "Covered Person" shall include Franchisee and, collectively and individually: (i) all directors, officers and holders of any direct or indirect beneficial interest constituting 5% or more of the securities of Franchisee or of any corporation affiliated with or directly or indirectly controlling Franchisee and the spouses and each relative living in the same household as each such person who is an individual, if Franchisee is a corporation; and (ii) the general partners and any limited partner or other form of owner, including any corporate general or limited partner or other corporate owner and the directors, officers and holders of a beneficial interest constituting 5% or more of the securities of a corporation affiliated with or directly or indirectly controlling any corporate general or limited partner and the spouses and each relative living in the same household as each such person who is an individual, if Franchisee is a partnership or limited liability company.

(b) The phrase "Competitive Business" means (i) any business providing mechanical service for automobiles, including but not limited to emission testing, tune-ups, lubrication, brake repairs, air conditioning service, alignment, front end repair, shocks, struts, transmission service and any related services or (ii) any entity which is granting franchises or licenses to others to operate the type of business described in this Franchise Agreement.

(c) Franchisee acknowledges that Franchisor could not protect the Trade Secrets against unauthorized use or disclosure and could not readily assure compliance with this Section 10.6 if Franchisee or any Covered Person held interests in any Competitive Business.

(d) Franchisee acknowledges that Franchisor enters into this Agreement in consideration of and in reliance on Franchisee's agreement to deal exclusively with Franchisor, to cause all Covered Persons to deal exclusively with Franchisor and to restrict certain activities of Franchisee and Covered Persons to avoid the risk of misuse or disclosure of the Trade Secrets. Accordingly, during the term of this Agreement and for one year after it expires or is terminated, regardless of the reason for expiration or termination, neither Franchisee nor any Covered Person shall have any interest as an owner, investor, partner, lender, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business located within a 3 mile radius of the Business or within a 2 mile radius of any Purrfect Auto Service business. Franchisee shall take all steps necessary to assure compliance with this provision by all Covered Persons. Violation of this Section 10.6(d) by any Covered Person shall, at Franchisor's election, constitute a material breach of this Agreement by Franchisee.

(e) The restrictions in this Section 10.6 shall not apply to ownership of: (i) securities listed on a stock exchange or traded on the over the counter market that constitute 5% or less of the number of shares of the class of securities issued and outstanding; or (ii) other Purrfect Auto Service businesses pursuant to franchise agreements with Franchisor.



(f) Each of the covenants in this Section 10.6 and each portion thereof shall be construed as independent of any other covenant or provision. The parties acknowledge that they have attempted in this Section 10.6 to limit competition only to the extent necessary to protect the Trade Secret and to protect against unfair competition. Accordingly, if all or any portion of a covenant is unenforceable due to its scope in terms of geography, duration or activity covered or otherwise, but could be enforced if reduced in scope, then the parties agree to be bound by any lesser covenant subsumed within the terms of such covenant imposing the maximum duty permitted by law as if the resulting covenant were separately stated in and made part of this Section 10.6. In addition, Franchisor reserves the right to reduce the scope of those provisions at any time or times, if Franchisor determines that changed circumstances allow for a reduced scope without materially sacrificing protection of the Trade Secrets or against unfair competition. Such reduction shall be effective immediately on notice to Franchisee.

10.7 Inventions. Franchisee acknowledges that it is only through Franchisee's access to and use of the Trade Secrets that Franchisee may be able to develop improvements, writings, inventions or other intellectual property relating to the System. It is the mutual intention of the parties that all such improvements, writings, inventions and other intellectual property relating to the System be owned by Franchisor. Therefore, Franchisor shall have the right and license, without payment of further consideration, to use all the foregoing in any way Franchisor deems appropriate. Franchisee shall sign and deliver to Franchisor such forms of assignment and other instruments as Franchisor requests from time to time transferring and assigning to Franchisor, without further consideration, all Franchisee's right, title and interest to any and all writings, trademarks, inventions, ideas or other intangible property (including but not limited to property or rights that may be protected or protectable by the law of patents, copyrights or trademarks), which Franchisee develops or participates in developing during the term of this Agreement and which Franchisor reasonably believes may be of value to the System.

## 11. INSURANCE.

11.1 Coverages. Franchisee shall obtain and maintain in full force and effect insurance policies issued by carriers approved by Franchisor. These policies shall include, without limitation, the following:

(a) All risks insurance on the Business and all equipment, fixtures, supplies and other property used in operating the Business. This insurance shall cover the full repair and replacement value of equipment and improvements and shall have no coinsurance provision.

(b) Workers' compensation and employer's liability insurance and such other insurance as may be required by applicable law in the jurisdictions where the Business is located.

(c) Comprehensive general liability insurance under a garage liability policy and product liability insurance with limits of at least one million dollars (\$1,000,000) combined single limit including broad form contractual liability, advertising injury, personal injury (employee and contractual liability exclusions deleted), products/completed operation and fire legal. This insurance shall cover all claims, suits, obligations, liabilities and damages, including attorneys' fees, based on or arising out of actual or alleged injuries or damages connected with the Business.

- (d.) Business interruption insurance providing coverage for actual losses sustained.
- (e) Automobile liability insurance, including owned, hired and non-owned vehicle coverage, with a combined single limit of at least one million dollars (\$1,000,000).
- (f) Pollutant clean-up and removal coverage of at least \$25,000 per accident.
- (g) Any additional insurance (whether as to amount or subjects covered or otherwise) that may be required under your lease, sublease, loan, equipment lease or by Franchisor at its complete discretion.

11.2 Additional Insurance. Franchisee shall obtain and maintain types and amounts of insurance additional to that required in Section 11.1, as may be required by any lease for the Business, and as Franchisor may require from time to time. Franchisor shall have the right to require Franchisee to obtain and maintain additional types and amounts of coverage to reflect inflation, identification of new or increased risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Nothing in this Agreement restricts Franchisee from obtaining on Franchisee's own behalf, and at Franchisee's own cost and expense, such additional insurance as Franchisee from time to time desires.

11.3 Coverage. All insurance provided for in this Article 11 shall cover Franchisee, Franchisor and their shareholders, directors, officers, partners and employees. Such policies shall have deductibles no larger than specified in the Franchisee Business Guide.

11.4 Proof of Insurance. At least ten (10) business days before taking possession of the location, Franchisee shall deliver to Franchisor one or more certificates of insurance demonstrating compliance with the requirements in this Article 11. The certificate(s) shall state that the policies will not be canceled or altered without at least twenty (20) days prior written notice to Franchisor and shall reflect proof of payment of premiums.

11.5 Disclaimers. Franchisee's obligation to obtain and maintain insurance shall not be effected by any insurance Franchisor may obtain or maintain. Franchisee acknowledges that there is no representation by Franchisor as to sufficiency of amount, nature or other aspects of insurance required in this Article 11. Franchisor shall not be liable for the sufficiency or insufficiency of any separate insurance Franchisor maintains. Insurance maintained by Franchisee shall not relieve Franchisee of any obligation under this Agreement. Nothing in this Agreement requires Franchisor to obtain or maintain any specific insurance for Franchisor or anyone else.

11.6 Failure to Maintain Insurance. If Franchisee, for any reason, fails to obtain or maintain insurance or to provide satisfactory evidence thereof as required by this Article 11, then, in addition to Franchisor's other rights, Franchisor shall have the right, but no obligation, to obtain such insurance, or portions of such insurance, at Franchisee's expense. Franchisee shall pay to Franchisor, on demand, any costs and premiums incurred by Franchisor in doing so.

## 12. ASSIGNMENT AND RIGHT OF FIRST REFUSAL.

12.1 Assignment by Franchisor. Franchisor shall have the right to assign this Agreement and any and all rights hereunder to any person or entity, provided that the assignee expressly assumes and agrees to perform Franchisor's obligations in this Agreement.

12.2 Assignment by Franchisee. Franchisee acknowledges that Franchisor enters into this Agreement in reliance on the personal skill, qualifications and representations of Franchisee or, if Franchisee is a corporation or other entity, of the principal officers of Franchisee who will actively participate in ownership and operation of the Business. Therefore, Franchisee shall have no right or power to assign or otherwise transfer this Agreement, the Business or any interest in any of these or in Franchisee except with Franchisor's prior written consent and in conformance with the procedures in this Article 12. Franchisee shall not enter into any management contract (or equivalent) pertaining to the Business. Any purported assignment or delegation or management contract (or equivalent) in violation of this Article 12 shall be void and of no effect and shall be a material breach of this Agreement.

### 12.3 Deemed Assignment.

(a) If Franchisee is a corporation, then one or more transactions involving (i) issuance of any securities by Franchisee, (ii) transfer of 15% or more of the aggregate capital stock or voting power of Franchisee or (iii) any merger or consolidation involving Franchisee shall be deemed to be an assignment of this Agreement within the meaning of this Article 12. Accordingly, Franchisee shall take all steps necessary to assure that no such deemed assignment occurs, except in compliance with the provisions of this Article 12.

(b) Except as provided in Section 12.8(b), if Franchisee is a corporation or other entity, then death or incapacity of Franchisee's majority owner, voluntary or involuntary or other withdrawal, transfer of interest in property, management, profits or losses of Franchisee, or creation or admission of any new owner shall be deemed to be an assignment of this Agreement within the meaning of this Article 12.

(c) Franchisee shall not pledge, encumber, hypothecate or otherwise purport to transfer or give any other person or entity any security interest in this Agreement or the Business without Franchisor's prior consent, which Franchisor shall have the right to withhold for any reason whatsoever in Franchisor's sole subjective judgment.

### 12.4 Franchisor's Right of First Refusal.

(a) If Franchisee desires to sell or otherwise transfer the Business and assign this Agreement, any interest in this Agreement or any or all the ownership of Franchisee, then Franchisee shall deliver to Franchisor written notice stating all the terms of the proposed transfer and assignment and all information that Franchisor requests concerning the proposed transferee/assignee. Franchisor shall have the option, during 30 days after receipt of the notice, to purchase the property being offered and/or accept the assignment on the terms in the notice, provided that Franchisor shall have the right to substitute cash for any noncash consideration described in the notice.

(b) If Franchisor does not exercise this option during the 30 day period, then

Franchisee may, during the following 45 days, transfer the Business and assign this Agreement to the proposed transferee/assignee on the terms in the notice, provided that the transfer/assignment shall be made, without limitation, in compliance with all other applicable portions of this Article 12. Any proposed transfer/assignment not completed within that 45 day period and any material change in the terms of the proposed transaction prior to closing shall constitute a new offer and shall again require compliance with this Article 12.

12.5 Further Conditions. If Franchisor elects not to exercise the option in Section 12.4(a), Franchisor shall not unreasonably withhold consent to the proposed transfer/assignment. However, imposing any or all the following conditions precedent to Franchisor's consent shall be deemed to be reasonable:

(a) The financial and other terms of the proposed assignment or transfer, as between Franchisee and the proposed transferee/assignee, are not so burdensome, in Franchisor's judgment, as to raise questions concerning the proposed transferee/assignee's ability to satisfy its obligations under the applicable franchise agreement. However, Franchisor's consent to a proposed transaction shall not constitute any form of assurance by Franchisor that the terms are economically sound or that the assignee will be able to successfully conduct the Business.

(b) The assignee (or, if the assignee is a corporation or other entity, its principal shareholders, directors, officers or equivalent personnel) demonstrate skills, qualifications and economic resources necessary, in Franchisor's judgment, to conduct the Business.

(c) If the proposed assignee is an existing franchisee of Franchisor, that the assignee shall not have been in default under any existing franchise agreement during the period starting 12 months before delivery of the notice to Franchisor and continuing until closing of the transfer/assignment.

(d) The proposed assignee expressly assume, in writing for Franchisor's benefit, all obligations of Franchisee under this Agreement.

(e) The proposed assignee shall have completed, to Franchisor's satisfaction, Franchisor's training course described in Article 6 of this Agreement.

(f) As of the date of the assignment, Franchisee shall have fully complied with all of obligations to Franchisor, whether under this Agreement or any other agreement with or for the benefit of Franchisor.

(g) The assignee shall execute Franchisor's form of franchise agreement then being offered to prospective franchisees, modified to delete any initial franchise fee and to provide a duration equal to the remainder of the term of this Agreement.

(h) Before the assignment or transfer, Franchisee and all persons affiliated with Franchisee shall execute a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates and of their shareholders, directors, officers, agents and employees.

(i) Franchisee shall pay to Franchisor a transfer fee equal to \$10,000.

(j) If Franchisee desires to assign and transfer its rights to a corporation, limited partnership or similar entity, Franchisor shall consent subject to the conditions that: (i) the proposed entity be newly organized and that its charter limit its activities to acting as a Purrfect Auto Service franchisee pursuant to this Agreement; (ii) Franchisee shall be and remain the owner of at least 60% of the capital and voting stock or equivalent interest in the proposed transferee/assignee; (iii) Franchisee (or, if Franchisee is a partnership, one of Franchisee's partners) shall be and remain the proposed transferee/assignee's principal executive officer; (iv) all shareholders or partners of the proposed transferee/assignee enter into a written agreement satisfactory to Franchisor, jointly and severally guaranteeing full payment and performance of the entity's obligations to Franchisor; (v) each stock certificate or other evidence of ownership of the proposed transferee/assignee bear a conspicuous endorsement that it is held subject to, and that assignment or transfer is subject to, all restrictions on transfers and assignments in this Agreement; and (vi) no new shares of any class of stock or other ownership interest in the proposed transferee/assignee shall be issued without Franchisor's prior written consent and then only on disclosure of the terms and conditions contained herein being made to the prospective new owners. The provisions of this Section 12.5(j) do not modify Franchisor's rights under other provisions of Article 12 (including, but not limited to, Sections 12.3 and 12.5(i)).

#### 12.6 Notice.

(a) Franchisee acknowledges that in any proposed transfer or assignment Franchisor may need to comply with franchise disclosure laws. Accordingly, Franchisee shall deliver to Franchisor at least 30 days written notice prior to any proposed transfer or assignment.

(b) Within 15 days after receiving any written offer to purchase the franchise, Franchisee shall deliver a copy of the offer to Franchisor. Concurrently with making any written offer to sell the franchise, Franchisee shall deliver a copy of the offer to Franchisor.

12.7 Disclaimer. Franchisor's consent to any transfer or assignment shall not constitute a release of Franchisee or of any of Franchisee's obligations under this Agreement. Consent by Franchisor to a transfer or assignment shall not constitute consent to any future proposed transfer or assignment.

#### 12.8 Assignment in Case of Death or Incapacity.

(a) If Franchisee is an individual who dies or becomes incapacitated, then Franchisor shall allow the deceased's surviving spouse, heirs or estate the opportunity to participate in ownership of the Business during 180 days after the death, provided that during that time the surviving spouse, heirs or estate: (i) maintain all standards and obligations of the Franchise; and (ii) either satisfy all then current qualifications for a purchaser of a Franchise or, in accordance with the requirements of this Article 12, sell, transfer or assign that person's ownership interest in Franchise or, if applicable, this Agreement and the Business to a person who satisfies Franchisor's then current standards for new franchisees.

(b) If Franchisee is a corporation or partnership, then death or incapacity of a

principal shareholder shall not constitute an assignment or transfer of this Agreement under Section 12.3 above, provided that during 180 days after that death or incapacity the deceased's or incapacitated person's (surviving) spouse, heirs or estate: (i) maintain all standards and obligations of Franchisee; and (ii) either satisfy all the then current qualifications for a purchaser of a franchise or, in accordance with the requirements of this Section 12, sell, transfer or assign such person's ownership interest in Franchisee or, if applicable, this Agreement and the Business to a person who satisfies Franchisor's then current standards for new franchisees.

#### 12.9 No Public Offering.

(a) Franchisee shall not (i) make any public or private offering of securities in Franchisee, (ii) issue any offering prospectus, press release, announcement or other information relating to any offering or (iii) make any public or private sale of securities in Franchisee before obtaining Franchisor's written consent to such activity and the contents of any such statement. Such consent shall not be unreasonably withheld.

(b) Review of any activity or statement by Franchisor under Section 12.9(a) and any such consent are for Franchisor's own internal purposes and shall not constitute authorization, agreement, endorsement or ratification, express or implied, of the contents of any such material or of any such action by Franchisee. Franchisee shall not expressly or impliedly communicate that Franchisor or any of Franchisor's shareholders, directors, officers, employees or any other person or entity affiliated with Franchisor has any interest in the proposed offering or sale, other than acting as Franchisor pursuant to a franchise agreement.

(c) Franchisee shall indemnify and hold harmless Franchisor and all the foregoing persons and entities from all claims, demands, costs, fees, charges, liability or expense of any kind whatsoever arising from the breach by Franchisee of this Section 12.9.

12.10 Franchisee Information. Franchisor shall have the right, but not the obligation, to furnish any prospective assignee with copies of all financial statements and/or other information which have been furnished by or received from Franchisee in accordance with this Agreement. Franchisor shall also have the right, but not the obligation, to advise any prospective assignee of any uncured breaches or defaults by Franchisee or other information about Franchisee.

#### 12.11 Corporate or Partnership Franchisee.

(a) If Franchisee is a corporation or partnership, then Franchisee represents and warrants that the information stated below is the correct name and address of each shareholder or partner in Franchisee as of the date this Agreement is executed:

<u>NAME</u>	<u>ADDRESS</u>	<u>NO. OF SHARES AND PERCENTAGE INTEREST</u>
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(b) If Franchisee is a corporation, then Franchisee represents and warrants that the information stated below is the correct name, address and title of each director and officer of Franchisee as of the date this Agreement is executed:

NAME

ADDRESS

Title(s)

(c) The address where Franchisee's records shall be maintained is:

(d) If Franchisee is a corporation or any form of partnership, Franchisee shall provide to Franchisor, within 15 days after the execution of this Agreement, copies of Franchisee's articles of incorporation, bylaws, partnership agreement, corporate resolutions or equivalent documents authorizing (or memorializing the authorization of) the execution hereof and any amendments to these.

(e) Franchisee shall notify Franchisor in writing of any and all changes to the information in Section 12.11(a), (b), (c) or (d) immediately after the occurrence of such change. Whenever any of the documents referred to in Section 12.11(d) are amended or supplemented, Franchisee shall provide copies of the amendments or supplemented documents to Franchisor within 15 days thereof.

### 13. EARLY TERMINATION.

13.1 Termination for Good Cause. Franchisor shall have the right for good cause to terminate this Agreement before expiration by delivering to Franchisee written notice of termination. By way of illustration and not limitation, Franchisor shall be deemed to have good cause to terminate as provided in Sections 3.9, 6.2 or 13.2 or on Franchisee's failure to comply with any lawful requirement of this Agreement within 15 days after receiving notice of the failure.

13.2 Immediate Termination. If any of the following events occurs, Franchisor shall have the right to terminate this Agreement immediately on delivery to Franchisee of written notice of termination. Franchisor shall have no obligation to allow Franchisee any opportunity to cure any such event of default (other than an opportunity to cure, if any, provided for below):

(a) If, before the first to occur of 150 days after execution of this Agreement or the opening of the Business to the public, Franchisee or, if Franchisee is a corporation, partnership or other entity, one manager designated by Franchisee and consented to by Franchisor, shall not have satisfactorily completed the training program described in Article 6.

(b) If, within 180 days after execution of this Agreement, Franchisee has not submitted to Franchisor a location, reasonably satisfactory to Franchisor for the Business, or if, within that period, Franchisor has submitted to Franchisee two or more locations satisfactory to Franchisor which have been rejected by Franchisee.

(c) Franchisee or the Business is declared bankrupt or judicially determined to be insolvent, all or a substantial part of the assets of Franchisee or the Business are assigned to or for the benefit of any creditor or Franchisee admits Franchisee's inability to pay Franchisee's debts as they come due.

(d) Franchisee abandons the Business by failing to operate for 5 consecutive days when Franchisee is required to operate or any shorter period after which it is not unreasonable under

the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue operating the Business.

(e) Franchisee engages in conduct that reflects materially and unfavorably on the operation and reputation of the Business, Trademarks or System.

(f) Franchisor discovers that Franchisee has made any material misrepresentation relating to the acquisition of the Business.

(g) Franchisee fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state or local law, rule or regulation applicable to operation of the Business.

(h) Except for the payment provisions hereunder for which the first occasion if not timely cured is grounds for Early Termination, if Franchisee repeatedly fails to comply with one or more requirements of this Agreement, regardless of whether corrected after notice. By way of illustration and not limitation, two or more violations of the same provision or requirement of this Agreement shall constitute repeated failure to comply.

(i) The Business or the Location is seized, taken over or foreclosed by a government official in the exercise of that official's duties or seized, taken over or foreclosed by a creditor, lienholder or lessor, provided that a final judgment against Franchisee remains unsatisfied for 30 days, unless a supersedeas or other appeal bond has been filed.

(j) Levy of execution is made on the Business or on any property used in the Business and is not discharged within 5 days after the levy.

(k) Franchisee is convicted of a felony or other criminal misconduct relevant to operation of the Business.

(l) Franchisor reasonably determines that Franchisee's continued operation of the Business will result in imminent danger to public health or safety.

(m) Franchisee fails to pay all amounts due under the lease or sublease, and/or Franchisee is dispossessed of the Premises via Summary Eviction, or via Writ of Possession, or via an Unlawful Detainer lawsuit, or via any other lawful means, and/or if Franchisee commits an Event of Default or Default as defined under the lease or sublease which is not timely cured thereunder, and/or if Franchisee breaches a promissory note or other agreement with Franchisor or with a person or entity that owns, is owned by or is under common ownership with Franchisor and fails to cure the breach within the time, if any, allowed to cure the breach under the applicable agreement.

(n) Franchisee fails to pay any fees or other amounts due to Franchisor or any affiliate of Franchisor within 5 days after receiving written notice that such fees or other amounts are overdue.

(o) Franchisor learns that there is a substantial number of customer or government complaints about Franchisee made in writing to Franchisor or to any one or more government agencies. For purposes of this Section 13.2(o), three or more customer complaints resulting in



notices of violation or similar notices issued by any government agency(s) or by Franchisor, made in any 365 day period shall be deemed to be substantial.

13.3 Notice Required By Law. If any applicable law or regulation of a competent government authority limits Franchisor's right to terminate this Agreement or requires more notice than provided for in this Agreement, then, in that instance, this Agreement shall be deemed amended to conform to the minimum notice periods or restriction on termination required by such laws and regulations. Nothing in this Agreement restricts Franchisor from contesting the validity, enforceability or application of such laws or regulations.

13.4 Obligations of Franchisor on Termination. If Franchisor terminates this Agreement pursuant to Section 13.2(a) or 13.2(b), then on completion of all Franchisee's obligations arising after termination, Franchisor shall refund to Franchisee the initial fee paid, which Franchisor shall be entitled to retain on account of expenses incurred in connection with this Agreement.

13.5 Obligations of Franchisee On Termination. On expiration or termination of this Agreement, regardless of the reason for expiration or termination, Franchisee shall:

(a) immediately pay all royalties, advertising fund contributions and all other amounts owed to Franchisor or Franchisor's affiliates;

(b) immediately return to Franchisor the Franchisee Business Guide, all other written documents embodying the Trade Secrets and all property of Franchisor then in Franchisee's possession or control;

(c) not thereafter, directly or indirectly, at any time or in any manner identify Franchisee or any business or venture as a current or former Purrfect Auto Service franchisee or business;

(d) not thereafter use any of the Trademarks or any colorable imitation of the Trademarks or other indicia of a Purrfect Auto Service business in any manner or for any purpose or use for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with Franchisor or Purrfect Auto Service;

(e) remove and discontinue use of all signs, signfaces, stationery, advertising and other materials containing any of the Trademarks or otherwise identifying or relating to a Purrfect Auto Service business;

(f) take all action necessary or appropriate to cancel or, at Franchisor's request, to assign to Franchisor or Franchisor's designee all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any of the Trademarks;

(g) take all action necessary to assign to Franchisor or Franchisor's designee all Franchisee's right, title and interest in and to all telephone, telefax and other telecommunication numbers at or pertaining to the Business and notify the telephone company(ies) and all telephone directories of the termination or expiration of Franchisee's right to use any such numbers;

(h) at Franchisor's request, execute a written assignment, in form satisfactory to Franchisor, of all Franchisee's right, title and interest in and to any lease for the Location;

(i) at Franchisor's request, execute a written assignment, in form satisfactory to Franchisor, of all Franchisee's rights under any purchase order, service contract, equipment lease or other instrument(s) that Franchisor may specify relating to the Business;

(j) if Franchisee owns the real property of the Location or if Franchisor elects not to assume Franchisee's (sub)lease for the Location, then Franchisee shall make all other changes to the Location needed to prevent the appearance of any association between the Business on the one hand and Franchisor or the Purrfect Auto Service system on the other hand. Franchisee shall also make such specific additional changes as Franchisor reasonably requests for this purpose. By way of illustration, it shall be reasonable for Franchisor to request that Franchisee remove or alter all distinctive physical and structural features of the Location;

(k) take such additional and further actions, refrain from taking actions and execute such further instruments and documents as Franchisor requests to more fully perform the obligations in this Section 13.5 and to more fully effect the termination or expiration of this Agreement; and

(l) deliver to Franchisor promptly, and from time to time as Franchisor requests, evidence satisfactory to Franchisor of Franchisee's compliance with all obligations under this Section 13.5.

13.6 Failure to Comply. Franchisee irrevocably appoints Franchisor as Franchisee's attorney-in-fact and authorizes Franchisor, at Franchisee's expense, to perform any or all obligations and to execute in Franchisee's name and on Franchisee's behalf any or all instruments that Franchisor deems necessary or appropriate to perform any or all obligations in Section 13.5 that Franchisee fails or refuses to perform. On demand, Franchisee shall reimburse all Franchisor's costs to do so. Any action taken pursuant to this power of attorney shall be at Franchisee's risk and expense and shall be additional to and not in lieu of Franchisor's remedies for Franchisee's breach of this Agreement. The provisions of this Section 13.6 shall continue in effect after and regardless of termination or expiration of this Agreement.

#### 14. MISCELLANEOUS PROVISIONS.

14.1 Notice of Claim. If Franchisee discovers any fact, event or other matter which constitutes a breach of this Agreement, omission, misrepresentation, fraud or other actionable misconduct by Franchisor arising from this Agreement, its formation, any disclosure provided to Franchisee at any time or any aspect of the relationship between Franchisor and Franchisee, then Franchisee shall provide a detailed written notice to Franchisor of the claim within 90 days of the discovery of the acts or occurrence. Franchisee's failure to provide this notice within this time shall waive the claim. The 90-day notice period in this Section 14.1 shall reduce and shall not enlarge any statute of limitations for any claim or potential claim. Notice of claim is a condition precedent to commencement of an legal proceeding by Franchisee against the Franchisor.

#### 14.2 Arbitration and Waiver of Jury Trial.

(a) No Arbitration. This Franchise Agreement does not provide for arbitration of disputes between the Franchisor and Franchisee.

(b) Waiver of Jury Trial. **THE PARTIES AGREE TO WAIVE THEIR SEPARATE RIGHTS TO A TRIAL BY A JURY. THIS WAIVER MEANS THAT THE TRIAL WILL BE BEFORE A JUDGE.**

FRANCHISOR INITIALS:\_\_\_\_\_ FRANCHISEE INITIALS:\_\_\_\_\_

**THE PARTIES HEREBY ALSO AGREE THAT THIS WAIVER SHALL APPLY TO ALL TRANSACTIONS AND AGREEMENTS BETWEEN THE PARTIES IN CONNECTION WITH THE FRANCHISE, INCLUDING BUT NOT LIMITED TO, THE REAL PROPERTY SUBLEASE, CONSENT TO TRANSFER AGREEMENT AND ITS RELATED EXHIBITS, CONTRACT FOR SALE OF ASSETS, PERSONAL GUARANTY, SECURED PROMISSORY NOTE, SECURITY AGREEMENT, AND ANY OTHER AGREEMENT BETWEEN THE PARTIES IN CONNECTION WITH FRANCHISEE'S ACQUISITION, OPERATION, AND DISPOSITION OF THE FRANCHISE.**

FRANCHISOR INITIALS:\_\_\_\_\_ FRANCHISEE INITIALS:\_\_\_\_\_

#### 14.3 Limits on Remedies.

(a) Both Franchisor and Franchisee waive the right, if any, to obtain any award for exemplary or punitive damages from the other in any judicial or other proceeding arising out of or in any way related to this Agreement, the execution of this Agreement, any claim relating to representations allegedly made or omitted in entering into this Agreement or any other aspect of the relationship between the parties or the persons or other entities affiliated with the parties.

(b) No action shall be maintained by Franchisee to enforce any alleged liability of Franchisor for any matter arising out of or in any way related to this Agreement, the execution of this Agreement, any claim relating to representations allegedly made or omitted in entering into this Agreement or any other aspect of the relationship between the parties or the persons or other entities affiliated with the parties unless brought before the expiration of one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged liability. Notice of claim under paragraph 14.1 is a condition precedent to the commencement of any proceeding by the Franchisee against the Franchisor.

14.4 Successor Obligations. If this Agreement has been executed by Franchisee as an assignee of another franchisee who operated the Location before this Agreement was entered into, then Franchisee expressly assumes the responsibility to investigate and to perform all obligations of the former franchisee to Franchisor which were not fulfilled before execution hereof.

14.5 Relationship. The parties shall be independent contractors. Nothing in this Agreement shall be deemed to create any agency (actual or ostensible), employment, joint venture, partnership or special relationship. Franchisee shall have no right to and shall not purport to make any contract, agreement, commitment, representation warranty or to create any obligation, express or implied, on Franchisor's behalf. Franchisee shall not use the Trademarks in signing any contract,

check, purchase order, negotiable instrument, application or other instrument or in any manner that may result in liability of Franchisor for any indebtedness or obligation of Franchisee.

14.6 Personnel. Franchisee shall select and hire all Franchisee's employees. Franchisee acknowledges that they are and shall be employees of Franchisee and not, for any purpose, be deemed employees of Franchisor or subject to Franchisor's control. Each of the parties shall file its own tax, regulatory and payroll reports with respect to its employees and operations.

14.7 Indemnity by Franchisee. Franchisee shall indemnify, defend and hold Franchisor and Franchisor's shareholders, directors, officers, employees, agents and assignees and entities that own, are owned by or are under common ownership with Franchisor harmless from and against any and all losses, costs, expenses (including attorneys' fees), damages and liabilities resulting directly or indirectly from or pertaining to use, operation, condition, construction, equipping, maintenance or any other aspect of or event or occurrence at or relating to the Business. The foregoing shall include, without limitation, losses, claims, costs, expenses, damages and liabilities arising from (i) latent or other defects in the Business, (ii) death or injury to any customer, employee or other person, (iii) damage to property of any person, or (iv) any service provided (or not provided) to a customer of Franchisee. The foregoing indemnity shall apply whether or not the alleged damage was actually or allegedly caused through active or passive negligence or strict liability of Franchisor or its agents or employees.

14.8 Franchisor's Right to Cure Defaults. In addition to all other remedies of Franchisor, if Franchisee breaches any provision of this Agreement or any agreement ancillary to this Agreement, then Franchisor shall have the right, at Franchisor's election, at any time, without waiving any claim of breach and without notice to Franchisee, to take steps seeking to cure the default for the account and on behalf of Franchisee. Franchisee shall pay or reimburse all costs incurred by Franchisor to do so.

14.9 Time. Franchisee acknowledges that time is of the essence of Franchisee's performance of all provisions of this Agreement, including but not limited to provisions for developing, constructing and opening the Business and payment of all amounts due to Franchisor. In this Agreement, the period of time for Franchisee to perform an act is not extended by the occurrence of any holiday or other non-business day unless an extension of time is expressly provided for herein.

14.10 Waiver and Delay. No waiver by Franchisor of any one or more breaches by Franchisee and no failure, refusal or neglect of Franchisor to exercise any right, power or option or to insist on strict compliance with or performance of Franchisee's obligations under this Agreement or the Franchisee Business Guide shall waive the provisions of this Agreement or the Franchisee Business Guide as to any subsequent breach and shall not waive Franchisor's right thereafter to require exact and strict compliance with the provisions thereof.

14.11 Third Party Beneficiary.

(a) Except as follows, this Agreement is not for the benefit of any person or entity not a party to this Agreement. Persons and entities affiliated with Franchisor (including but not limited to entities that own, are owned by or are under common ownership with Franchisor, as well as shareholders, directors, officers and employees of Franchisor) shall be deemed to be third party

beneficiaries of the provisions of this Agreement where they are mentioned, including but not limited to Sections 11.3, 12.10 and 14.7 and they shall have the right to enforce the provisions of this Agreement against Franchisee.

(b) Franchisee acknowledges that it is not a third party beneficiary of any franchise agreement or other agreement between Franchisor and any person or entity other than Franchisee. Franchisor shall have the right to determine in its sole discretion what action, if any, to take or not take in the event of a possible breach by any other person of any such other agreement and the circumstances, if any, when Franchisor will waive compliance with any provision of any such agreement. Waiver or other action taken or not taken by Franchisor with respect to any other agreement shall not affect Franchisor's right at any time to require strict compliance by Franchisee with this Agreement.

14.12. Survival. Expiration or termination of this Agreement shall not relieve any obligation of Franchisee existing at or arising after expiration or termination. Sections 9.16, 13.5 and 13.6 and Article 10 and any other provisions in this Agreement which, by their terms, require performance after expiration or termination shall be enforceable regardless of expiration or termination.

14.13. Successors and Assigns. Subject to Section 12.2, this Agreement shall be binding on and shall benefit the parties and their respective heirs, executors, administrators, successors and assigns.

14.14. Joint and Several Liability. If Franchisee consists of more than one person or entity, then the obligations and liabilities of each such person or entity to Franchisor shall be joint and several among them.

14.15. Governing Law. This Agreement and the legal relations among the parties shall be interpreted, construed and governed by the laws of California, without giving effect to any conflict of laws.

14.16. Jurisdiction and Venue. The parties agree that any suit, action or proceeding arising out of or relating to this Agreement, or the interpretation, performance or breach of this Agreement, may be instituted in the United States District Court for the District of California or any court of the State of California located in Los Angeles, and each party irrevocably submits to the jurisdiction of those courts and waives any and all objections to jurisdiction or venue that it may have under the laws of the State of California or otherwise in those courts in any such suit, action or proceeding. The provisions of this paragraph shall not be deemed to preclude Franchisor from filing any suit, action or proceeding in any other appropriate forum.

14.17. Entire Agreement.

(a.) This Agreement contains all of the terms and conditions agreed on by the parties on its subject matter. This Agreement merges and supersedes all prior negotiations, discussions, correspondence and agreements between the parties on its subject.

(b.) Franchisee acknowledges being informed that no officer, employee or other

agent of Franchisor has any authority to make any representation or promise not stated in this Agreement or in a Franchise Disclosure Document for Prospective Franchisees required by law. Franchisee acknowledges and agrees that Franchisee has executed this Agreement without reliance on any such representation or promise, except as stated here: NONE.

(c) This Agreement cannot be modified or changed except by written instrument signed by all the parties hereto.

(d) Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by Franchisor in the franchise disclosure document.

14.18. Headings. Article and paragraph numbers and headings are used in this Agreement for convenience only and shall not affect the meaning or construction of any provision of this Agreement.

14.19. Gender. All terms used in any one number or gender shall mean and include any other number and gender as the facts, context or sense of this Agreement or any provision may require.

14.20. Construction. The provisions of this Agreement shall be interpreted and construed according to their fair meaning and not strictly for or against any party.

14.21. Severability. If any provision of this Agreement is invalid or unenforceable in a jurisdiction, either in its entirety or by virtue of its scope or application to a circumstance, that provision shall be deemed modified to the extent necessary to be valid or, if such modification is not possible, that provision shall be deemed to be excised from this Agreement. This Agreement shall be construed and enforced as if that provision were included as modified or were not included, as the case may be. If the invalidity or unenforceability of a provision exists under the laws of only a particular jurisdiction, this Section 14.21 shall operate on that provision only to the extent that the laws of that jurisdiction apply to the provision.

14.22 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

14.23. Fees and Expenses.

(a) If Franchisor elects, in its sole discretion, to employ an attorney or any other person or firm to render any advice or services or to serve notice and/or demand on Franchisee on account of any overdue payment of any kind, any breach by Franchisee of this Agreement or any other agreement between the parties, including preparation of default notices, Franchisee shall pay immediately on demand all such fees, costs and expenses incurred by Franchisor in addition to any related late fees, interest and other charges.

(b) If a party commences any action or proceeding to enforce or prevent a breach for a declaration of rights or obligations hereunder or otherwise relating to this Agreement or the relationship between the parties, then the prevailing party shall be reimbursed by the losing party for

all costs and expenses incurred in connection therewith, including reasonable attorneys' fees.

14.24           Notices. All notices and reports permitted or required to be delivered by a party shall be deemed delivered: (i) when delivered in person; (ii) one business day after transmission by facsimile or other electronic system; or (iii) three business days after deposit in the United States Mail by Registered or Certified Mail, return receipt requested, postage prepaid and addressed as follows:

If to Franchisor:                   VERON, INC.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to Franchisee:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

or to any other address for Franchisee in Franchisor's books and records. Either party shall have the right to change the address for notice by delivering of a notice according to the provisions of this Section 14.24.

14.25           General. Submission of this Agreement is not an offer. This Agreement shall become effective only if and when executed by both Franchisee and Franchisor's President, Secretary or Chief Financial Officer.

14.26           Review of Agreement. Franchisee acknowledges, represents and warrants that:

(a)       Franchisee has read and understands all of this Agreement and all of the other related documents, if any, to be executed by Franchisee concurrently or in conjunction with the execution of this Agreement; and

(b)       Franchisee has had the opportunity to obtain advice and consult with professional advisors, like attorneys and accountants, concerning this Agreement, risks of the business venture contemplated by this Agreement and whether or not to enter into this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed with such execution to be effective as of the first date set forth above.

FRANCHISEE:

\_\_\_\_\_  
Printed Name of Franchisee

\_\_\_\_\_  
Signature

ACCEPTED on this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_.

VERON, INC., a California corporation

By: \_\_\_\_\_, its \_\_\_\_\_

\_\_\_\_\_  
Signature



## Guaranty

The undersigned personally, jointly and severally guaranty full and timely performance by Franchisee of each and every provision of the above Franchise Agreement.

This Guaranty is a continuing guaranty of the Guaranteed Obligations, including any and all Guaranteed Obligations which are renewed, extended, compromised, refinanced or restructured from time to time. This Guaranty shall remain effective until the Guaranteed Obligations have been fully paid, performed and discharged and Franchisor has given written notice of that fact to Guarantor.

This Guaranty is additional to and not in lieu of any and all other Guaranties that the undersigned or any other person or entity may provide to Franchisor.

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Signature

---

Printed Name

---

Date

**EXHIBIT A TO FRANCHISE AGREEMENT**  
**RECEIPT OF FUNDS AND STATEMENT BY FRANCHISEE IN CONNECTION WITH**  
**THE SALE OF A BRAND NEW FRANCHISE**

Date: \_\_\_\_\_  
Franchisee Name: \_\_\_\_\_  
Purrfect Auto Service Store #: \_\_\_\_\_  
Purrfect Auto Service Store Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Franchisee hereby represents that the following constitute the terms of its purchase of the Franchise from Franchisor:

PURCHASE PRICE: \$ \_\_\_\_\_

PAYMENT OF PURCHASE PRICE BY FRANCHISEE AS FOLLOWS:

CHECK PAID TO FRANCHISOR: \$ \_\_\_\_\_  
CASH PAID TO FRANCHISOR: \$ \_\_\_\_\_  
AMOUNT FINANCED  
BY FRANCHISOR: \$ \_\_\_\_\_  
  
TOTAL PURCHASE PRICE: \$ \_\_\_\_\_

Franchisee hereby also represents that it received a copy of Veron, Inc.'s currently effective Franchise Disclosure Document on the following date: \_\_\_\_\_.

Franchisee hereby also represents that Franchisor has made no representations to Franchisee other than those contained in this Agreement, with the following exception(s) [WRITE "NONE" IF THERE ARE NO EXCEPTIONS]:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Franchisee hereby certifies, under penalty of perjury, that the foregoing is true and correct.

FRANCHISEE:

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

\_\_\_\_\_  
Signature

## **EXHIBIT C**

## **SUBLEASE**

1. Parties. This Sublease, dated, for reference purposes only, \_\_\_\_\_, 2\_\_\_\_, is made by and between VERON, INC., a California corporation ("Sublessor") and \_\_\_\_\_  
(referred to as "Sublessee").

2. Premises. Sublessor hereby subleases to Sublessee and Sublessee hereby subleases from Sublessor for the term, at the rental, and on all the terms and conditions stated herein, that certain real property situated in the County of \_\_\_\_\_, State of \_\_\_\_\_, commonly known as \_\_\_\_\_ and described as PURRFECT AUTO SERVICE # \_\_\_\_\_. Said real property, including the land and all improvements thereon, is referred to in this Sublease as the "Premises".

3. Term.

3.1 Term. The term of this Sublease shall be for a period of \_\_\_\_\_ months commencing on \_\_\_\_\_ ("Commencement Date") and ending on \_\_\_\_\_; provided, however, that in the event neither Sublessor nor Sublessee has possession of the Premises when this Sublease is executed, the Commencement Date shall be the date on which Master Lessor (as defined below) delivers possession of the Premises to Sublessor pursuant to the Master Lease (as defined below). Unless terminated earlier pursuant to any provision of this Sublease, this Sublease shall terminate upon the first to occur of (a) the expiration of the term of this Sublease, or (b) the termination of the Master Lease.

3.2 Delay in Commencement. Notwithstanding the terms of paragraph 3.1 above, if for any reason Sublessor cannot deliver possession of the Premises to Sublessee on the Commencement Date, Sublessor shall not be subject to any liability therefore, nor shall such failure affect the validity of this Sublease or the obligations of Sublessee hereunder or extend the term hereof, but in such case Sublessee shall not be obligated to pay rent until possession of the Premises is tendered to Sublessee; provided, however, that if Sublessor shall not have delivered possession of the Premises within sixty (60) days from the Commencement Date, Sublessee may, at Sublessee's option, by notice in writing to Sublessor within ten (10) days thereafter, cancel this Sublease, in which event the parties shall be discharged from all obligations hereunder. If Sublessee occupies the Premises prior to the Commencement Date, such occupancy shall be subject to all provisions hereof, such occupancy shall not advance the Commencement

Date or the termination date of this Sublease, and Sublessee shall pay rent for such period at the initial monthly rate set forth below.

3.3 Termination of Franchise Agreement. Sublessor and Sublessee are parties to that certain Franchise Agreement ("Franchise Agreement") pertaining to the operation of a "Purrfect Auto Service" business at the Premises. If, for any reason, the Franchise Agreement terminates, Sublessor may, at its option, terminate this Sublease by delivering written notice to Sublessee within ninety (90) days after the date on which the Franchise Agreement terminates. In the event Sublessor exercises such option, this Sublease shall terminate on the date set forth in Sublessor's termination notice; provided, however, that in the event such notice does not specify a termination date, then this Sublease shall terminate ten (10) days after Sublessee's receipt of such notice. The provisions of this paragraph 3.3 shall not limit, prejudice or affect in any way any rights and remedies available to Sublessor under this Sublease, at law or in equity (including, without limitation, the rights and remedies specified in paragraph 13.2) as a result of the occurrence of any Event of Default (as defined below).

3.4 Option to Renew. In the event this Sublease terminates on the last day of the term of the Master Lease and Sublessor has an option under the Master Lease to extend the term of the Master Lease, then Sublessee shall have an option to extend the term of this Sublease for the same length of time as the extended term of the Master Lease; provided, however, that if the term of the Franchise Agreement terminates prior to the termination date of the extended term of the Master Lease, then the extended term of this Sublease shall terminate on the date on which the term of the Franchise Agreement terminates. In order to exercise its option to extend the term of this Sublease, Sublessee must notify Sublessor in writing of its election no sooner than twelve (12) months, and no later than six (6) months, prior to the last date on which Sublessor may elect to extend the term of the Master Lease pursuant to the terms of the Master Lease. Sublessee shall not have the right to extend this Sublease at any time during which Sublessee is in default under this Sublease. Any extension of the term of this Sublease shall be on the same terms and conditions contained in this Sublease.

#### 4. Rent.

4.1 Rental Amount. For each calendar month or partial calendar month during the term of this Sublease, Sublessee shall pay to Sublessor as base rent for the Premises an amount equal to \_\_\_\_\_% of the base rent payable by Sublessor under the Master Lease for such calendar month. Such amount shall be paid by Sublessee in advance, on the first day of each month during the term hereof (notwithstanding that base rent may be due on a

different day of the month under the Master Lease). Sublessee acknowledges that, since Sublessee's base rent is \_\_\_\_\_% of the base rent payable under the Master Lease, on each increase in the base rent under the Master Lease, Sublessee's base rent under this Sublease will increase by an amount equal to \_\_\_\_\_% of such rental increase under the Master Lease. In addition to the base rent and other amounts payable by Sublessee under this Sublease, and without limiting Sublessee's obligations under paragraph 7.3 of this Sublease, Sublessee shall pay to Sublessor all triple net charges (including, without limitation, property taxes and insurance) payable by Sublessor under the Master Lease. Sublessee shall pay such amounts to Sublessor at least ten (10) days prior to the date that Sublessor must pay such amounts under the Master Lease. Sublessee acknowledges that such triple net charges may increase from time to time during the term of this Sublease. Sublessee shall pay Sublessor on the execution hereof \$\_\_\_\_\_ as base rent for the first (1st) month, plus \$\_\_\_\_\_ for the triple net charges for the first (1st) month. Base rent for any period during the term hereof which is for less than one month shall be a pro rata portion of the monthly installment. Rent shall be payable in lawful money of the United States to Sublessor at the address stated herein or to such other persons or at such other places as Sublessor may designate in writing.

4.2 Automatic Payments. Pursuant to Section 5.6 of the Franchise Agreement, Sublessee has established, or will establish, a principal operating account at a bank or other financial institution approved by Sublessor. The rights of Sublessor and the obligations of Sublessee under Section 5.6 of the Franchise Agreement shall also apply to the payment by Sublessee of rent and other amounts under this Sublease. Accordingly, Sublessee shall cause the bank at which the principal operating account is established to make automatic payments of rent and other amounts to Sublessor (or to bank accounts established by Sublessor) as Sublessor instructs the bank from time to time. Sublessor shall have the right to withdraw from the principal operating account any amounts Sublessor reasonably believes to be due to Sublessor pursuant to this Sublease.

5. Security Deposit. Sublessee shall deposit with Sublessor upon execution hereof \$\_\_\_\_\_ as security for Sublessee's faithful performance of Sublessee's obligations hereunder. On each increase in rent under this Sublease, Sublessee shall increase the security deposit by an amount equal to such increase in rent. If Sublessee fails to pay rent or other charges due hereunder, or otherwise defaults with respect to any provision of this Sublease, Sublessor may use, apply or retain all or any portion of said deposit for the payment of any rent or other charge in default or for the payment of any other sum to which Sublessor may become obligated by reason of Sublessee's default, or to compensate Sublessor for any loss or damage which Sublessor may suffer

thereby. If Sublessor so uses or applies all or any portion of said deposit, Sublessee shall within ten (10) days after written demand therefore deposit cash with Sublessor in an amount sufficient to restore said deposit to the full amount hereinabove stated and Sublessee's failure to do so shall be a material breach of this Sublease. Sublessor shall not be required to keep said deposit separate from its general accounts. If Sublessee performs all of Sublessee's obligations hereunder, said deposit, or so much thereof as has not theretofore been applied by Sublessor, shall be returned, without payment of interest or other increment for its use to Sublessee (or at Sublessor's option, to the last assignee, if any, of Sublessee's interest hereunder) at the expiration of the term hereof, and after Sublessee has vacated the Premises. No trust relationship is created herein between Sublessor and Sublessee with respect to said Security Deposit.

6. Use.

6.1 Use. The Premises shall be used and occupied only to operate a "Purrfect Auto Service" business and for no other purpose. Sublessee shall not use or permit the use of the Premises in any manner that will tend to create waste or a nuisance or, if there shall be more than one tenant of the building containing the Premises, which shall tend to disturb such other tenants.

6.2 Existing Title; Condition of Premises. Sublessee hereby accepts the Premises subject to all municipal, county, state, federal and other laws, statutes, ordinances, codes, rules and regulations governing and regulating the use of the Premises and subject to all existing liens, encumbrances, charges, covenants, conditions, restrictions, easements, rights of way and other matters which are of record or apparent by an inspection or survey of the Premises, and accepts this Sublease subject thereto and to all matters disclosed thereby. Sublessee acknowledges and agrees that (a) it is leasing the Premises in its "as-is" condition based on its own inspection, investigation and evaluation, (b) Sublessor has made no representations or warranties, express or implied, concerning the Premises, and (c) all such representations and warranties are expressly disclaimed by Sublessor.

6.3 Compliance with Law. Sublessee shall comply with all laws, statutes, ordinances, codes, rules and regulations of all federal, state, county, municipal and other governmental authorities and all recorded covenants, conditions and restrictions which may be applicable from time to time to the Premises or Sublessee's use or occupancy of the Premises.

7. Master Lease.

7.1 Master Lease. Sublessor is the lessee of the Premises or has assumed the obligations of the Master Lease by virtue of a

lease ("Master Lease"), a copy of which is attached hereto as Exhibit A, dated \_\_\_\_\_, 19\_\_ wherein \_\_\_\_\_

\_\_\_\_\_ ("Master Lessor") is the lessor.

7.2 Priority of Sublease. This Sublease is and shall be at all times subject and subordinate to the Master Lease.

7.3 Assumption of Obligations. During the term of this Sublease and for all periods subsequent for obligations which have arisen prior to the termination of this Sublease, Sublessee hereby expressly assumes and agrees to perform and comply with, for the benefit of Sublessor and Master Lessor, each and every obligation of Sublessor under the Master Lease (including both monetary and non-monetary obligations), except for the obligations of Sublessor in the following provisions of the Master Lease: (a) the provisions in the Master Lease pertaining to the payment of base rent (excluding the payment of common area expenses, taxes, insurance and any other charges which may be characterized as rent under the Master Lease, it being agreed that all such charges are included within Sublessee's Assumed Obligations and shall be paid by Sublessee), any security deposit, and any late fees, and (b) the provisions in the following paragraphs of the Master Lease: NONE.

7.4 Sublessee's Assumed Obligations/Sublessor's Remaining Obligations. The obligations that Sublessee has assumed under paragraph 7.3 hereof are hereinafter referred to as the "Sublessee's Assumed Obligations". The obligations that Sublessee has not assumed under paragraph 7.3 hereof are hereinafter referred to as the "Sublessor's Remaining Obligations".

7.5 Incorporated Master Lease Provisions. All terms and conditions of the Master Lease which provide rights, remedies and benefits for the Master Lessor ("Incorporated Master Lease Provisions") are incorporated into this Sublease by this reference and shall inure to the benefit of Sublessor with the same force and effect as if such terms and conditions were set forth in this Sublease. For purposes of this Sublease, references to "Landlord", "Lessor" or any similar word in the Incorporated Master Lease Provisions shall be deemed to mean the Sublessor, and references to "Tenant", "Lessee" or any similar word in the Incorporated Master Lease Provisions shall be deemed to mean the Sublessee. Whenever the consent or approval of the Master Lessor is required under the Master Lease, Sublessee shall also be required to obtain the consent or approval of Sublessor. Whenever notice must be given to Master Lessor under the Master Lease, Sublessee shall concurrently deliver such notice to Sublessor. Notwithstanding any terms to the contrary in this Sublease, Sublessor does not assume, and shall have no responsibility for the performance of, the obligations of Master Lessor under the Master Lease. Sublessor shall cooperate with any reasonable actions taken by Sublessee to enforce the



obligations of Master Lessor under the Master Lease; provided, however, if such cooperation by Sublessor requires an expenditure of money by Sublessor (such as for the payment of attorneys' fees and other costs and expenses), Sublessor shall not be required to cooperate with Sublessee until Sublessee pays to Sublessor, in advance, the costs that will be incurred by Sublessor (as determined by Sublessor in its reasonable judgement). Sublessee shall not have any rights under any renewal options, options to purchase, rights of first refusal or any similar options and rights under the Master Lease. Except as expressly provided in paragraph 3.4 of this Sublease, Sublessee shall not have the right to extend the term of this Sublease, notwithstanding that the term of the Master Lease may extend beyond the term of this Sublease.

7.6 Termination of Master Lease. If for any reason the Master Lease terminates, this Sublease shall terminate concurrently therewith, without any liability whatsoever on the part of Sublessor (Sublessee hereby agreeing to assume all risks associated with any termination of the Master Lease).

7.7 Conflicts. In the event of any conflict between the terms of this Sublease and the terms of the Master Lease, Sublessee shall, to the extent possible, take whatever action is necessary to comply with both the terms of the Master Lease and the terms of this Sublease. If such compliance is impossible, Sublessee shall comply with the provisions which, in Sublessor's judgement, provide the greatest protection for Sublessor.

8. Consent of Master Lessor. In the event the Master Lease requires Sublessor to obtain the consent of Master Lessor to any subletting by Sublessor, the failure of Sublessor for any reason to obtain Master Lessor's consent shall not affect the validity or enforceability of this Sublease. Notwithstanding the foregoing, if Sublessee's possession of the Premises is terminated because of the failure of Sublessor for any reason to obtain Master Lessor's consent to this Sublease, then this Sublease shall terminate without any liability whatsoever on the part of Sublessor (Sublessee hereby agreeing to assume all risks associated with the failure to obtain such consent).

9. Alterations. Without limiting or affecting any of Sublessee's Assumed Obligations (including, without limitation, any of Sublessee's Assumed Obligations pertaining to alterations, additions, modifications or improvements to the Premises), Sublessee shall not make any alterations, additions, modifications or improvements to the Premises without Sublessor's prior written consent, which consent may be granted or withheld by Sublessor in Sublessor's sole and absolute discretion.

10. Assignment and Subletting. Sublessee shall not, whether voluntarily, involuntarily, by operation of law or otherwise (a)

assign, pledge, encumber or otherwise transfer this Sublease or (b) sublet the Premises or any part thereof, without in each instance obtaining the prior written consent of Sublessor, which consent may be granted or withheld by Sublessor in Sublessor's reasonable discretion, and any attempt to do so without such consent shall be void and a material breach of this Sublease. If required under the Master Lease, Sublessee shall also obtain the consent of Master Lessor. Without limiting the circumstances under which Sublessor may withhold consent, Sublessor shall be deemed to have acted reasonably in withholding its consent if (a) Sublessor does not consent to any corresponding transfer or assignment of the Franchise Agreement, or (b) the assignee, transferee or sublessee intends to use the Premises for a purpose other than the operation of a "Purrfect Auto Service" business. Use or occupancy of the Premises by a licensee, concessionaire, or any other person other than Sublessee shall be deemed a sublease subject to the provisions of this paragraph. If Sublessee is a corporation, partnership, limited liability company or other entity, the dissolution of Sublessee or the transfer (by one or more transactions) of a majority interest in Sublessee shall be deemed an assignment subject to the provisions of this paragraph. Notwithstanding any assignment or sublease, Sublessee shall remain fully liable for the payment of rent and for the performance of all the other obligations of Sublessee contained in this Sublease. Any act or omission of an assignee or subtenant, or anyone claiming under or through any assignee or subtenant, that violates any of the obligations of this Sublease shall be deemed a violation of this Sublease by both the violating party and Sublessee. The consent by Sublessor to any assignment or sublease shall not relieve Sublessee or any person claiming through or under Sublessee of the obligation to obtain the consent of Sublessor (and, if required under the Master Lease, Master Lessor), pursuant to the provisions of this paragraph, to any future assignment or sublease.

11. Indemnification and Exculpation. Sublessee shall indemnify, defend (with counsel reasonably acceptable to Sublessor), protect and hold harmless Sublessor from and against any and all claims, demands, liabilities, obligations, damages, causes of action, judgments, losses, costs and expenses (including, without limitation, reasonable attorneys' fees) arising from (a) any accident, injury or damage occurring on or about the Premises; (b) Sublessee's use or occupancy of the Premises or the conduct of any business conducted thereon, (c) any breach or default by Sublessee in the full and prompt performance of Sublessee's obligations under this Sublease (including, without limitation, Sublessee's Assumed Obligations), or (d) any act, omission, negligence or wilful misconduct of Sublessee, or of Sublessee's directors, officers, partners, successors, assigns, employees, agents, representatives, contractors, licensees or invitees. Sublessee, as a material part of the consideration to Sublessor for Sublessor's execution of this

Sublease, hereby assumes all risk of damage to property or injury to persons in, upon or about the Premises arising from any cause and Sublessee hereby waives all claims in respect thereof against Sublessor. The provisions of this paragraph shall survive the expiration or termination of this Sublease.

## 12. Insurance.

12.1 Property Insurance. In the event Sublessee's Assumed Obligations include the obligation to obtain casualty insurance for the premises, Sublessee shall, throughout the term of this Sublease, at Sublessee's sole cost and expense, keep all improvements constituting a part of the Premises insured against loss or damage by fire and other casualties in accordance with the requirements of the Master Lease.

12.2 Liability Insurance. Sublessee shall procure and maintain, throughout the term of this Sublease, at Sublessee's sole cost and expense, comprehensive general liability insurance and product liability insurance with a combined single limit of at least One Million Dollars (\$1,000,000) per occurrence. Such policy shall specifically include, without limitation, personal injury, advertising injury, products/completed operation, broad form property damage and contractual liability coverage, the last of which shall cover the insuring provisions of this Sublease and the performance by Sublessee of the indemnity agreements of Sublessee in this Sublease.

12.3 Workers' Compensation. Sublessee shall procure and maintain, throughout the term of this Sublease, at Sublessee's sole cost and expense, workers' compensation and employer's liability insurance in such amounts as may be required by law.

12.4 Additional Coverages. Sublessee shall procure and maintain, throughout the term of this Sublease, at Sublessee's sole cost and expense, such additional or increased insurance policies, coverages and liability amounts as may be required under the Master Lease and/or the Franchise Agreement.

12.5 No Obligation of Sublessor. Sublessor shall have no obligation whatsoever with respect to procuring any insurance regarding the Premises or the use of the same.

12.6 Waiver of Subrogation. To the extent, and only to the extent, Master Lessor has released Sublessor and waived such right of recovery against Sublessor, Sublessor and Sublessee each hereby release the other, and waive their entire right of recovery against the other for loss or damage arising out of or incident to the perils insured against under the casualty insurance described in paragraph 12.1 (whether obtained by Sublessee or Master Lessor), which perils occur in, on or about the Premises, whether due to the

negligence of Sublessor or Sublessee or their agents, employees, contractors and/or invitees. In the event Sublessee is required to obtain the casualty insurance pursuant to paragraph 12.1, Sublessee shall, upon obtaining the policies of insurance required thereunder, give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Sublease.

12.7 Policy Requirements. Sublessor and Master Lessor shall be designated as additional insured parties on any insurance policy required by this paragraph 12 ("Required Policies"). On or before the Commencement Date, Sublessee shall deliver to Sublessor fully paid-for policies or certificates of insurance for the Required Policies, in form satisfactory to Sublessor, issued by the insurance company or its authorized agent. Sublessee shall procure and pay for renewals of such insurance from time to time before the expiration thereof, and Sublessee shall deliver to Sublessor and Master Lessor such renewal policy at least twenty (20) days before the expiration of any existing policy. All policies shall (a) be issued by companies of recognized responsibility, acceptable to Sublessor, maintaining a rating of A:XII or better in Best's Insurance Reports--Property--Casualty (or an equivalent rating on any successor index adopted by Best's), and licensed to do business in the State in which the Premises are located, and (b) provide that they cannot be cancelled or modified unless Sublessor and Master Lessor are given at least twenty (20) days' prior written notice of such cancellation or modification; provided, however, if the Master Lease and/or the Franchise Agreement contain additional or more stringent requirements than those set forth in clauses (a) and (b) above, Sublessee shall also comply with such requirements. Sublessor may from time to time increase the policy amounts to be maintained by Sublessee for the insurance policies referred to in this paragraph 12, or require Sublessee to carry additional insurance policies, as Sublessor deems necessary in order to maintain adequate insurance coverage.

12.8 Sublessor's Right to Obtain Insurance. If Sublessee fails or refuses to procure or to maintain insurance as required by this paragraph 12 or fails or refuses to furnish Sublessor with proof that the insurance has been procured and is in full force and effect, Sublessor shall have the right, but not the obligation, after five (5) days' notice to Sublessee, to procure and maintain such insurance. Any premiums paid by Sublessor for such insurance, together with interest thereon from the date of payment at the Interest Rate (as defined below), shall be payable by Sublessee to Sublessor on demand.

13. Default.

13.1 Events of Default. Sublessee shall be in default under this Sublease upon the occurrence of any of the following events ("Events of Default"):

(a) Failure of Sublessee to pay rent or to make any other payment of money as required under this Sublease when due (including, without limitation, any payments due under Sublessee's Assumed Obligations), if such failure continues for a period of one (1) day after such payment is due.

(b) Failure of Sublessee to perform any covenant or agreement of Sublessee under this Sublease (including, without limitation, Sublessee's Assumed Obligations) other than for the payment of rent or other sums of money, if such failure continues for ten (10) days after receipt by Sublessee of written notice from Sublessor of such failure; provided, however, that if such failure is curable and is of such a nature that its cure cannot be completed within such period, no Event of Default shall be deemed to have occurred if Sublessee commences such cure within such period and diligently prosecutes the same to completion as reasonably promptly thereafter as possible.

(c) Abandonment by Sublessee of the Premises.

(d) A default by Sublessee under the Franchise Agreement or any lease, sublease, promissory note, security agreement or other document or instrument relating in any manner to the transactions contemplated under the Franchise Agreement, whether between Sublessee and Sublessor or executed by Sublessee in favor of Sublessor or otherwise, and whether now in existence, executed concurrently herewith, or executed in the future.

(e) The making by Sublessee of any general assignment for the benefit of creditors; the filing by or against Sublessee of a petition to have Sublessee adjudged a bankrupt or of a petition for liquidation or reorganization or rehabilitation or rearrangement under any law relating to bankruptcy or insolvency whether now existing or hereafter enacted, except where the filing of such a petition is against Sublessee and it is dismissed within twenty (20) days after filing; the adjudication of Sublessee as a bankrupt or insolvent; the appointment of a trustee or receiver to take possession of all or substantially all of Sublessee's assets located at the Premises or of Sublessee's interest in this Sublease where possession is not restored to Sublessee within twenty (20) days after such appointment; the attachment, execution or other judicial seizure of substantially all of Sublessee's assets located at the Premises or of Sublessee's interest in this Sublease, where such attachment, execution or seizure is not discharged within twenty (20) days.

13.2 Sublessor's Remedies. Upon the occurrence of an Event of Default, Sublessor may, at Sublessor's option and without limiting Sublessor in the exercise of any other rights or remedies which it may have under this Sublease (including, without limitation, any rights or remedies under the Incorporated Master Lease Provisions), at law or in equity by reason of such default, exercise any or all of the following rights and remedies:

(a) The right to terminate this Sublease, in which event Sublessee shall immediately surrender the Premises to Sublessor and, if Sublessee fails to do so, Sublessor may, without prejudice to any other remedy which it may have, enter upon and take possession of the Premises and expel or remove Sublessee and any other person who may be occupying the Premises or any part of the Premises, and Sublessor may recover from Sublessee the following:

(i) The worth at the time of award of any unpaid rent which has been earned at the time of such termination;

(ii) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Sublessee proves could have been reasonably avoided;

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that Sublessee proves could have been reasonably avoided; and

(iv) Any other amount necessary to compensate Sublessor for all the detriment proximately caused by Sublessee's failure to perform its obligations under this Sublease or which in the ordinary course of things would be likely to result therefrom.

As used in subparagraphs (i) and (ii) above, the "worth at the time of award" shall be computed by allowing interest at the lesser of fifteen percent (15%) per annum or the highest rate permitted by law. As used in subparagraph (iii) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(b) The right without declaring this Sublease ended to re-enter the Premises, take possession thereof, remove all persons therefrom and occupy or lease the whole or any part thereof for and on account of Sublessee and upon such terms and conditions and for such rent as Sublessor may deem proper and to collect such rent or any other rent that hereafter may become payable. Should Sublessor relet the Premises as provided above, Sublessor may execute any lease or sublease either in its own name or in the name of

Sublessee, but Sublessee shall have no right or authority whatsoever to collect any rent from the new tenant. The proceeds of any such reletting shall be applied by Sublessor as Sublessor in its sole and absolute discretion sees fit. Nothing contained herein shall be construed as obligating Sublessor to relet the whole or any part of the Premises.

(c) The right, without terminating this Sublease, to bring an action or actions to collect rent and other charges hereunder which are from time to time past due and unpaid or to enforce any other provisions of this Sublease imposing obligations on Sublessee; it being understood that the bringing of any such action or actions shall not terminate this Sublease until written notice of termination is given.

(d) In the event of default under this Sublease, Sublessor shall have the option (a) to take exclusive possession of Sublessee's trade fixtures, furniture, equipment, improvements, additions and alterations and use the same rent or charge free until the default is cured, (b) to require Sublessee to remove same, at its sole cost and expense, or (c) in the event this Sublease is terminated by reason of such default, to take full possession of same to be disposed of or to be put to any purpose Sublessor desires. Sublessee agrees to keep a portion of its trade fixtures, furniture and equipment with an aggregate value at a minimum of \$75,000, free of liens and shall not use the same as security in any loan arrangement.

13.3 Interest. Any amount due to Sublessor not paid when due shall bear interest from the date due until such amount is paid at a rate (the "Interest Rate") equal to the lesser of (i) the maximum rate per annum permitted by law or (ii) 10% per annum. Payment of such interest shall be made when such delinquent amount is paid and shall not excuse or cure any default by Sublessee under this Sublease.

13.4 Late Charge. Sublessee hereby acknowledges that late payment by Sublessee to Sublessor of rent and other sums due hereunder will cause Sublessor to incur costs not contemplated by this Sublease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Sublessor by the terms of the Master Lease. Accordingly, if any installment of rent or any other sum due from Sublessee shall not be received by Sublessor or Sublessor's designee within five (5) days after such amount shall be due, Sublessee shall pay to Sublessor, in addition to any interest payable by Sublessee pursuant to paragraph 13.3, a late charge equal to ten percent (10%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Sublessor will incur by reason of late

payment by Sublessee. Acceptance of such late charge by Sublessor shall in no event constitute a waiver of Sublessee's default with respect to such overdue amount, nor prevent Sublessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) installments of rent or other sums due hereunder during any one-year period, then notwithstanding paragraph 4.1 or any other provision of this Sublease to the contrary, rent shall, at Sublessor's option, become due and payable quarterly in advance.

13.5 Sublessor's Right to Cure Sublessee's Defaults. Upon the expiration of the applicable period for curing any default, Sublessor may, at Sublessor's election, but without obligation to do so, take any action Sublessor deems necessary to cure such default, and Sublessee shall pay to Sublessor upon demand the amount of any payments made by Sublessor in connection therewith, together with the reasonable costs of any such performance or compliance. No such action taken by Sublessor shall constitute a waiver of any default or of any remedy for any default or render Sublessor liable for any loss or damage resulting from any such action taken by Sublessor.

#### 14. Hazardous Material.

14.1 Compliance with Hazardous Materials Laws. Sublessee shall, and Sublessee shall cause all employees, agents, subtenants, contractors and subcontractors of Sublessee and any other persons from time to time present on or occupying the Premises to, keep and maintain the Premises in compliance with, and not cause or knowingly permit the Premises to be in violation of, any applicable Hazardous Materials Laws (as defined below). Neither Sublessee nor any employees, agents, subtenants, contractors or subcontractors of Sublessee or any other persons occupying or present on the Premises shall use, generate, manufacture, place, store, release, discharge or dispose of on, under or about the Premises or transport to or from the Premises any Hazardous Materials (as defined below).

14.2 Notices. Sublessee shall immediately advise Sublessor in writing of: (a) any notices received by Sublessee (whether such notices are from the Environmental Protection Agency, or any other federal, state or local governmental agency or regional office thereof) of the violation or potential violation of any applicable Hazardous Materials Laws occurring on or about the Premises; (b) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened pursuant to any Hazardous Materials Laws; (c) all claims made or threatened by any third party against Sublessee or the Premises relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in clauses (a), (b) and (c) above are hereinafter referred to as



"Hazardous Materials Claims"); and (d) Sublessee's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Premises that could cause the Premises or any part thereof to be subject to any Hazardous Materials Claims. Sublessor shall have the right but not the obligation to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims and Sublessee shall pay to Sublessor, upon demand, all attorneys' and consultants' fees incurred by Sublessor in connection therewith.

14.3 Indemnity. Sublessee shall be solely responsible for, and shall indemnify, defend (with counsel reasonably acceptable to Sublessor), protect and hold harmless Sublessor, its employees, agents, successors and assigns from and against, any claim, demand, lawsuit, loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to the use, generation, manufacture, placement, storage, release, threatened release, discharge, disposal or presence of Hazardous Materials on, under or about the Premises, including, without limitation: (a) claims of third parties (including governmental agencies) for injury or death to any person or for damage or destruction of any property; (b) claims for response costs, clean-up costs, costs and expenses of removal and restoration, including fees of attorneys and experts, and costs of determining the existence of Hazardous Materials and reporting same to any governmental agency; (c) any and all other claims for expenses or obligations, including attorneys' fees, costs, and other expenses; (d) any and all penalties threatened, sought or imposed on account of a violation of any Hazardous Materials Laws; and (e) all fees of any consultants, attorneys and engineering firms retained in connection with monitoring the obligations of Sublessee under this Sublease.

14.4 Remediation. Sublessee, at its sole cost and expense, shall, with due care, in a safe manner and in accordance with all applicable laws, detain the spread of, ameliorate and remove from the Premises any Hazardous Materials contamination located on or beneath the Premises and monitor or cause to be monitored the levels of Hazardous Materials on, under or about the Premises or in the ground water in accordance with the terms and procedures required by any federal, state or local governmental agency having jurisdiction including, without limitation, any Regional Water Quality Control Board and the Environmental Protection Agency.

14.5 Definitions. As used in this Sublease, the term "Hazardous Materials" shall mean (a) petroleum or petroleum products (including, without limitation, crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel, or any mixture thereof), polychlorinated biphenols (PCBs), asbestos, urea formaldehyde foam insulation, and radon gas; (b) any substance defined as or included in the definition of "hazardous substance," "hazardous waste,"

"hazardous material," "extremely hazardous waste," "restricted hazardous waste," "waste," "special waste," "toxic substance," "toxic pollutant," "contaminant" or "pollutant," or words of similar import, under any applicable Hazardous Materials Laws; (c) infectious materials and other regulated medical wastes; (d) any substance which is toxic, explosive, corrosive, flammable, radioactive, carcinogenic, mutagenic or otherwise hazardous and is or becomes regulated by any governmental entity; and (e) any other substance, material or waste the presence of which requires investigation or remediation under any Hazardous Materials Laws. As used in this Sublease, the term "Hazardous Materials Laws" shall mean all federal, state and local statutes, laws, rules, regulations, ordinances, codes, policies and rules of common law now or from time to time in effect and in each case as amended, and any judicial or administrative interpretation thereof, relating to the environment, health or safety.

14.6 Survival. The provisions of this paragraph 14 shall survive the expiration or termination of this Sublease.

15. Miscellaneous.

15.1 Notice of Claim. If Sublessee discovers any fact, event or other matter which constitutes a breach of this Sublease, omission, misrepresentation, fraud or other actionable misconduct by Sublessor arising from this Sublease, any disclosure provided to Sublessee at any time or any aspect of the relationship between Sublessor and Sublessee, then Sublessee shall provide a detailed written notice to Sublessor of the matter within 90 days of the discovery. Sublessee's failure to provide this notice within this time shall waive the claim. The 90-day notice period in this paragraph shall reduce and shall not enlarge any statute of limitations for any claim or potential claim.

15.2 Limits on Remedies.

(a) Both Sublessor and Sublessee waive the right, if any, to obtain any award for exemplary or punitive damages from the other in any judicial or other proceeding arising out of or in any way related to this Sublease, the execution of this Sublease, any claim relating to representations allegedly made or omitted in entering into this Sublease or any other aspect of the relationship between the parties or the persons or other entities affiliated with the parties.

(b) No action shall be maintained by Sublessee to enforce any alleged liability of Sublessor for any matter arising out of or in any way related to this Sublease, the execution of this Sublease, any claim relating to representations allegedly made or omitted in entering into this Sublease or any other aspect of the relationship between the parties or the persons or other

entities affiliated with the parties unless brought before the expiration of one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged liability.

15.3 Successors and Assigns. Except as otherwise expressly provided in this Sublease, this Sublease shall be binding on and shall benefit the parties and their respective heirs, executors, administrators, successors and assigns.

15.4 Joint and Several Liability. If Sublessee consists of more than one person or entity, then the obligations and liabilities of each such person or entity to Sublessor shall be joint and several among them.

15.5 Venue and Jurisdiction. The parties agree that any suit, action or proceeding arising out of or relating to this Sublease, or the interpretation, performance or breach of this Sublease, may be instituted in the United States District Court for California or any court of the State of California located in Los Angeles, California and each party irrevocably submits to the jurisdiction of those courts and waives any and all objections to jurisdiction or venue that it may have under the laws of the State of California or otherwise in those courts in any such suit, action or proceeding. The provisions of this paragraph shall not be deemed to preclude Sublessor from filing any suit, action or proceeding in any other appropriate forum.

15.6 Entire Sublease. This Sublease contains all of the terms and conditions agreed on by the parties on its subject matter. This Sublease supersedes all prior negotiations, discussions, correspondence and agreements between the parties on its subject. This Sublease cannot be modified or changed except by written instrument signed by all the parties hereto.

15.7 Headings. Paragraph numbers and headings are used in this Sublease for convenience only and shall not affect the meaning or construction of any provision of this Sublease.

15.8 Gender. All terms used in any one number or gender shall mean and include any other number and gender as the facts, context or sense of this Sublease or any provision may require.

15.9 Construction. The provisions of this Sublease shall be interpreted and construed according to their fair meaning and not strictly for or against any party.

15.10 Severability. If any provision of this Sublease is invalid or unenforceable in a jurisdiction, either in its entirety or by virtue of its scope or application to a circumstance, that provision shall be deemed modified to the extent necessary to be

valid or, if such modification is not possible, that provision shall be deemed to be excised from this Sublease. This Sublease shall be construed and enforced as if that provision were included as modified or were not included, as the case may be. If the invalidity or unenforceability of a provision exists under the laws of only a particular jurisdiction, this paragraph shall operate on that provision only to the extent that the laws of that jurisdiction apply to the provision.

15.11        Counterparts.    This Sublease may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

15.12        Fees and Expenses.

(a) If Sublessor elects, in its sole discretion, to employ an attorney or any other person or firm to render any advice or services or to serve notice and/or demand on Sublessee on account of any overdue payment of any kind, any breach by Sublessee of this Sublease or any other agreement between the parties, including preparation of default notices, Sublessee shall pay immediately on demand all such fees, costs and expenses incurred by Sublessor in addition to any related late fees, interest and other charges.

(b) If a party commences any action or proceeding to enforce the terms of this Sublease, to prevent a breach of this Sublease, or to obtain a declaration of rights or obligations under this Sublease, or commences any other action or proceeding relating to this Sublease or the relationship between the parties, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including reasonable attorneys' fees.

15.13        Notices.    All notices and reports permitted or required to be delivered by a party shall be deemed delivered: (i) when delivered in person; (ii) one business day after transmission by facsimile or other electronic system; or (iii) three business days after deposit in the United States Mail by Registered or Certified Mail, return receipt requested, postage prepaid and addressed as follows:

If to Sublessor:        VERON, INC.

\_\_\_\_\_  
\_\_\_\_\_

If to Sublessee:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

or to any other address for Sublessee in Sublessor's books and records. Either party shall have the right to change the address for notice by delivering a notice to the other party in accordance with the provisions of this paragraph.

15.14 General. Submission of this Sublease is not an offer. This Sublease shall become effective only if and when executed by both Sublessee and Sublessor's President, Secretary or Chief Financial Officer.

15.15 Review of Sublease. Sublessee acknowledges, represents and warrants that:

(a) Sublessee has read and understands all of this Sublease and all of the other related documents, if any, to be executed by Sublessee concurrently or in conjunction with the execution of this Sublease; and

(b) Sublessee has had the opportunity to obtain advice and consult with professional advisors, like attorneys and accountants, concerning this Sublease, the risks of the business venture contemplated by this Sublease and whether or not to enter into this Sublease.

15.16 Rights Cumulative. All rights, options, elections, powers and remedies of Sublessor under the provisions of this Sublease are cumulative of each other and of every other right, option, election, power or remedy which Sublessor may otherwise have at law, in equity, under the Franchise Agreement, and under any other agreements and instruments relating to the Franchise Agreement. The exercise of one or more rights, options, elections, powers or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies Sublessor may have upon a default by Sublessee under this Sublease.

15.17 Waiver. No delay or omission in the exercise of any right or remedy of Sublessor upon any default by Sublessee shall impair such right or remedy or be construed as a waiver of such default.

15.18 Surrender of Premises. Upon the expiration of the term of this Sublease, or upon any earlier termination of such term, Sublessee shall peacefully quit and surrender possession of the Premises to Sublessor in good condition and repair, reasonable wear and tear excepted.

15.19 Right of Entry. Sublessor shall have the right, without prior notice to Sublessee, to enter upon the Premises at any time and from time to time for any purpose; provided, however, that such entry shall not unreasonably interfere with Sublessee's use of the Premises.

15.20      Rules and Regulations. Sublessor may, from time to time, establish reasonable rules and regulations governing Sublessee's use of the Premises. Sublessee hereby agrees to comply with any such rules and regulations.

DATE: \_\_\_\_\_

SUBLESSOR:

VERON, INC.,  
a California corporation

By: \_\_\_\_\_, its \_\_\_\_\_

\_\_\_\_\_

Signature

DATE: \_\_\_\_\_

SUBLESSEE:

\_\_\_\_\_

Print Name

\_\_\_\_\_

Signature

\_\_\_\_\_

Title

## **EXHIBIT D**

## CONDITIONAL LEASE ASSIGNMENT AGREEMENT

This Conditional Lease Assignment Agreement ("Agreement") is made this \_\_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_, by VERON, INC., a California corporation ("Franchisor"), \_\_\_\_\_

\_\_\_\_\_, ("Franchisee"), and \_\_\_\_\_ ("Landlord"), and pertains to the "Purrfect Auto Service" business (the "Business") located or to be located at \_\_\_\_\_ (the "Franchise Location"), with reference to the following facts:

A. On \_\_\_\_\_, Franchisee and Landlord, entered into a lease agreement, a copy of which is attached hereto as Exhibit A, pursuant to which Franchisee leased the Franchise Location from Landlord to operate the Business thereon (the "Lease").

B. On \_\_\_\_\_, 2\_\_\_\_, Franchisor and Franchisee entered into a Franchise Agreement pursuant to which Franchisee obtained a franchise from Franchisor to operate the Business at the Franchise Location.

C. Franchisee desires to conditionally assign the Lease to Franchisor on the terms and conditions in this Agreement.

Accordingly, the parties agree as follows:

1. Assignment. Franchisee conditionally assigns to Franchisor all of Franchisee's right, title and interest in and to the Lease. This assignment shall become effective and unconditional only on Franchisor's exercise of the option described in paragraph 2 subsequent to the occurrence of any of the following events:

(a) If Franchisee shall be in default in the performance of any term of the Lease, unless such default is cured within the period required in the Lease or within 10 days following written demand given by Franchisor to Franchisee, whichever is sooner;

(b) The occurrence of any act which results, or could result, in the termination of the Franchise Agreement, or the occurrence of any default by Franchisee in the performance of its obligations under the Franchise Agreement or any lease, sublease, promissory note, security agreement or other document or instrument relating in any manner to the transactions contemplated under the Franchise Agreement, whether between Franchisee and Franchisor or executed by Franchisee in favor of Franchisor or otherwise, whether now in existence, executed concurrently herewith, or executed in the future;



(c) If Franchisee has an option to renew or extend the Lease and fails or elects not to do so within the time period specified in the Lease for such renewal or extension (the last day of such time period being referred to herein as the "Renewal Deadline"), after having been requested in writing by Franchisor to do so; or

(d) Franchisee's sale of Franchisee's entire right, title and interest in and to the Business operated at the Franchise Location.

2. Exercise of Option by Franchisor. Upon Franchisor's determination that any one or more of the events in paragraphs 1(a), 1(b), 1(c) and 1(d) have occurred, Franchisor may, at its option, elect to accept the assignment described in paragraph 1 and make such assignment effective and unconditional by delivering written notice (the "Option Notice") to Franchisee and Landlord of its exercise of such option. Franchisor's exercise of such option shall be sufficient in and of itself to permit and require Landlord to recognize Franchisor as the assignee of Franchisee's right, title and interest in and to the Lease.

3. Consent to Assignment. Landlord irrevocably consents to the assignment described in paragraph 1. This consent shall remain in effect during the entire term of the Lease and any and all renewals or extensions of the Lease. The Lease shall not be amended or modified without Franchisor's prior written consent, and in no event shall Franchisor be bound by any amendment or modification thereof unless Franchisor has consented in writing thereto. The Franchise Location shall not be sublet by Franchisee, without Franchisor's prior written consent.

4. Assumption. Upon Franchisor's delivery of the Option Notice to Franchisee and Landlord, Franchisor shall, within ten (10) business days after receiving a written request from Landlord, deliver to Landlord a written assumption of the obligations of Franchisee under the Lease.

5. Further Assignment. Franchisor shall have the right, concurrently with or at any time after the delivery of the Option Notice, to assign its rights and obligations under this Agreement and the Lease to a new franchisee selected by Franchisor to operate the Business. In such event, the new franchisee shall assume the obligations of Franchisor under this Agreement and the Lease, and Franchisor shall thereupon be released from all obligations and liabilities under this Agreement and the Lease.

6. No Obligations of Franchisor Prior to Exercise of Option. Landlord acknowledges and agrees that the assignment of the Lease to Franchisor pursuant to this Agreement shall not, in the absence of an affirmative assumption in writing by Franchisor of Franchisee's obligations under the Lease pursuant to paragraph 4, be deemed to impose any obligation or liability upon Franchisor with respect to the Lease. Landlord agrees to give written notice to Franchisor of any default by Franchisee under the Lease. Franchisor shall have the right, but not the obligation, to cure such default within thirty (30) days after the later to occur of (a) Franchisor's receipt of Landlord's written notice of default or (b) the last day of Franchisee's cure period, if any, under the Lease. If Franchisee fails to exercise any option to extend or renew the Lease as described in paragraph 1(c), Landlord agrees that Franchisor may renew or extend the Lease in accordance with the terms of the Lease by delivering to Landlord, within thirty (30) days after the Renewal Deadline, the Option Notice and notice of Franchisor's election to renew or extend the term of the Lease.

7. Termination of Rights of Franchisee. Upon Franchisor's delivery of the Option Notice to Franchisee and Landlord, (a) Franchisee shall no longer be entitled to the use or occupancy of the Franchise Location, and (b) all of Franchisee's rights with respect to the Lease shall, in all respects, terminate.

8. Vacate Franchise Location. Franchisee shall vacate the Franchise Location within three (3) days after Franchisee's receipt of the Option Notice. If Franchisee fails or refuses to do so, then, in addition to all other rights and remedies available to Franchisor, Franchisor shall have the right to enter and take possession of the Franchise Location.

9. Indemnification. Franchisee shall indemnify and hold Landlord and Franchisor harmless from and against any and all losses, costs, expenses (including attorney's fees), damages, claims and liabilities, however caused, resulting directly or indirectly from or pertaining to the exercise by Franchisor and/or Landlord of the rights and remedies granted under this Agreement.

10. Injunction. Franchisee and Landlord recognize the unique value and secondary meaning attached to the Purrfect Auto Service trademarks, trade names, service marks, insignia and logo designs and the Franchise Location displaying same and agree that any noncompliance with the terms of this Agreement will cause irreparable damage to Franchisor. Therefore, in the event of any non-compliance with the terms of this Agreement, Franchisor shall

be entitled to permanent, preliminary and temporary, mandatory and prohibitory injunctive relief from any court of competent jurisdiction in addition to any other remedies prescribed by law.

11. Further Acts. The parties agree to execute such other documents and perform such further acts as may be necessary or desirable to carry out the purpose of this Agreement.

12. Successors and Assigns. Except as otherwise expressly provided in this Agreement, this Agreement shall be binding on and shall benefit the parties and their respective heirs, executors, administrators, successors and assigns.

13. Joint and Several Liability. If Franchisee or Landlord consists of more than one person or entity, then the obligations and liabilities of each such person or entity to Franchisor shall be joint and several among them.

14. Governing Law. This Agreement and the legal relations among the parties shall be interpreted, construed and governed by the laws of the State of California, without giving effect to any conflicts of laws.

15. Venue and Jurisdiction. The parties agree that any suit, action or proceeding arising out of or relating to this Agreement, or the interpretation, performance or breach of this Agreement, may be instituted in the United States District Court for California or any court of the State of California located in Los Angeles, and each party irrevocably submits to the jurisdiction of those courts and waives any and all objections to jurisdiction or venue that it may have under the laws of the State of California or otherwise in those courts in any such suit, action or proceeding. The provisions of this paragraph shall not be deemed to preclude Franchisor from filing any suit, action or proceeding in any other appropriate forum.

16. Entire Agreement. This Agreement contains all of the terms and conditions agreed on by the parties on its subject matter. This Agreement supersedes all prior negotiations, discussions, correspondence and agreements between the parties on its subject. This Agreement cannot be modified or changed except by written instrument signed by all the parties hereto.

17. Headings. Paragraph and section numbers and headings are used in this Agreement for convenience only and shall not affect the meaning or construction of any provision of this Agreement.

18. Gender. All terms used in any one number or gender shall mean and include any other number and gender as the facts, context or sense of this Agreement or any provision may require.

19. Construction. The provisions of this Agreement shall be interpreted and construed according to their fair meaning and not strictly for or against any party.

20. Severability. If any provision of this Agreement is invalid or unenforceable in a jurisdiction, either in its entirety or by virtue of its scope or application to a circumstance, that provision shall be deemed modified to the extent necessary to be valid or, if such modification is not possible, that provision shall be deemed to be excised from this Agreement. This Agreement shall be construed and enforced as if that provision were included as modified or were not included, as the case may be. If the invalidity or unenforceability of a provision exists under the laws of only a particular jurisdiction, this paragraph shall operate on that provision only to the extent that the laws of that jurisdiction apply to the provision.

21. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

22. Fees and Expenses.

(a) If Franchisor elects, in its sole discretion, to employ an attorney or any other person or firm to render any advice or services or to serve notice and/or demand on Franchisee on account of any breach by Franchisee of this Agreement or any other agreement between the parties, including preparation of default notices, Franchisee shall pay immediately on demand all such fees, costs and expenses incurred by Franchisor in addition to any related late fees, interest and other charges.

(b) If a party commences any action or proceeding to enforce the terms of this Agreement, to prevent a breach of this Agreement, or to obtain a declaration of rights or obligations

under this Agreement, or commences any other action or proceeding relating to this Agreement or the relationship between the parties, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including reasonable attorneys' fees.

23. Notices. All notices and reports permitted or required to be delivered by a party shall be deemed delivered: (i) when delivered in person; (ii) one business day after transmission by facsimile or other electronic system; or (iii) three business days after deposit in the United States Mail by Registered or Certified Mail, return receipt requested, postage prepaid and addressed as follows:

If to Franchisor: VERON, INC.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to Franchisee:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to Landlord:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

or to any other address for Franchisee in Franchisor's books and records. Either party shall have the right to change the address for notice by delivering a notice to the other party in accordance with the provisions of this paragraph.

24. Review of Agreement. Franchisee acknowledges, represents and warrants that:

(a) Franchisee has read and understands all of this Agreement and all of the other related documents, if any, to be executed by Franchisee concurrently or in conjunction with the execution of this Agreement; and

(b) Franchisee has had the opportunity to obtain advice and consult with professional advisors, like attorneys and

accountants, concerning this Agreement, the risks of this Agreement and whether or not to enter into this Agreement.

25. Rights Cumulative. All rights, options, elections, powers and remedies of Franchisor under the provisions of this Agreement are cumulative of each other and of every other right, option, election, power or remedy which Franchisor may otherwise have at law, in equity, under the Franchise Agreement, and under any other agreements and instruments relating to the Franchise Agreement. The exercise of one or more rights, options, elections, powers or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies Franchisor may have upon a default by Franchisee or Landlord under this Agreement.

26. Waiver. No delay or omission in the exercise of any right or remedy of Franchisor upon any default by Franchisee or Landlord shall impair such right or remedy or be construed as a waiver of such default.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

LANDLORD:

FRANCHISEE:

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

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

FRANCHISOR:

VERON, INC.,  
a California corporation

By: \_\_\_\_\_,  
its \_\_\_\_\_

\_\_\_\_\_  
Signature

## **EXHIBIT E**

## GUARANTY

This Guaranty ("Guaranty") dated as of \_\_\_\_\_, 2\_\_\_\_, is made by \_\_\_\_\_ ("Guarantor") to and for the benefit of VERON, INC., a California corporation ("Franchisor").

## RECITALS

A. Franchisor and \_\_\_\_\_ ("Franchisee") are entering into a Franchise Agreement dated \_\_\_\_\_, 2\_\_\_\_ (the "Franchise Agreement") pertaining to the operation of a "Purrfect Auto Service" business located at \_\_\_\_\_.

B. In order to induce Franchisor to enter into the Franchise Agreement, Guarantor has agreed to enter into this Guaranty in order to guaranty the obligations of Franchisee under the Franchise Agreement and the other Franchise Documents (as defined below).

ACCORDINGLY, in consideration of the mutual covenants contained herein, the parties agree as follows:

### 1. Guaranty.

a. Guaranty of Obligations. Guarantor unconditionally, absolutely and irrevocably guarantees and promises to pay and perform any and all indebtedness and obligations (hereinafter collectively, the "Guaranteed Obligations") of Franchisee to Franchisor under the Franchise Agreement and every lease, sublease, promissory note, security agreement and other document and instrument relating in any manner to the transactions contemplated under the Franchise Agreement, whether between Franchisee and Franchisor or executed by Franchisee in favor of Franchisor or otherwise, and whether now in existence, executed concurrently herewith, or executed in the future (hereinafter collectively, the "Franchise Documents"). The term "Guaranteed Obligations" is used herein in its most comprehensive sense and includes any and all debts, obligations and liabilities of Franchisee to Franchisor (including, without limitation, any and all attorneys' fees, expenses, costs, premiums, charges and accrued and unpaid interest) now existing or hereafter incurred or created, whether voluntarily or involuntarily, and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or



undetermined, whether Franchisee may be liable individually or jointly with others, whether recovery upon such indebtedness may be or hereafter becomes barred by any statute of limitations or whether such indebtedness may be or hereafter becomes otherwise unenforceable, and includes Franchisee's prompt, full and faithful performance, observance and discharge of each and every term, condition, agreement, representation, warranty, undertaking and provision to be performed by Franchisee under the Franchise Documents or otherwise. Guarantor agrees that, with respect to the Guaranteed Obligations which constitute monetary obligations, this Guaranty constitutes a guaranty of payment when due and not of collection.

b. Continuing Guaranty. This Guaranty is a continuing guaranty of the Guaranteed Obligations, including any and all Guaranteed Obligations which are renewed, extended, compromised, refinanced or restructured from time to time. This Guaranty shall remain effective until the Guaranteed Obligations have been fully paid, performed and discharged as provided in Section 8 and Franchisor has given written notice of that fact to Guarantor.

2. Independent Obligations.

a. Independent Obligations. Guarantor agrees that it is directly and primarily liable to Franchisor, that its obligations hereunder are independent of the Guaranteed Obligations of Franchisee and that a separate action or actions may be brought and prosecuted against Guarantor, whether action is brought against Franchisee or whether Franchisee is joined in any such action or actions. Guarantor agrees that any releases which may be given by Franchisor to Franchisee or any other guarantor or endorser shall not release it from this Guaranty.

3. Consents by Guarantor.

a. Consents. Guarantor hereby authorizes Franchisor, without notice or demand and without affecting Guarantor's liability hereunder, from time to time to:

i. Changes in Terms. Renew, compromise, extend, refinance, accept partial payments, accelerate or restructure any of the Guaranteed Obligations or otherwise change the time for payment or the terms of any of the Guaranteed Obligations;

ii. Amendment of Franchise Documents. Waive, amend, rescind, or modify any of the terms or provisions of the Franchise Documents or any agreement or document executed in connection therewith;

iii. Liquidation of Guaranteed Obligations. Settle, release, compromise, collect or otherwise liquidate the Guaranteed Obligations, or any part thereof, and any security or collateral therefor in any manner as Franchisor may determine in its sole discretion;

iv. Collateral. Take and hold collateral to secure the payment of the Guaranteed Obligations and exchange, enforce, waive and release any such collateral;

v. Sale of Collateral. Apply such collateral and direct the order or manner of sale thereof as Franchisor in its sole discretion may determine;

vi. Releases. Release or substitute any one or more endorser(s) or other guarantor(s); and

vii. Assignment. Assign, without notice, this Guaranty in whole or in part and Franchisor's rights hereunder to any one at any time.

b. Non-Release of Guarantor. Guarantor agrees that Franchisor may do any or all of the foregoing in such manner, upon such terms, and at such times as Franchisor, in its sole discretion, deems advisable, without, in any way or respect, impairing, affecting, reducing or releasing Guarantor from its undertakings hereunder and Guarantor hereby consents to each and all of the foregoing acts, events and occurrences.

#### 4. Waivers.

a. Guarantor's Defenses. GUARANTOR HEREBY WAIVES ANY RIGHT TO ASSERT AGAINST FRANCHISOR AS A DEFENSE, COUNTERCLAIM, SETOFF, CROSSCLAIM OR OTHERWISE, ANY DEFENSE, (LEGAL OR EQUITABLE), COUNTERCLAIM, RIGHT OF SETOFF, CLAIM OR CROSSCLAIM (OTHER THAN PAYMENT IN FULL AND PERFORMANCE IN FULL OF ALL OF THE GUARANTEED OBLIGATIONS AFTER ANY TERMINATION OF THIS GUARANTY IN ACCORDANCE WITH THE PROVISIONS OF SECTION 8 OF THIS GUARANTY) WHICH GUARANTOR MAY NOW OR AT ANY TIME HEREAFTER HAVE UNDER APPLICABLE LAW, RULE, ARRANGEMENT OR RELATIONSHIP AGAINST FRANCHISEE, FRANCHISOR AND ANY OTHER PARTY.

b. Presentment, etc. GUARANTOR HEREBY WAIVES ALL PRESENTMENTS, DEMANDS FOR PERFORMANCE, PROTESTS, NOTICES OF PROTESTS, NOTICES OF DISHONOR, NOTICES OF DEFAULT, NOTICE OF ACCEPTANCE OF THIS GUARANTY, DILIGENCE, AND NOTICES OF THE EXISTENCE, CREATION OR INCURRENCE OF THE GUARANTEED OBLIGATIONS OR

OF NEW OR ADDITIONAL GUARANTEED OBLIGATIONS INCURRED OR CREATED AFTER THE DATE OF THIS GUARANTY, AND NOTICES OF THE PAYMENT, NONPAYMENT, PERFORMANCE OR NONPERFORMANCE OF ALL OR ANY OF THE GUARANTEED OBLIGATIONS, AND ALL OTHER NOTICES OR FORMALITIES TO WHICH GUARANTOR MAY BE ENTITLED UNDER APPLICABLE LAW.

c. Remedies Against Franchisee. GUARANTOR HEREBY WAIVES ANY AND ALL RIGHTS AND BENEFITS WHICH, AMONG OTHER THINGS, PERMITS GUARANTOR (a) TO REQUIRE FRANCHISOR TO PROCEED AGAINST OR SEEK TO ENFORCE ANY REMEDIES AGAINST FRANCHISEE OR ANY OTHER PARTY LIABLE TO FRANCHISOR ON ACCOUNT OF THE GUARANTEED OBLIGATIONS BEFORE PROCEEDING AGAINST GUARANTOR, AND (b) TO REQUIRE FRANCHISOR TO SEEK TO ENFORCE OR RESORT TO ANY REMEDIES WITH RESPECT TO ANY SECURITY INTERESTS, LIENS OR ENCUMBRANCES GRANTED TO FRANCHISOR BY FRANCHISEE OR ANY OTHER PARTY ON ACCOUNT OF THE GUARANTEED OBLIGATIONS BEFORE PROCEEDING AGAINST GUARANTOR. FRANCHISOR MAY PROCEED AGAINST GUARANTOR FOR ANY OF THE GUARANTEED OBLIGATIONS WITHOUT TAKING ANY ACTION AGAINST FRANCHISEE OR ANY OTHER PERSON, FIRM OR FRANCHISEE AND WITHOUT PROCEEDING AGAINST OR APPLYING ANY SECURITY FRANCHISOR HOLDS.

d. Diligence. GUARANTOR HEREBY WAIVES ALL DILIGENCE IN COLLECTION OR PROTECTION OF OR REALIZATION UPON THE GUARANTEED OBLIGATIONS OR ANY THEREOF, ANY OBLIGATION HEREUNDER OR ANY SECURITY FOR OR GUARANTY OF ANY OF THE FOREGOING.

e. Enforcement Rights. GUARANTOR HEREBY WAIVES ANY RIGHT TO DIRECT OR AFFECT THE MANNER OR TIMING OF ENFORCEMENT OF THE RIGHTS OR REMEDIES OF THE FRANCHISOR UNDER THE FRANCHISE DOCUMENTS.

f. Reduction of Guarantor's Obligation. GUARANTOR HEREBY WAIVES ALL RIGHTS AND BENEFITS PURPORTING TO REDUCE THE GUARANTOR'S OBLIGATION IN PROPORTION TO THE PRINCIPAL OBLIGATION HEREBY GUARANTEED.

g. Franchisee's Defenses. GUARANTOR HEREBY WAIVES ANY RIGHT TO ASSERT AGAINST FRANCHISOR AS A DEFENSE, COUNTERCLAIM, SET-OFF, CROSSCLAIM OR OTHERWISE ANY DEFENSE (LEGAL OR EQUITABLE), COUNTERCLAIM, RIGHT OF SET-OFF, CLAIM OR CROSSCLAIM WHICH FRANCHISEE OR ANY THIRD PARTY MAY NOW OR AT ANY TIME HEREAFTER HAVE UNDER APPLICABLE LAW, RULE, ARRANGEMENT OR RELATIONSHIP TO THE PAYMENT OR PERFORMANCE OF THE GUARANTEED OBLIGATIONS.

h. Other Provisions of Law. GUARANTOR HEREBY WAIVES ALL OTHER PRINCIPLES OR PROVISIONS OF LAW, IF ANY, THAT CONFLICT WITH THE TERMS OF THIS GUARANTY, INCLUDING, WITHOUT LIMITATION, THE EFFECT OF ANY CIRCUMSTANCES THAT MAY OR MIGHT CONSTITUTE A LEGAL OR

EQUITABLE DISCHARGE OF A GUARANTOR OR SURETY.

i. Revocation Rights. GUARANTOR HEREBY WAIVES ALL RIGHTS TO REVOKE THIS GUARANTY AT ANY TIME, AND ALL RIGHTS TO REVOKE ANY AGREEMENT EXECUTED BY GUARANTOR AT ANY TIME TO SECURE THE PAYMENT AND PERFORMANCE OF GUARANTOR'S OBLIGATIONS UNDER THIS GUARANTY. WITHOUT LIMITING THE GENERALITY OF THIS PARAGRAPH, GUARANTOR HEREBY SPECIFICALLY WAIVES ANY PROVISIONS OF LAW WHICH PERMITS A GUARANTOR TO REVOKE A CONTINUING GUARANTY AT ANY TIME IN RESPECT TO FUTURE TRANSACTIONS, UNLESS THERE IS A CONTINUING CONSIDERATION AS TO SUCH TRANSACTIONS WHICH THE GUARANTOR DOES NOT RENOUNCE.

j. Waivers of Statutory Rights. WITHOUT LIMITING THE GENERALITY OF ANY OTHER WAIVER OR OTHER PROVISIONS SET FORTH IN THIS GUARANTY, GUARANTOR HEREBY WAIVES, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY AND ALL RIGHTS, PROTECTIONS, BENEFITS AND DEFENSES WHICH GUARANTOR MAY HAVE NOW OR AT ANY TIME HEREAFTER, ARISING DIRECTLY OR INDIRECTLY, TO FULL PAYMENT OR PERFORMANCE OF THE GUARANTEED OBLIGATIONS PURSUANT TO THIS GUARANTY PROVIDED BY CALIFORNIA LAW. GUARANTOR CONSENTS AND AGREES THAT FRANCHISOR SHALL BE UNDER NO OBLIGATION TO MARSHAL ANY ASSETS IN FAVOR OF GUARANTOR, OR AGAINST OR IN PAYMENT OF ANY OR ALL OF THE GUARANTEED OBLIGATIONS.

k. Impairment of Guarantor's Rights by Franchisor. GUARANTOR HEREBY AUTHORIZES AND EMPOWERS FRANCHISOR, IN ITS SOLE DISCRETION, WITHOUT ANY NOTICE TO GUARANTOR WHATSOEVER, TO EXERCISE ANY RIGHT OR REMEDY WHICH FRANCHISOR MAY HAVE, INCLUDING, BUT NOT LIMITED TO, JUDICIAL FORECLOSURE, EXERCISE OF RIGHTS OF POWER OF SALE, WAIVER OF RIGHTS TO COLLATERAL FOR THE GUARANTEED OBLIGATIONS OR TAKING A DEED OR AN ASSIGNMENT IN LIEU OF FORECLOSURE AS TO ANY COLLATERAL IN REAL, PERSONAL OR OTHER PROPERTY WHICH FRANCHISOR MAY HOLD FOR THE GUARANTEED OBLIGATIONS, AND GUARANTOR SHALL BE LIABLE TO FRANCHISOR FOR ANY DEFICIENCY RESULTING FROM THE EXERCISE BY IT OF ANY SUCH REMEDY, EVEN THOUGH ANY RIGHTS WHICH GUARANTOR MAY HAVE AGAINST OTHERS MIGHT BE DESTROYED OR DIMINISHED BY THE EXERCISE OF ANY SUCH REMEDY. GUARANTOR FURTHER WAIVES ANY DEFENSE ARISING OUT OF THE ABSENCE, IMPAIRMENT OR LOSS OF ANY RIGHT OF REIMBURSEMENT OR SUBROGATION OR OTHER RIGHT OR REMEDY OF GUARANTOR AGAINST FRANCHISEE OR AGAINST ANY SECURITY RESULTING FROM THE EXERCISE OR ELECTION OF ANY REMEDIES BY FRANCHISOR.

l. Statute of Limitations. GUARANTOR SHALL NOT BE RELEASED FROM LIABILITY UNDER THIS GUARANTY IF RECOVERY FROM FRANCHISEE OR FROM ANY OTHER GUARANTOR IS OR HEREAFTER BECOMES BARRED BY ANY STATUTE OF LIMITATIONS OR IF SUCH LIABILITY IS OR BECOMES OTHERWISE ENFORCEABLE. GUARANTOR WAIVES, FORGOES AND

AGREES NOT TO TAKE ADVANTAGE OF THE DEFENSE OF THE STATUTE OF LIMITATIONS IN ANY ACTION HEREUNDER OR FOR THE COLLECTION OF THE GUARANTEED OBLIGATIONS.

m. Subrogation Rights. GUARANTOR SHALL HAVE NO RIGHT OF SUBROGATION, REIMBURSEMENT, EXONERATION, CONTRIBUTION OR INDEMNITY AGAINST FRANCHISEE OR ANY OTHER GUARANTOR FOR ANY REASON, INCLUDING BUT NOT LIMITED TO, BY REASON OF ANY PAYMENTS MADE OR ACTS PERFORMED BY GUARANTOR IN COMPLIANCE WITH THE OBLIGATIONS OF GUARANTOR UNDER THIS GUARANTY OR ANY ACTIONS TAKEN BY FRANCHISOR PURSUANT TO THIS GUARANTY OR THE FRANCHISE DOCUMENTS. GUARANTOR IRREVOCABLY WAIVES ALL SUCH RIGHTS, THE RIGHT TO ASSERT ANY SUCH RIGHTS AND ANY RIGHT TO ENFORCE ANY REMEDY WHICH FRANCHISOR NOW OR MAY HEREAFTER HAVE AGAINST FRANCHISEE AND HEREBY IRREVOCABLY WAIVES ANY BENEFIT OF AND ANY RIGHT TO PARTICIPATE IN, ANY SECURITY NOW OR HEREAFTER HELD BY FRANCHISOR, WHETHER ANY OF THE FOREGOING RIGHTS ARISE IN EQUITY, AT LAW OR BY CONTRACT.

n. Civil Code Section 2856 Waiver. GUARANTOR WAIVES ALL RIGHTS AND DEFENSES ARISING OUT OF AN ELECTION OF REMEDIES BY FRANCHISOR, EVEN THOUGH THAT ELECTION OF REMEDIES HAS DESTROYED THE GUARANTOR'S RIGHTS OF SUBROGATION AND REIMBURSEMENT AGAINST THE PRINCIPAL BY THE OPERATION OF SECTION 580d OF THE CODE OF CIVIL PROCEDURE OR OTHERWISE.

5. Subordination.

a. Subordination. Any and all present and future debts and obligations of Franchisee to Guarantor are hereby postponed in favor of and subordinated to the full payment and performance of all present and future debts and obligations of Franchisee to Franchisor. Any instruments now or hereafter evidencing any indebtedness of Franchisee to Guarantor shall be marked with a legend that the same are subject to this Guaranty and, if Franchisor so requests, shall be delivered to Franchisor. Upon the liquidation, bankruptcy, or distribution of any of Franchisee's assets, Guarantor shall assign to the Franchisor all of Guarantor's claims on account of such indebtedness so that Franchisor shall receive all dividends and payments on such indebtedness until payment in full of the Guaranteed Obligations. This Section 5 shall constitute such an assignment if Guarantor fails to execute and deliver such an assignment. All monies or other property of Guarantor at any time in Franchisor's possession may be held by Franchisor as security for any and all obligations of Guarantor to Franchisor, now existing or hereafter arising, whether absolute or contingent, whether due or to become due, and whether under this Guaranty or otherwise. Guarantor also agrees that Franchisor's books and records showing the account between Franchisor and

Franchisee shall be admissible in any action or proceeding and shall be binding upon Guarantor for the purpose of establishing the terms set forth therein and shall constitute prima facie proof thereof.

6. Financial Condition of Franchisee.

a. Financial Condition of Franchisee. Guarantor is presently informed of the financial condition of Franchisee and of all other circumstances which a diligent inquiry would reveal and which bear upon the risk of nonpayment or nonperformance of the Guaranteed Obligations. Guarantor hereby covenants that it will continue to keep itself informed of Franchisee's financial condition and of all other circumstances which bear upon the risk of nonpayment and nonperformance. Absent a written request for such information by Guarantor to Franchisor, Guarantor hereby waives its right, if any, to require, and Franchisor is relieved of any obligation or duty to disclose to Guarantor any information which Franchisor may now or hereafter acquire concerning such condition or circumstances.

7. Multiple Guarantors.

a. Multiple Guarantors. If more than one person signs this Guaranty as Guarantor, (a) the term "Guarantor" shall mean each such person, (b) the obligations of each Guarantor shall be joint, several and independent, and (c) this Guaranty shall be construed and enforced as though each Guarantor executed a separate guaranty on the terms set forth in this Guaranty. Franchisor may bring an action against any person signing this Guaranty as Guarantor and otherwise enforce this Guaranty without bringing an action against any other person signing this Guaranty as Guarantor or joining such other person in any such action. Each person signing this Guaranty as Guarantor waives any right to require Franchisor to proceed against any other person signing this Guaranty as Guarantor, and further waives any defense to the enforcement of this Guaranty arising by reason of any discharge or release of any person signing this Guaranty as Guarantor, whether resulting from any act or omission of Franchisor or any other person or by operation of law or otherwise.

8. Termination of Guaranty.

a. Termination of Guaranty. Guarantor's obligations under this Guaranty shall continue in full force and effect and this Guaranty shall not terminate until the Guaranteed Obligations are fully paid, performed and discharged and Franchisor gives Guarantor written notice of that fact. The Guaranteed Obligations

shall not be considered fully paid, performed and discharged unless and until all payments by Franchisee to Franchisor are no longer subject to any right on the part of any person whomsoever, including, but not limited to, Franchisee, Franchisee as debtor-in-possession, or any trustee or receiver in bankruptcy, to set aside such payments or seek to recoup the amount of such payments, or any part thereof. The foregoing shall include, by way of example and not by way of limitation, all rights to recover preferences voidable under Title 11 of the United States Bankruptcy Code. In the event that any such payments by Franchisee to Franchisor are set aside after the making thereof, in whole or in part, or settled without litigation, to the extent of such settlement, all of which is within Franchisor's discretion, Guarantor shall be liable for the full amount Franchisor is required to repay plus costs, interest, attorneys' fees and any and all expenses which Franchisor paid or incurred in connection therewith.

9. Events of Default.

a. Events of Default. The following events shall be "events of default" under this Guaranty:

i. If Guarantor shall fail to make any payments required hereunder when due and payable;

ii. If any representation or warranty made by Guarantor herein or in any document, instrument or certificate furnished to Franchisor in connection with the execution and delivery of this Guaranty shall at any time prove to have been incorrect in any material respect as of the time made;

iii. If Guarantor shall fail to observe or perform any covenant, condition, agreement or provision in this Guaranty on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of ten (10) days after written notice, specifying such failure and requesting that it be remedied, has been given to Guarantor by Franchisor; or

iv. If any default shall occur and is continuing under any of the Franchise Documents.

b. Remedies on Default. If an event of default shall occur, then, and in each and every such case during the continuance of such event of default, Franchisor shall have the right to take such actions, at law or in equity, to collect any payments then due and thereafter to become due under this Guaranty or to enforce the performance and observance of any obligation, covenant, agreement or provision contained in this Guaranty to be observed or performed

by Guarantor.

c. Expenses on Default. If Guarantor should default under any of the provisions of this Guaranty and Franchisor should employ attorneys or incur other reasonable expenses for the collection of the payments due hereunder, Guarantor shall, on demand therefor, pay to Franchisor the reasonable fees of such attorneys and such other reasonable costs and expenses so incurred by Franchisor.

10. Miscellaneous.

a. Interest. All amounts required to be paid to Franchisor by Guarantor pursuant to the provisions of this Guaranty shall bear interest from and including the date upon which such amounts are due, to and excluding the date of payment thereof, at the rate of 10 percent per annum. All payments of such amounts by Guarantor shall include any such accrued interest.

b. Assignment. Neither this Guaranty nor any rights under this Guaranty may be assigned by Guarantor without the prior written consent of Franchisor.

c. Parties in Interest. Nothing in this Guaranty, expressed or implied, is intended to confer on any person or entity other than the parties any right or remedy under or by reason of this Guaranty.

d. Prompt Action. Time is of the essence with respect to each provision of this Guaranty.

e. Further Action. Each party agrees to perform any further acts and to execute and deliver any other documents which may be reasonably necessary to effect the provisions of this Guaranty.

f. Independent Obligation. Guarantor agrees that it is directly and primarily liable to Franchisor and that its obligations hereunder are independent of the obligations of Franchisee.

g. Successors and Assigns. Except as otherwise expressly provided in this Guaranty, this Guaranty shall be binding on and shall benefit the parties and their respective heirs, executors, administrators, successors and assigns.

h. Governing Law. This Guaranty shall be interpreted, construed and governed by the laws of California, without giving



effect to any conflicts of laws.

i. Venue and Jurisdiction. The parties agree that any suit, action or proceeding arising out of or relating to this Guaranty, or the interpretation, performance or breach of this Guaranty, may be instituted in the United States District Court for California or any court of the State of California located in Los Angeles, and each party irrevocably submits to the jurisdiction of those courts and waives any and all objections to jurisdiction or venue that it may have under the laws of the State of California or otherwise in those courts in any such suit, action or proceeding. The provisions of this Section shall not be deemed to preclude Franchisor from filing any suit, action or proceeding in any other appropriate forum.

j. Entire Guaranty. This Guaranty contains all of the terms and conditions agreed on by the parties on its subject matter. This Guaranty supersedes all prior negotiations, discussions, correspondence and agreements between the parties on its subject. This Guaranty cannot be modified or changed except by written instrument signed by Guarantor and Franchisor.

k. Headings. Paragraph and section numbers and headings are used in this Guaranty for convenience only and shall not affect the meaning or construction of any provision of this Guaranty.

l. Gender. All terms used in any one number or gender shall mean and include any other number and gender as the facts, context or sense of this Guaranty or any provision may require.

m. Construction. The provisions of this Guaranty shall be interpreted and construed according to their fair meaning and not strictly for or against any party.

n. Severability. If any provision of this Guaranty is invalid or unenforceable in a jurisdiction, either in its entirety or by virtue of its scope or application to a circumstance, that provision shall be deemed modified to the extent necessary to be valid or, if such modification is not possible, that provision shall be deemed to be excised from this Guaranty. This Guaranty shall be construed and enforced as if that provision were included as modified or were not included, as the case may be. If the invalidity or unenforceability of a provision exists under the laws of only a particular jurisdiction, this paragraph shall operate on that provision only to the extent that the laws of that jurisdiction apply to the provision.

o. Counterparts. This Guaranty may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

p. Fees and Expenses.

i. If Franchisor elects, in its sole discretion, to employ an attorney or any other person or firm to render any advice or services or to serve notice and/or demand on Guarantor on account of any overdue payment of any kind, any breach by Guarantor of this Guaranty or any other agreement between the parties, including preparation of default notices, Guarantor shall pay immediately on demand all such fees, costs and expenses incurred by Franchisor in addition to any related late fees, interest and other charges.

ii. If a party commences any action or proceeding to enforce the terms of this Guaranty, to prevent a breach of this Guaranty, or to obtain a declaration of rights or obligations under this Guaranty, or commences any other action or proceeding relating to this Guaranty or the relationship between the parties, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including reasonable attorneys' fees.

q. Notices. All notices and reports permitted or required to be delivered by a party shall be deemed delivered: (i) when delivered in person; (ii) one business day after transmission by facsimile or other electronic system; or (iii) three business days after deposit in the United States Mail by Registered or Certified Mail, return receipt requested, postage prepaid and addressed as follows:

If to Franchisor: VERON, INC.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to Guarantor:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

or to any other address for Guarantor in Franchisor's books and records. Either party shall have the right to change the address for notice by delivering a notice to the other party in accordance

with the provisions of this paragraph.

r. Review of Guaranty. Guarantor acknowledges, represents and warrants that:

i. Guarantor has read and understands all of this Guaranty and all of the other related documents, if any, to be executed by Guarantor concurrently or in conjunction with the execution of this Guaranty; and

ii. Guarantor has had the opportunity to obtain advice and consult with professional advisors, like attorneys and accountants, concerning this Guaranty, the risks contemplated by this Guaranty and whether or not to enter into this Guaranty.

s. Rights Cumulative. All rights, options, elections, powers and remedies of Franchisor under the provisions of this Guaranty are cumulative of each other and of every other right, option, election, power or remedy which Franchisor may otherwise have at law, in equity, under the Franchise Agreement, and under any other Franchise Documents. The exercise of one or more rights, options, elections, powers or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies Franchisor may have upon a default by Guarantor under this Guaranty.

t. Waiver. No delay or omission in the exercise of any right or remedy of Franchisor upon any default by Guarantor shall impair such right or remedy or be construed as a waiver of such default.

IN WITNESS WHEREOF, the parties hereto have caused this Guaranty to be duly executed as of the date and year first above written.

GUARANTOR

---

Print Name

---

Signature

---

Title

## **EXHIBIT F**

## CONTRACT FOR SALE OF ASSETS

This Contract for Sale of Assets ("Agreement") is made as of \_\_\_\_\_, 2\_\_\_\_, between \_\_\_\_\_, a(n) \_\_\_\_\_ ("Seller"), and \_\_\_\_\_, a(n) \_\_\_\_\_ ("Buyer").

### RECITALS

Seller is the owner of certain assets relating to the business (the "Business") known as "Purrfect Auto Service #\_\_" located at \_\_\_\_\_ (the "Property"). Seller desires to sell such assets to Buyer, and Buyer desires to purchase such assets from Seller.

THEREFORE, Buyer and Seller agree as follows:

#### 1. Sale of Business.

(a) Sale of Business Assets. Seller hereby sells to Buyer, and Buyer hereby purchases from Seller, on the terms and conditions and in the manner set forth in this Agreement, all of Seller's right, title and interest in and to the following personal property assets relating to the Business (collectively, the "Business Assets"):

(i) The furniture, equipment, and other tangible assets shown on the Equipment Inventory, which shall be prepared jointly by Buyer and Seller on the Date of Closing, as defined herein. The Equipment Inventory shall be executed and attached to this Agreement as "Exhibit A", on or about the date of closing and incorporated by reference hereto;

(ii) All intangible assets, if any, owned by Seller and relating to the operation of the Business; and

(iii) The Trade Inventory, which shall be prepared jointly by Buyer and Seller on the date of closing defined herein. The Trade Inventory shall be executed and attached to this Agreement as "Exhibit B", on or about the date of closing and incorporated by reference hereto;

(b) Excluded Assets. The name and service mark "Purrfect Auto Service," as well as all franchise and other rights relating thereto, are specifically excluded from this sale. The Buyer is, however, entering into a Franchise Agreement concurrently herewith (the "Franchise Agreement") with respect to the Business Assets being sold which contains the specific rights and conditions

under which Buyer may use such name and service mark. The Business Assets shall not include the fixtures, equipment and other property, if any (the "Excluded Assets") described in the attached inventory, which shall be prepared jointly by Buyer and Seller on or about the Date of Closing, as defined herein. A list of Excluded Assets shall be executed and attached to this Agreement as "Exhibit C" on or about the date of closing and incorporated by reference hereto. However, Buyer shall have the right to use certain Excluded Assets in accordance with the terms of certain leases and/or other agreements relating to the Excluded Assets.

2. Purchase Price.

(a) Purchase Price. The purchase price of the Business Assets, excepting Trade Inventory, shall be \_\_\_\_\_ Dollars (U.S. \$\_\_\_\_\_).

(b) Payment of Purchase Price. The purchase price set forth in paragraph 2(a) shall be payable as follows:

(i) A downpayment in the sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) upon execution of this Agreement. The balance of the purchase price in the amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) shall be paid by Buyer in the form of a promissory note payable in equal and consecutive monthly installments of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) beginning \_\_\_\_\_ (\_\_\_\_) days after the date of closing, including interest at the rate of \_\_\_\_\_ percent (\_\_\_\_%) per annum, and continuing until the entire principal balance and interest are paid in full. The promissory note shall be secured by a security agreement which creates a first priority lien on the Business Assets and any other assets owned by Buyer. The promissory note and the security agreement described above shall contain terms and conditions reasonably required by Seller.

(ii) The Trade Inventory shall be paid for by \_\_\_\_\_. The date of closing shall be the day after the Buyer successfully completes the training program as required by the Franchise Agreement or a different date agreed to in writing by the parties. The amount of payment included under this paragraph 2(b)(ii) shall be determined by a physical inventory taken by Seller and Buyer on the date of closing. The Trade Inventory shall be valued at Seller's cost.

(iii) The following amounts shall also be paid by \_\_\_\_\_:

A. Reimbursement of the equipment lease security deposit paid to Textron Financial Corp. in the amount of \_\_\_\_\_ Dollars and \_\_\_\_\_ Cents (\$\_\_\_\_\_). The monthly payments under such equipment lease are

\_\_\_\_\_ Dollars and \_\_\_\_\_ Cents (\$\_\_\_\_\_), and shall be paid by Buyer after the closing.

B. Reimbursement of the equipment lease deposit paid to Associates Leasing, Inc. in the amount of \_\_\_\_\_ Dollars and \_\_\_\_\_ Cents (\$\_\_\_\_\_. The monthly payments under such equipment lease are \_\_\_\_\_ Dollars and \_\_\_\_\_ Cents (\$\_\_\_\_\_), and shall be paid by Buyer after the closing.

3. Warranties by Seller. Seller hereby warrants and represents to Buyer that:

(a) Seller is the sole owner of the Business Assets, and, to Seller's knowledge, no other person has any claim, right, title or interest in or to the Business Assets.

(b) Seller has no undischarged obligations affecting the Business Assets being sold pursuant to this Agreement, other than obligations arising in the usual and regular course of business.

(c) Seller has paid, or shall pay, all taxes owed by Seller prior to the closing date on account of the Business.

(d) To Seller's knowledge, the sale of the Business Assets will not conflict with or violate any agreement or law to which Seller or the Business Assets is subject, excluding [NONE].

4. Closing.

(a) Delivery of Instruments. At the time and place specified in paragraph 2(b)(ii) for closing and upon Buyer's payment of the purchase price described in paragraph 2(b), Seller shall deliver to Buyer:

(i) A bill of sale executed by Seller, conveying to Buyer all the Business Assets; and

(ii) Any other instruments required to transfer to Buyer the ownership of any of the Business Assets.

(b) License Applications by Buyer. Buyer shall, at Buyer's own expense, within one week after executing this Agreement, apply for the licenses and permits required for the operation of the Business and shall comply with all related laws, if required.

(c) Conduct of Business. Until the closing, Seller shall continue to operate the Business in the same manner as Seller has operated it in the past. Seller's operation of the Business

shall be at no expense to Buyer.

(d) Risk of Loss. Beginning at 12:01 A.M on the date of closing, Buyer shall bear all risk of loss, damage, or destruction to the Business Assets.

(e) Proration of Taxes. Buyer and Seller shall prorate all real and personal property taxes, as well as all prepaid expenses, on the basis of a 30-day month, as of 12:01 A.M. on the date of closing.

(f) Certain Costs and Expenses. The following costs and expenses incurred in connection with the purchase and sale of the Business Assets shall be borne by Seller and Buyer as follows:

(i) The costs of drafting all instruments necessary to convey the Business Assets to Buyer shall be paid by Seller (provided, however, that Buyer shall be solely responsible for all attorneys' fees and other expenses incurred by Buyer in connection with Buyer's review and negotiation of such instruments);

(ii) The costs of obtaining any licenses or permits required by paragraph 4(b) of this Agreement or required by law for the operation of the Business by Buyer shall be paid by Buyer; and

(iii) All sales taxes arising as a result of the sale of the Business Assets to Buyer shall be paid by Buyer.

5. Assignment and Assumption of Contracts.

(a) Assignment of Contracts and Leases. Seller hereby assigns to Buyer, effective as of the closing date, all of Seller's right, title and interest in and to the contracts and agreements (the "Assigned Contracts") described in the List of Assigned Contracts, which shall be prepared jointly by Buyer and Seller on or before the date of closing defined herein. A list of Assigned Contracts list shall be executed and attached to this Agreement as "Exhibit D", on or before the date of closing and incorporated by reference hereto.

(b) Assumption of Obligations. Buyer hereby assumes and agrees to perform, effective as of the closing date, all of Seller's obligations under the Assigned Contracts. However, Buyer shall not be responsible for any accounts payable under the Assigned Contracts that arise prior to the date of closing.

6. Allocation of Liabilities.

(a) Seller's Liabilities. Seller agrees to be liable for any liabilities and obligations relating to the Business that existed prior to the date of closing, except those assumed by Buyer



pursuant to this Agreement or any agreements or other documents relating hereto ("Seller's Liabilities and Obligations").

(b) Buyer's Liabilities. Buyer agrees to be liable for all liabilities and obligations relating to the Business other than Seller's Liabilities and Obligations ("Buyer's Obligations and Liabilities), and agrees to indemnify, defend (with counsel acceptable to Seller), protect and hold harmless Seller and the franchisor under the Franchise Agreement from and against any and all claims, liabilities, demands, losses, costs and expenses (including, without limitation, attorneys' fees) that Seller or such franchisor may incur or suffer in connection with or as a result of Buyer's failure to timely perform or discharge any of Buyer's Obligations and Liabilities.

7. Buyer's Investigation. Seller makes no warranties, guarantees or representations of any kind other than those specifically contained herein. Buyer acknowledges and agrees that it has not relied on any representation, warranty or guaranty of Seller in purchasing the Business Assets, and is depending solely on its own investigation of the Business and the Business Assets in making the decision to purchase the Business Assets. Buyer represents that it has had access to the business records, agreements, and physical equipment and property pertaining to the Business and has investigated each to its total satisfaction. Attached and incorporated to this Agreement as "Exhibit E" is a "Declaration of Buyer" which contains additional material representations by Buyer to Seller.

8. Necessary Act. All parties to this Agreement shall perform any and all acts as well as execute any and all documents that may be reasonably necessary to fully carry out the provisions and intent of this Agreement.

9. Successors and Assigns. Except as otherwise expressly provided in this Agreement, this Agreement shall be binding on and shall benefit the parties and their respective heirs, executors, administrators, successors and assigns. Buyer may not assign its rights under this Agreement without the written consent of Seller, which consent may be withheld by Seller in its sole and absolute discretion.

10. Joint and Several Liability. If Buyer consists of more than one person or entity, then the obligations and liabilities of each such person or entity to Seller shall be joint and several among them.

11. Governing Law. This Agreement and the legal relations among the parties shall be interpreted, construed and governed by the laws of California, without giving effect to any conflicts of laws.

12. Venue and Jurisdiction. The parties agree that any suit, action or proceeding arising out of or relating to this Agreement, or the interpretation, performance or breach of this Agreement, may be instituted in the United States District Court for California or any court of the State of California located in Los Angeles, and each party irrevocably submits to the jurisdiction of those courts and waives any and all objections to jurisdiction or venue that it may have under the laws of the State of California or otherwise in those courts in any such suit, action or proceeding. The provisions of this paragraph shall not be deemed to preclude Seller from filing any suit, action or proceeding in any other appropriate forum.

13. Entire Agreement. This Agreement contains all of the terms and conditions agreed on by the parties on its subject matter. This Agreement supersedes all prior negotiations, discussions, correspondence and agreements between the parties on its subject. This Agreement cannot be modified or changed except by written instrument signed by all the parties hereto.

14. Headings. Paragraph and section numbers and headings are used in this Agreement for convenience only and shall not affect the meaning or construction of any provision of this Agreement.

15. Gender. All terms used in any one number or gender shall mean and include any other number and gender as the facts, context or sense of this Agreement or any provision may require.

16. Construction. The provisions of this Agreement shall be interpreted and construed according to their fair meaning and not strictly for or against any party.

17. Severability. If any provision of this Agreement is invalid or unenforceable in a jurisdiction, either in its entirety or by virtue of its scope or application to a circumstance, that provision shall be deemed modified to the extent necessary to be valid or, if such modification is not possible, that provision shall be deemed to be excised from this Agreement. This Agreement shall be construed and enforced as if that provision were included as modified or were not included, as the case may be. If the invalidity or unenforceability of a provision exists under the laws of only a particular jurisdiction, this paragraph shall operate on that provision only to the extent that the laws of that jurisdiction apply to the provision.

18. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

19. Fees and Expenses. If a party commences any action or

proceeding to enforce the terms of this Agreement, to prevent a breach of this Agreement, or to obtain a declaration of rights or obligations under this Agreement, or commences any other action or proceeding relating to this Agreement or the relationship between the parties, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including reasonable attorneys' fees.

20. Notices. All notices and reports permitted or required to be delivered by a party shall be deemed delivered: (i) when delivered in person; (ii) one business day after transmission by facsimile or other electronic system; or (iii) three business days after deposit in the United States Mail by Registered or Certified Mail, return receipt requested, postage prepaid and addressed as follows:

If to Seller:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to Buyer:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

or to any other address for Buyer in Seller's books and records. Either party shall have the right to change the address for notice by delivering a notice to the other party in accordance with the provisions of this paragraph.

21. Review of Agreement. Buyer acknowledges, represents and warrants that:

(a) it has read and understands all of this Agreement and all of the other related documents, if any, to be executed by Seller or Buyer concurrently or in conjunction with the execution of this Agreement; and

(b) it has had the opportunity to obtain advice and consult with professional advisors, like attorneys and accountants, concerning this Agreement, the risks of the business venture contemplated by this Agreement and whether or not to enter into this Agreement.

22. Rights Cumulative. All rights, options, elections, powers and remedies of Seller under the provisions of this Agreement are cumulative of each other and of every other right, option, election, power or remedy which Seller may otherwise have at law, in equity, and under any other agreements and documents relating to the transactions contemplated under this Agreement.

The exercise of one or more rights, options, elections, powers or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies Seller may have upon a default by Buyer under this Agreement.

23. Waiver. No delay or omission in the exercise of any right or remedy of Seller upon any default by Buyer shall impair such right or remedy or be construed as a waiver of such default.

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

SELLER:

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

BUYER:

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

**EXHIBIT A - EQUIPMENT INVENTORY**

**(TO BE PREPARED, EXECUTED, AND ATTACHED BY BUYER AND SELLER ON OR ABOUT THE DATE OF CLOSING.)**

EXHIBIT B - TRADE INVENTORY

(TO BE PREPARED, EXECUTED, AND ATTACHED BY BUYER AND SELLER ON OR ABOUT THE DATE OF CLOSING.)

EXHIBIT C - LIST OF EXCLUDED ASSETS

(TO BE PREPARED, EXECUTED, AND ATTACHED BY BUYER AND SELLER ON OR ABOUT THE DATE OF CLOSING.)

**EXHIBIT D - LIST OF ASSIGNED CONTRACTS**

**(TO BE PREPARED, EXECUTED, AND ATTACHED BY BUYER AND SELLER ON OR BEFORE THE DATE OF CLOSING.)**



**EXHIBIT E - DECLARATION OF BUYER**

Buyer hereby represents that the following constitute the terms of its purchase of the Business from Seller:

PURCHASE PRICE: \$ \_\_\_\_\_

PAYMENT OF PURCHASE PRICE BY BUYER AS FOLLOWS:

CHECK PAID TO SELLER: \$ \_\_\_\_\_  
CASH PAID TO SELLER: \$ \_\_\_\_\_  
AMOUNT FINANCED  
BY SELLER: \$ \_\_\_\_\_  
TOTAL PURCHASE PRICE: \$ \_\_\_\_\_

Buyer hereby also represents that it received a copy of Veron, Inc.'s currently effective Franchise Disclosure Document on the following date: \_\_\_\_\_.

Buyer hereby also represents that Seller has made no representations to Buyer other than those contained in this Contract for Sale of Assets, with the following exception(s) [WRITE "NONE" IF THERE ARE NO EXCEPTIONS]:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Buyer hereby certifies, under penalty of perjury, that the foregoing is true and correct.

BUYER:

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

\_\_\_\_\_  
Signature

## **EXHIBIT G**

SECURED PROMISSORY NOTE

\$ \_\_\_\_\_, 2 \_\_\_\_\_

FOR VALUE RECEIVED, \_\_\_\_\_  
\_\_\_\_\_, ("Maker"), hereby promises to pay to the order of  
VERON, INC., a California corporation ("Holder"), at  
\_\_\_\_\_, or at such other  
place as Holder may from time to time designate in writing, the  
principal sum of \_\_\_\_\_ Dollars  
(\$ \_\_\_\_\_), with interest on the unpaid principal balance of this  
Secured Promissory Note ("Note") from the date of this Note until  
paid in full at the rate of \_\_ percent (\_\_\_\_%) per annum ("Interest  
Rate").

1. Payment. Principal and interest under this Note are payable as follows:

(i) On the first day of each month following the date of this Note, Maker shall pay to Holder monthly installments of principal and interest in the amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_). Holder shall be entitled to receive installment payments through automatic withdrawals from Maker's bank account and Maker shall cooperate in arranging for automatic withdrawals.

(ii) On \_\_\_\_\_, the entire unpaid principal balance of this Note, together with accrued interest, shall be due and payable.

2. Prepayment. This Note is prepayable, in whole or in part, at any time by Maker upon thirty (30) days' written notice to Holder; provided, however, that, concurrently with such prepayment, Maker shall pay Holder any prepayment penalties and other charges that will be incurred by Holder under any loan arrangements with its lenders as a result of any corresponding prepayment by Holder of any such loans.

3. Security. This Note is secured by a Security Agreement dated \_\_\_\_\_, 2 \_\_\_\_\_ ("Security Agreement") which

encumbers certain personal property described therein.

4. Late Charge and Default Rate. Maker recognizes that any default in the payment of any installment of principal or interest due hereunder will result in losses and additional expenses to Holder in servicing the indebtedness evidenced hereby, handling such delinquent payments and meeting its financial obligations, and that the damages caused thereby would be extremely difficult and impractical to ascertain. Therefore, if any installment of principal or interest due hereunder becomes overdue for a period more than five (5) days, a late charge of ten percent (10%) of the delinquent amount may be charged by Holder, at its option, to defray such losses and expenses. If applicable law requires a lesser charge, the maximum rate permitted by law may be charged. Any late charge that accrues during a month shall be payable on the next monthly payment date. In addition, if Maker fails to pay any amount under this Note when due, the overdue amount shall automatically bear interest at an annual interest rate (in place of the Interest Rate) equal to the Interest Rate plus four percent (4%) per annum. Maker agrees that the payment of the late charge and default interest set forth in this Paragraph 4 is a reasonable estimate of the damage to Holder in the event of a late payment. The late fee and default rate of interest provided in this Paragraph shall be payable in addition to all other remedies of Holder hereunder, at law or in equity.

5. Acceleration. If Maker fails to pay any installment of principal or interest within five (5) days after the same is due, or if any other default occurs under this Note, the Security Agreement or any other Franchise Document (as defined in the Security Agreement), the entire unpaid principal balance, accrued interest and other sums payable hereunder shall, at the option of Holder, become immediately due and payable without demand or notice.

6. Application of Payments; No Setoffs. Each payment hereunder shall be credited first upon interest then accrued and the remainder, if any, upon principal; interest shall cease to accrue upon principal so credited. All sums payable hereunder or under the Security Agreement shall be payable without offset, demand, abatement or counterclaim of any kind or nature whatsoever, all of which are hereby waived by Maker. Principal and interest shall be payable in lawful money of the United States of America.

7. Calculation of Interest Rate. All agreements between Maker and Holder are expressly limited so that in no event whatsoever, whether by reason of advancement of the proceeds hereof, acceleration of the maturity of the unpaid principal

balance hereof, or otherwise, shall the amount paid or agreed to be paid to Holder for the use, forbearance or detention of the money to be advanced hereunder exceed the highest lawful rate permissible under applicable usury laws. In the event performance of any obligation of Maker under this Note, the Security Agreement or any other document referred to herein shall require the payment of interest in excess of such highest lawful rate, then such obligation shall, automatically and retroactively to the date of this Note, be deemed reduced to the highest lawful rate permissible under applicable usury laws. If Holder ever receives as interest an amount which would exceed such highest lawful rate, the amount of excessive interest shall not be applied to the payment of interest, but shall, automatically and retroactively to the act of payment, be applied to the reduction of the unpaid principal balance due hereunder, and, if and to the extent such amount of excessive interest exceeds such principal balance, be immediately returned by Holder to Maker without interest. This provision shall control every other provision of all agreements between Maker and Holder.

8. Waiver. Maker and all other parties who may be directly or indirectly liable hereunder waive (a) presentment, protest and demand, diligence in collection and notice of protest, presentment, demand, dishonor and nonpayment of this Note and (b) any release or discharge arising from any extension of time, discharge of any party liable for payment of this Note, release of any or all of the security for this Note, or other cause of release or discharge other than actual payment in full of this Note.

9. No Waiver. Holder shall not be deemed, by any act or omission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by Holder and then only to the extent specifically set forth in such writing. A waiver with reference to one event shall not be construed as a bar to or waiver of any right or remedy as to any subsequent event. No delay or omission of Holder to exercise any right, whether before or after a default hereunder, shall impair any such right or shall be construed to be a waiver of any right or default, and the acceptance at any time by Holder of any past-due amount shall not be deemed to be a waiver of the right to require prompt payment when due of any other amounts then or thereafter due and payable.

10. Severability. Any provision of this Note which may be prohibited by law or otherwise held invalid shall be ineffective only to the extent of such prohibition or invalidity and shall not invalidate or otherwise render ineffective the remaining provisions of this Note.

11. Choice of Law. This Note, and the rights and obligations hereunder of each of the parties hereto, shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflicts of law.

12. Successors and Assigns. The terms, covenants and conditions contained herein shall be binding upon the heirs and successors of Maker and shall inure to the benefit of the successors and assigns of Holder.

13. Costs and Expenses. If any amount under this Note is not paid when due, Maker promises to pay immediately upon demand all costs and expenses of collection, including without limitation actual attorneys' fees, incurred by Holder to enforce the terms of this Note and/or the Security Agreement.

14. Venue and Jurisdiction. Maker agrees that any suit, action or proceeding arising out of or relating to this Note, or the interpretation, performance or breach of this Note, may be instituted in the United States District Court for California or any court of the State of California located in Los Angeles, and Maker irrevocably submits to the jurisdiction of those courts and waives any and all objections to jurisdiction or venue that it may have under the laws of the State of California or otherwise in those courts in any such suit, action or proceeding. The provisions of this paragraph shall not be deemed to preclude Holder from filing any suit, action or proceeding in any other appropriate forum.

15. Assignment. Holder may assign this Note and any security for this Note (or any interest therein) without notice to Maker or the consent of Maker. Maker shall have no right or power to assign or delegate any obligations under this Note.

16. Entire Agreement. This Note contains all of the terms and conditions agreed on by Maker and Holder with respect to the subject matter of this Note. This Note supersedes all prior negotiations, discussions, correspondence and agreements between Maker and Holder on its subject. This Note cannot be modified or changed except by written instrument signed by Maker and Holder.

17. Miscellaneous. If this Note is executed by more than one person or entity as Maker, the obligations of each such person or entity shall be joint and several. Each right, power and remedy of Holder provided in this Note, the Security Agreement, any other document securing this Note or at law, in equity or otherwise shall be cumulative and may be pursued singularly, successively or together at the sole discretion of Holder, and the failure to

exercise any such right, power or remedy shall in no event be construed as a waiver or a release thereof. Time is of the essence with respect to each and every provision hereof in which time is a factor.

MAKER

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Print Name

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Signature

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Title

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Security Agreement") is made and entered into as of \_\_\_\_\_, 2\_\_\_\_, by and between \_\_\_\_\_, an individual, as debtor (referred to as the "Borrower"), and VERON, INC., a California corporation, as secured party (the "Secured Party").

### RECITALS

A. The Secured Party has agreed to loan the Borrower \_\_\_\_\_ Dollars (\$\_\_\_\_\_) and the Borrower has agreed to execute a Secured Promissory Note dated \_\_\_\_\_, 2\_\_\_\_ (the "Note") in favor of the Secured Party to evidence its obligation to repay the loan.

B. In order to induce the Secured Party to enter into such loan, the Borrower has agreed to enter into this Security Agreement with Secured Party in order to secure its payment and performance obligations under the Note.

C. Borrower and Secured Party are parties to a Franchise Agreement (the "Franchise Agreement") dated \_\_\_\_\_, 2\_\_\_\_ pertaining to the operation of a "Purrfect Auto Service" business located at \_\_\_\_\_ (the "Premises").

### AGREEMENT

Accordingly, in consideration of the mutual covenants contained herein, the parties agree as follows:

#### 1. GRANT OF SECURITY INTEREST

1.1 Grant of Security Interest. The Borrower hereby grants, assigns and transfers to the Secured Party a continuing security interest in all of the Borrower's right, title and interest in and to the property described in Exhibit A attached hereto and incorporated herein, whether presently held or owned by the Borrower or hereafter acquired (the "Collateral"), to secure the Secured Obligations (as defined in Section 2.1).



## 2. SECURED OBLIGATIONS

2.1 Secured Obligations. This Security Agreement secures, and the Collateral is collateral security for, the prompt payment and performance in full when due of all obligations and indebtedness of the Borrower to the Secured Party under the Note, the Franchise Agreement and all other Franchise Documents (as defined in Section 5.1(d)), whether for principal, interest, fees, expenses, or otherwise, whether now existing or hereafter owing or incurred or created, whether voluntary or involuntary, whether due or not due, or whether absolute or contingent (all such obligations of the Borrower to the Secured Party are referred to herein as the "Secured Obligations").

## 3. REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Borrower. The Borrower hereby represents and warrants to the Secured Party that the following statements are true, correct and complete as of the date of this Security Agreement:

(a) The Borrower's Address. The Borrower's place of business or, if it has more than one place of business its chief executive office, is located at \_\_\_\_\_.

(b) Owner of Collateral. The Borrower is the true and lawful owner of the Collateral free from any adverse lien, security interest or encumbrance of any kind whatsoever.

(c) Validity and Priority of Security Interest. This Security Agreement creates a valid security interest in favor of the Secured Party in the Collateral which security interest shall, when perfected, be and remain superior and prior in right to all claims of creditors of the Borrower and to all other security interests, liens and encumbrances in respect of the Collateral.

(d) Name of the Borrower. Unless the Borrower notifies the Secured Party in writing to the contrary, the Borrower does not presently conduct, and has not conducted, its business under any name or style other than its name set forth on the first page of this Security Agreement.

(e) Condition of Collateral. As of the date of this Security Agreement, the Collateral is in good repair, working order and condition and is located at the Premises.

(f) Genuineness of Accounts. Each Account and

all documents pertaining thereto are genuine in all respects and reflect a correct statement of bona fide indebtedness incurred by the account debtor and the amount thereof is not subject to any offset, counterclaim or any contingency whatever.

#### 4. COVENANTS

4.1 Covenants by the Borrower. Until the payment in full of all the Secured Obligations due and owing, the Borrower hereby covenants with the Secured Party that:

(a) Change of Address. The Borrower shall notify the Secured Party prior to changing (i) its place of business or its chief executive office from the location set forth in Section 3.1(a) of this Security Agreement, or (ii) its name from the name set forth on the first page of this Security Agreement or its tradename or style, if any.

(b) Condition of Collateral. The Borrower at all times shall maintain the Collateral in good repair, working order and condition, normal wear and tear excepted, and shall, from time to time, make or cause to be made, all needed and proper replacements, repairs, renewals and improvements so that the efficiency and value of the Collateral shall not be impaired.

(c) Collateral List. The Borrower at all times shall keep accurate and complete records with respect to the Collateral, including an up-to-date list describing all items of the Collateral in reasonable detail and incorporating serial numbers or other available forms of identification of such items, if available, and agrees that the representatives of the Secured Party shall have the right, at any time during normal business hours or any other reasonable time, and from time to time, to call at the Borrower's place or places of business where the Collateral or any part thereof may be held or located or the records pertaining to the Collateral may be kept and to inspect the Collateral and/or examine or cause to be examined such records and to make abstracts therefrom or copies thereof. In addition, the Borrower shall furnish the Secured Party with periodic reports as to the Collateral, in such form and detail and at such times as the Secured Party may reasonably require.

(d) Additional Filings. The Borrower shall cooperate with the Secured Party in preparing, executing and filing all financing statements, continuation statements and instruments necessary to provide the Secured Party continuously with a prior perfected security interest in the Collateral. In addition, the Borrower shall prepare, execute and file certificates of legal own-

ership and all other required instruments with the California Department of Motor Vehicles pursuant to Sections 6300, et seq., of the California Vehicle Code (the "Vehicle Code") with respect to all items of Collateral which constitute motor vehicles within the meaning of such Vehicle Code evidencing the lien hereof for the purpose of providing the Secured Party with a prior perfected security interest in such items of Collateral and shall obtain such documentation of title as may be issued by the California Department of Motor Vehicles with respect to such items of Collateral and shall deliver the same to the Secured Party. The Borrower shall furnish to the Secured Party upon request copies of any financing statements, certificates of legal ownership or other instruments creating and perfecting a security interest of the Secured Party in the Collateral.

(e) Collateral Removal or Sale. The Borrower shall not (i) remove or permit the removal of any item or portion of the Collateral from the Premises, or (ii) sell, trade-in, exchange or otherwise dispose of any item or portion of the Collateral without the prior written consent of the Secured Party.

(f) Collateral Transfer. During the term of this Security Agreement, the Borrower shall neither assign nor otherwise transfer any of the Collateral to any other person or entity.

(g) Further Encumbrances. During the term of this Security Agreement, the Borrower shall neither create nor permit to be created any lien, encumbrance or security interest of any kind on any of the Collateral, other than such liens, encumbrances or security interests as may be agreed to by Secured Party in writing.

(h) Collateral to Remain Personal Property. The Borrower acknowledges and agrees that all of the Collateral is and will remain personal property, notwithstanding the manner of its annexation to any real property and its adaptability to the uses and purposes for which any such real property is now or may hereafter be used, and no present or future real property lease entered into by the Borrower as lessee will grant the lessor therein any rights to the Collateral or prohibit its removal, whether or not the Borrower is in default under the lease, and the Borrower, upon the Secured Party's request, will deliver to the Secured Party such waivers and consents from any such lessor and from any encumbrancer of any real property on which any Collateral may be located as the Secured Party may request.

(i) Defense of Title. The Borrower, at its

sole expense, will appear in and defend any and all actions and proceedings affecting title to the Collateral or any part thereof, or affecting the security interest of the Secured Party therein.

(j) Insurance. The Borrower shall maintain at all times with respect to the Collateral insurance against risks of fire, so-called extended coverage, sprinkler leakage, and other risks customarily insured against by companies engaged in similar business to that of the Borrower in amounts, containing such terms, in such form, for such periods and written by such companies as may be satisfactory to the Secured Party with loss payable solely to the Secured Party. All policies of insurance shall provide for a 20-day written cancellation notice to the Secured Party. In the event of failure to maintain such insurance, the Secured Party may, at its option, obtain such insurance as the Secured Party may require at the expense of the Borrower. The Borrower shall furnish to the Secured Party certificates or other evidence satisfactory to the Secured Party of compliance with the foregoing provisions. In the event the Secured Party takes possession of the Collateral, the insurance policy or policies and any unearned or returned premium thereon and the proceeds thereof shall, at the option of the Secured Party become the sole property of the Secured Party, such policies and the proceeds thereof being hereby assigned to the Secured Party.

(k) Further Assurances. The Borrower will execute and deliver to the Secured Party any and all additional instruments or documents and do all things which the Secured Party from time to time may reasonably deem necessary or convenient to carry into effect the provisions of this Security Agreement.

## 5. EVENTS OF DEFAULT AND REMEDIES

5.1 Events of Default. The occurrence of any of the following events is an "Event of Default" hereunder:

(a) Failure to Pay. The Borrower fails to pay when due any of the Secured Obligations secured by this Security Agreement.

(b) Misrepresentation. Any representation or warranty made by the Borrower (or any of its officers) in any certificate, instrument, financial statement or other document delivered in connection with this Security Agreement or in this Security Agreement shall be false or misleading in any material respect on or as of the date deemed made.

(c) Breach of Note. The occurrence of a

default under the Note.

(d) Default Under Other Agreements. The Borrower fails to perform or observe any of the covenants, terms, provisions, conditions, agreements or obligations arising under the Franchise Agreement or any lease, sublease, promissory note, security agreement or other document or instrument relating in any manner to the transactions contemplated under the Franchise Agreement, whether between Borrower and Secured Party or executed by Borrower in favor of Secured Party or otherwise, and whether now in existence, executed concurrently herewith, or executed in the future (collectively, the "Franchise Documents").

(e) Dissolution; Termination of Business. The election by the Borrower to dissolve or liquidate the Borrower or the termination of the business of the Borrower.

(f) Judgments. Any money judgment, writ of attachment or similar process shall be entered or filed against the Borrower or any of its properties or other assets which, in the Secured Party's opinion, materially impairs the ability of the Borrower to meet its obligations to the Secured Party.

(g) Financial Information. The Borrower fails to provide the Secured Party any financial information within a reasonable time after the request of the Secured Party.

(h) Validity of Security Agreement Contested. This Security Agreement shall cease to be in full force and effect or shall be declared null and void, or the validity or enforceability thereof shall be contested by the Borrower, or the Borrower shall deny that it has any or further liability or obligation under this Security Agreement.

(i) Security Interest. The Borrower fails to take such action as is necessary to provide the Secured Party continuously with a prior perfected security interest in the Collateral.

(j) Involuntary Proceedings. Without the application or consent of the Borrower, (i) a receiver, trustee, custodian or similar officer is appointed for the Borrower or for any substantial part of its property, or (ii) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceedings under the laws of any jurisdiction is instituted (by petition, application or otherwise) against the Borrower and such appointment or proceedings remain unstayed or undismissed for a period of 60 days.

(k) Voluntary Proceedings. The Borrower (i) admits in writing its inability to pay its debts when due, or (ii) makes an assignment for the benefit of creditors, or (iii) applies for or consents to the appointment of any receiver, trustee, custodian, or similar officer for the Borrower or for any substantial part of its property, or (iv) institutes (by petition, application, or otherwise) or consents to any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation, or similar proceedings under the laws of any jurisdiction against the Borrower or (v) approves or adopts any resolution or otherwise authorizes action to approve any of the foregoing.

(l) Breach of Other Covenants. The Borrower fails to perform or observe any other term, covenant or condition contained in this Security Agreement and not otherwise identified as an Event of Default under the foregoing Sections 5.1(a) through 5.1(k), inclusive, and such failure remains unremedied for 5 days after notice thereof is given to the Borrower by the Secured Party.

## 5.2 Remedies upon Event of Default.

(a) Acceleration. Upon the occurrence and during the continuance of an Event of Default under Section 5.1(j) or (k), without further act, the unpaid principal amount of the Note, together with all accrued interest thereon and any fees and other amounts owing thereunder and all Secured Obligations and other amounts owing under this Security Agreement, shall automatically accelerate and become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, anything herein or in the Note or other instrument or agreement to the contrary notwithstanding. Upon the occurrence and during the continuance of an Event of Default under Section 5.1(a), (b), (c), (d), (e), (f), (g), (h), (i) or (l), unless such Event of Default shall have been waived in writing by Secured Party, the unpaid principal amount of the Note, together with all accrued interest thereon and any fees and other amounts owing thereunder and all Secured Obligations and other amounts owing under this Security Agreement, shall automatically accelerate and become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, anything herein or in the Note or other instrument or agreement to the contrary notwithstanding.

5.2(b) Other Remedies. In addition to the foregoing and all other rights and remedies that the Secured Party may have under applicable law or in equity, upon the occurrence and during the continuance of an Event of Default, the Secured Party

shall have, in any jurisdiction where enforcement hereof is sought, all rights and remedies of a secured party under the California Uniform Commercial Code (the "Code") and, in addition, the following rights and remedies, all of which, except as otherwise specified herein or required by law, may be exercised with or without notice to the Borrower and without affecting the Secured Obligations of the Borrower or the enforceability of the security interest created hereby:

(i) to foreclose the liens and security interests created hereunder or under any other agreement relating to any Collateral by any available judicial procedure or without judicial process;

(ii) to secure, protect, insure, inventory, appraise, inspect, repair, preserve, store, prepare, and process, the Collateral and enter upon any premises where any Collateral may be located for any such purpose;

(iii) to require the Borrower to assemble the Collateral and make it available to the Secured Party at places that the Secured Party may reasonably designate, whether at the premises of the Borrower or elsewhere;

(iv) to sell, assign, lease or otherwise dispose of any Collateral, or any part thereof, either at public or private sale, in lot or in bulk, for cash, on credit or otherwise, with or without representations or warranties and upon such terms as shall be acceptable to the Secured Party;

(v) to enter upon any premises where the same may be located and remove therefrom any and all Collateral, and the Secured Party may, at the cost and expense of the Borrower, use such of its supplies, equipment, facilities and space at the Borrower's place of business as may reasonably be necessary or appropriate to properly administer, process, store, repair, control, prepare for sale or disposition and/or sell or dispose of the Collateral or to properly administer and control the handling of collections and realizations thereon, and the Secured Party shall be deemed to have a rent-free tenancy of any premises of the Borrower for such purposes and for such periods of time as reasonably required by the Secured Party;

(vi) to make such payments and do such acts as the Secured Party may deem necessary to protect its security interest in the Collateral and perform any obligation of the Borrower under this Security Agreement; and

(vii) to exercise all other rights, powers, privileges, and remedies of an owner of the Collateral, all at the Secured Party's sole option and as the Secured Party in its sole discretion may deem advisable.

(c) Possession of Collateral. Upon the occurrence and during the continuance of an Event of Default, the Secured Party shall have the right, without notice or demand, either in person, by agent or by a receiver to be appointed by a court (and the Borrower hereby expressly consents upon the occurrence of an Event of Default to the appointment of such a receiver), and without regard to the adequacy of any security for the Secured Obligations, to take possession of the Collateral or any part thereof and to collect and receive the rents, revenues, income and proceeds therefrom. Taking possession of the Collateral shall not cure or waive any Event of Default or notice thereof or invalidate any act done pursuant to such notice. The rights, remedies and powers of any receiver appointed by a court shall be as ordered by such court.

(d) Sale of the Collateral. Any public or private sale or other disposition of the Collateral may be held at any office of the Secured Party where such sale may be commercially reasonable, or at the Borrower's place of business, or at any other place permitted by applicable law, and without the necessity of the Collateral being within the view of prospective purchasers. The Secured Party may direct the order and manner of sale of the Collateral, or portions thereof, as it in its sole and absolute discretion may determine, and the Borrower expressly waives any right to direct the order and manner of sale of any Collateral. The Secured Party or any person on the Secured Party's behalf may bid and purchase at any such sale or other disposition.

(e) Notice of Sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Secured Party will send to the Borrower reasonable written notice of the date, time and place of any public sale thereof or of the time and date on or after which any private sale thereof is to be made. The requirement of sending reasonable notice conclusively shall be met if such notice is given by any of the methods set forth in Section 7.11 at least 5 days before the date of the sale. The Borrower expressly waives any right to receive notice of any public or private sale of any Collateral or other security for the Secured Obligations (other than any publication required by applicable law) except as expressly provided for in this Section 5.2(e).

(f) Nature of Sale. Upon the consummation of



any sale of Collateral, the Secured Party shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the Collateral so sold absolutely free from any claim or right upon the part of the Borrower or any other person, and the Borrower hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and appraisal that it now has or may at any time in the future have under any rule of law or statute now existing or hereinafter enacted. If the sale of all or any part of the Collateral is made on credit or for future delivery, the Secured Party shall not be required to apply any portion of the sale price to the Secured Obligations until such amount actually is received by the Secured Party, and any Collateral so sold may be retained by the Secured Party until the sale price is paid in full by the purchaser or purchasers thereof. The Secured Party shall not incur any liability in case any such purchaser or purchasers shall fail to pay for the Collateral so sold, and, in case of any such failure, the Collateral may be sold again.

(g) Cumulative Remedies. The Secured Party shall have the right to enforce one or more remedies hereunder successively or concurrently, and any such action shall not estop or prevent the Secured Party from pursuing any further remedy that it may have hereunder or by law.

5.3 Application of Proceeds. The net cash proceeds resulting from the collection (including any collection of insurance proceeds), liquidation, sale, lease or other disposition of the Collateral shall be applied, first to the reasonable expenses (including, without limitation, attorneys' fees and disbursements) of retaking, holding, storing, processing, repairing and preparing for sale or lease, selling, leasing, collecting, liquidating and the like, and then to the satisfaction of the other Secured Obligations in such order as shall be determined by the Secured Party in its sole and absolute discretion. The Borrower shall pay to the Secured Party on demand any deficiency with regard thereto that may remain after any sale, disposition, collection or liquidation of the Collateral. Any surplus held by the Secured Party after payment in full of all Secured Obligations shall be remitted to the Borrower.

## 6. THE SECURED PARTY APPOINTED ATTORNEY-IN-FACT

6.1 Appointment. The Borrower hereby irrevocably nominates and appoints the Secured Party as its attorney-in-fact with full power of substitution, for all or any of the following purposes:

(a) Protection of Collateral. To do all acts and things that the Secured Party may deem necessary or advisable to perfect and continue perfected the security interest created by this Security Agreement and, upon the occurrence of an Event of Default, to preserve, process, develop, maintain, repair and protect the Collateral.

(b) Acts Under This Security Agreement. Upon the occurrence of an Event of Default, to do any and every act that the Borrower is obligated to do under this Security Agreement, at the expense of the Borrower and without any obligation to do so.

(c) Collateral Documentation. To prepare, sign, file and/or record, for the Borrower, in the name of the Borrower, any financing statement, continuation statement, application for registration or like paper, and to take any other action deemed by Secured Party necessary or desirable in order to perfect or maintain perfected its security interest in the Collateral.

(d) Title Transfer. Upon the occurrence of an Event of Default, to sign any certificate of ownership, registration card, application therefor, affidavits or documents necessary to transfer title to any of the Collateral and to receive and acknowledge receipt of all licenses, registration cards and certificates of ownership.

(e) Sign Name of the Borrower; Other Acts. Upon the occurrence of an Event of Default, to receive, open and dispose of all mail addressed to the Borrower; to endorse the name of the Borrower on any notes, acceptances, checks, drafts, money orders or other remittances; to endorse the name of the Borrower on any invoice, freight or express bill or bill of lading, storage receipt, warehouse receipt or other instrument or document in respect to any account or invoice; to sign the name of the Borrower to drafts against debtors, assignments or verifications of accounts and notices to account debtors; to station a representative of the Secured Party on the premises of the Borrower for the purpose of taking any of the actions described in this paragraph, including, but not limited to, taking possession of books and records relating to the accounts referred to herein, and to do all other acts and things necessary or desirable to carry out the intent of this Security Agreement and to preserve and protect the Collateral and the Secured Party's security interest therein; provided, however, that the Secured Party shall be under no obligation whatsoever to take any of the foregoing actions, and, absent bad faith or actual malice, the Secured Party shall have no liability or responsibility for any act taken or omitted to be taken with respect thereto.

## 7. MISCELLANEOUS

7.1 Expenses. The Borrower will upon demand pay to the Secured Party the amount of any and all reasonable advances, charges, costs and expenses, including the fees and expenses of its counsel (including the allocated costs of in-house counsel) and of any experts or agents, that the Secured Party may incur in connection with (a) the creation, perfection and continuation of the Secured Party's security interest in the Collateral and the protection of the Collateral, including, without limitation, the discharging of any prior or subsequent lien or adverse claim against the Collateral or any part thereof, (b) the custody or preservation or sale of, collection from, or other realization upon, any of the Collateral, (c) the exercise or enforcement of any of the rights, powers or remedies of the Secured Party under this Security Agreement, or the Note or in equity or by law (including, but not limited to, counsel fees and expenses incurred by the Secured Party in connection with the operation, maintenance or foreclosure of any and all of the Collateral), (d) any workout, restructuring or similar arrangement of the Borrower, or (e) the failure by the Borrower to perform or observe any of the provisions of this Security Agreement or of the Note. Any such amounts payable as provided hereunder or thereunder shall be payable, with interest to the extent provided in Section 7.3, on demand, and shall be additional Secured Obligations secured by the Collateral.

7.2 Indemnity. In addition to the payment of expenses pursuant to Section 7.1, the Borrower agrees to indemnify, defend, exonerate, pay and hold the Secured Party and the agents of the Secured Party (the "Indemnitees") harmless from and against any and all transfer taxes, documentary taxes, assessments or charges made by any governmental authority by reason of the execution and delivery of this Security Agreement, or the Note and any and all liabilities, obligations, losses, damages, penalties, actions, causes of action, judgments, suits, claims, and reasonable costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, the reasonable fees and disbursements of counsel, including the allocated costs of in-house counsel, to the Secured Party and expert witness fees and disbursements) for such Indemnitees in connection with any investigative, administrative or judicial proceeding, whether or not such Indemnitee shall be designated a party thereto, that may be imposed on, incurred by or asserted against such Indemnitee, in any manner arising out of or in connection with this Security Agreement or the Note (the "Indemnified Liabilities"). Notwithstanding the foregoing, "Indemnified Liabilities" shall not include

liabilities, obligations, losses, damages, penalties, actions, causes of action, judgments, suits, claims, costs, expenses and disbursements to the extent caused by or resulting from the willful misconduct or negligence of any Indemnatee.

Each Indemnatee will promptly notify the Borrower of each event of which it has knowledge that may give rise to a claim under this Section 7.2. If any investigative, judicial or administrative proceeding arising from any of the foregoing is brought against any Indemnatee indemnified or intended to be indemnified pursuant to this Section 7.2, the Borrower, to the extent and in the manner directed by the Indemnatee or intended Indemnatee, will resist and defend such action, suit or proceeding or cause the same to be resisted and defended by counsel designated by the Borrower (which counsel shall be satisfactory to the Indemnatee or intended Indemnatee). Each Indemnatee will use its best efforts to cooperate in the defense of any such action, writ or proceeding. To the extent that the undertaking to indemnify, pay and hold harmless set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, the Borrower shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under applicable law.

The obligations of the Borrower under this Section 7.2 shall survive the termination of this Security Agreement and the discharge of the Borrower's other obligations under the Note.

7.3 Interest. All amounts required to be paid to the Secured Party by the Borrower pursuant to the provisions of this Security Agreement (including, without limitation, pursuant to Sections 7.1 and 7.2 hereof) shall bear interest from and including the date on which such amounts are due, to and excluding the date of payment thereof, at the rate of 10 percent per annum. All payments of such amounts by the Borrower shall include any such accrued interest.

7.4 Security Interest Absolute. All rights of the Secured Party hereunder, the security interest, and all obligations of the Borrower hereunder, shall be absolute and unconditional irrespective of:

(a) Invalidity or Unenforceability. Any lack of validity or enforceability of the Note, any agreement with respect to any of the Secured Obligations or any other agreement or instrument relating to any of the foregoing.

(b) Amendments or Waivers. Any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any renewal or extension of all or any of the Secured Obligations or any other amendment or waiver of or any consent to any departure from the Note or any other agreement or instrument.

(c) Other Circumstances. Any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower in respect of the Secured Obligations or in respect of this Security Agreement.

7.5 Assignment. Neither this Security Agreement nor any rights or obligations under this Security Agreement may be assigned by the Borrower without the prior written consent of the Secured Party.

7.6 Parties in Interest. Nothing in this Security Agreement, expressed or implied, is intended to confer on any person or entity other than the parties any right or remedy under or by reason of this Security Agreement.

7.7 Prompt Action. Time is of the essence with respect to each provision of this Security Agreement.

7.8 Specific Performance. If any party should default in any of its obligations under this Security Agreement, the parties each acknowledge that it would be impracticable to measure the resulting damages and that it may not be possible to adequately compensate the injured party by monetary damages. Accordingly, without prejudice to the right to seek and recover monetary damages, each nondefaulting party shall be entitled to sue in equity for specific performance of this Security Agreement or other injunctive relief, and each party hereby waives any defense that a remedy in damages would be adequate.

7.9 Further Action. Each party agrees to perform any further acts and to execute and deliver any other documents which may be reasonably necessary to effect the provisions of this Security Agreement.

7.10 Survival of Representations and Warranties. All representations and warranties of the parties contained in this Security Agreement shall survive the execution and delivery of this Security Agreement and shall continue until any and all Secured Obligations have been paid and performed in full.

7.11 Successors and Assigns. Except as otherwise

expressly provided in this Security Agreement, this Security Agreement shall be binding on and shall benefit the parties and their respective heirs, executors, administrators, successors and assigns.

7.12 Joint and Several Liability. If Borrower consists of more than one person or entity, then the obligations and liabilities of each such person or entity to Secured Party shall be joint and several among them.

7.13 Governing Law. This Security Agreement and the legal relations among the parties shall be interpreted, construed and governed by the laws of California, without giving effect to any conflicts of laws.

7.14 Venue and Jurisdiction. The parties agree that any suit, action or proceeding arising out of or relating to this Security Agreement, or the interpretation, performance or breach of this Security Agreement, may be instituted in the United States District Court for California or any court of the State of California located in Los Angeles, and each party irrevocably submits to the jurisdiction of those courts and waives any and all objections to jurisdiction or venue that it may have under the laws of the State of California or otherwise in those courts in any such suit, action or proceeding. The provisions of this Section shall not be deemed to preclude Secured Party from filing any suit, action or proceeding in any other appropriate forum.

7.15 Entire Security Agreement. This Security Agreement contains all of the terms and conditions agreed on by the parties on its subject matter. This Security Agreement supersedes all prior negotiations, discussions, correspondence and agreements between the parties on its subject. This Security Agreement cannot be modified or changed except by written instrument signed by all the parties hereto.

7.16 Headings. Paragraph and section numbers and headings are used in this Security Agreement for convenience only and shall not affect the meaning or construction of any provision of this Security Agreement.

7.17 Gender. All terms used in any one number or gender shall mean and include any other number and gender as the facts, context or sense of this Security Agreement or any provision may require.

7.18 Construction. The provisions of this Security Agreement shall be interpreted and construed according to their

fair meaning and not strictly for or against any party.

7.19 Severability. If any provision of this Security Agreement is invalid or unenforceable in a jurisdiction, either in its entirety or by virtue of its scope or application to a circumstance, that provision shall be deemed modified to the extent necessary to be valid or, if such modification is not possible, that provision shall be deemed to be excised from this Security Agreement. This Security Agreement shall be construed and enforced as if that provision were included as modified or were not included, as the case may be. If the invalidity or unenforceability of a provision exists under the laws of only a particular jurisdiction, this paragraph shall operate on that provision only to the extent that the laws of that jurisdiction apply to the provision.

7.20 Counterparts. This Security Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

7.21 Notices. All notices and reports permitted or required to be delivered by a party shall be deemed delivered: (i) when delivered in person; (ii) one business day after transmission by facsimile or other electronic system; or (iii) three business days after deposit in the United States Mail by Registered or Certified Mail, return receipt requested, postage prepaid and addressed as follows:

If to Secured Party: VERON, INC.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to Borrower:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

or to any other address for Borrower in Secured Party's books and records. Either party shall have the right to change the address for notice by delivering a notice to the other party in accordance with the provisions of this paragraph.

7.22 Review of Security Agreement. Borrower acknowledges, represents and warrants that:

(a) Borrower has read and understands all of this Security Agreement and all of the other related documents, if

any, to be executed by Borrower concurrently or in conjunction with the execution of this Security Agreement; and

(b) Borrower has had the opportunity to obtain advice and consult with professional advisors, like attorneys and accountants, concerning this Security Agreement, the risks of this Security Agreement and whether or not to enter into this Security Agreement.

7.23 Rights Cumulative. All rights, options, elections, powers and remedies of Secured Party under the provisions of this Security Agreement are cumulative of each other and of every other right, option, election, power or remedy which Secured Party may otherwise have at law, in equity, under the Franchise Agreement and under any other Franchise Documents. The exercise of one or more rights, options, elections, powers or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies Secured Party may have upon a default by Borrower under this Security Agreement.

7.24 Waiver. No delay or omission in the exercise of any right or remedy of Secured Party upon any default by Borrower shall impair such right or remedy or be construed as a waiver of such default.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed as of the date and year first above written.

BORROWER:

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

\_\_\_\_\_  
Signature

SECURED PARTY:

VERON, INC.,  
a California corporation

By: \_\_\_\_\_,  
its \_\_\_\_\_

\_\_\_\_\_  
Signature



## EXHIBIT A

### Collateral Description

1. Equipment. All equipment (as defined in the California Uniform Commercial Code (the "Code")), machinery, tools, furniture, furnishings, plant fixtures, business fixtures and other fixtures and other storage and office equipment, now owned, leased or held, or hereafter acquired by the Borrower, wherever located, and all parts thereof and all additions and accessions thereto and replacements thereof and documents therefor, including any documents of title representing any of the above (any and all of the foregoing being the "Equipment");

2. Inventory. All inventory (as defined in the Code) in all of its forms, now owned or held, or hereafter acquired by the Borrower, wherever located, including, but not limited to (i) all goods (wherever located and whether in the possession of the Borrower or a bailee or other person for storage, transit, or otherwise) manufactured or assembled or held for sale or lease or to be furnished under any contract of service, or so leased or furnished, and raw materials and work in process, finished and unfinished goods, and materials used or consumed in the Borrower's business, (ii) all goods which are returned to or repossessed by the Borrower, and (iii) all additions and accessions thereto and replacements and products thereof, including, without limitation, any documents of title representing any of the above (any and all of the foregoing being the "Inventory");

3. Accounts. All accounts, general intangibles, chattel paper, instruments (each as defined in the Code), and other obligations of any kind, now owned or held or hereafter acquired by the Borrower, including, without limitation, insurance claims, insurance settlement proceeds, tax refund claims and tax refunds, arising out of or in connection with the sale or lease of goods or the rendering of services, and all rights in and to all security agreements, leases, and other contracts securing or otherwise relating to any such accounts, general intangibles, chattel paper, instruments or obligations, and all books and records relating to any of the foregoing (any and all of the foregoing being the "Accounts");

4. Instruments. All notes and other instruments and any instrument which constitutes a part of chattel paper, and other evidences of indebtedness in which the Borrower now or hereafter has any interest, to the extent of that interest;

5. Documents. All documents (as defined in the Code)

in which the Borrower now or hereafter has any interest, to the extent of that interest;

6. Chattel Paper. All chattel paper in which the Borrower now or hereafter has any interest;

7. General Intangibles. All General Intangibles (as hereinafter defined) in which the Borrower now or hereafter has any interest, to the extent of that interest. "General Intangibles" means any "general intangibles," as such term is defined in the Code, and shall include, without limitation, (a) all patents, patent applications, trademarks, trademark registrations, trade names and trademark applications; (b) license agreements with any other party, whether the Borrower is a licensor or licensee under any such license agreement, and the right to prepare for sale, sell and advertise for sale all inventory now or hereafter covered by such licenses; (c) all of the Borrower's books, records and files, including computer software and tapes and all other forms of electronic information storage; (d) copyrights and other rights in intellectual property; (e) interests in partnerships, joint ventures and other business associations; (f) licenses and permits; (g) trade secrets, proprietary or confidential information, customer lists, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know-how, software, data bases, data, skill, expertise, experience, processes, models, drawings, materials and records, and goodwill; (h) claims in or under insurance policies, including unearned premiums; (i) uncertificated securities; (j) deposit accounts; (k) rights to receive tax refunds and other payments; (l) rights of indemnification; and (m) all of the Borrower's rights under any warranties or guaranties of any kind, including equipment, machinery or services;

8. Contracts. All of the Borrower's rights under all contracts, undertakings or agreements (other than rights evidenced by chattel paper, documents or instruments) in or under which the Borrower may now or hereafter have any right, title or interest, including, without limitation, with respect to an Account, any agreement relating to the terms of payment or the terms of performance thereof;

9. Money and Other Personal Property. All money (as defined in the Code) and all other goods and personal property in which the Borrower has any interest, to the extent of that interest, whether now or hereafter owned or existing, leased, consigned by or to or acquired by the Borrower and wherever located; and

10. Proceeds and Products. All proceeds and products of

the foregoing (including, without limitation, cash proceeds and noncash proceeds resulting from the sale or other voluntary or involuntary disposition thereof or any other realization in respect thereof) and including, but not limited to, all property of any type that is acquired with any cash proceeds, and all guarantees, insurance and rights against sureties the Borrower may have in connection therewith and all proceeds and products relating thereto or therefrom, and all the Borrower's right, title and interest in and to additions, accessions, replacements and substitutions to and for the foregoing, and all documents, ledger sheets and files of the Borrower relating thereto. The term "proceeds" as used herein shall include, without limitation, all accounts, chattel paper, deposit accounts, instruments, equipment, inventory, documents, general intangibles and other proceeds that arise from the sale, lease, transfer or other use or disposition of any kind of any of the Collateral described in the foregoing paragraphs 1 through 9, inclusive, or proceeds, and all proceeds of any type described above acquired with cash proceeds.

## **EXHIBIT H**

### CONSENT TO TRANSFER AGREEMENT

THIS CONSENT TO TRANSFER AGREEMENT ("Agreement") is made and entered into as of this \_\_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_, by and among VERON, INC., a California corporation ("Veron"), \_\_\_\_\_, a(n) \_\_\_\_\_, ("Seller"), and \_\_\_\_\_, a(n) \_\_\_\_\_ ("Buyer"), with reference to the following facts:

A. Seller currently owns and operates a "Purrfect Auto Service" franchise ("Franchise") located at the following address:

\_\_\_\_\_, hereinafter referred to as the "Location", and in connection therewith, has executed a Franchise Agreement dated \_\_\_\_\_, 2\_\_\_\_ between Veron and Seller (the "Franchise Agreement") and the documents and instruments listed in Exhibit A attached hereto and incorporated herein by reference (the Franchise Agreement and such documents and instruments being collectively referred to herein as the "Seller's Franchise Documents").

B. Seller wishes to assign, and Buyer wishes to assume, all rights and obligations of Seller under the Seller's Franchise Documents.

C. Veron is willing to consent to the assignment of such rights and obligations from Seller to Buyer upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, the parties agree as follows:

1. Consent. Veron hereby consents to the assignment and transfer by Seller to Buyer of all of Seller's rights, title and interest in and to the Franchise and the Seller's Franchise Documents and the assumption by Buyer of all of Seller's obligations thereunder (the "Transfer"), subject to and conditioned upon Seller and Buyer fulfilling the conditions set forth in Paragraph 2 below.

2. Conditions Precedent. The following conditions precedent shall be satisfied by Seller and Buyer on or before the Closing Date (as defined below):

(a) Within three (3) days following the date of execution of this Agreement by Veron, Buyer and Seller shall execute and return to Veron a duplicate counterpart of this Agreement.

(b) The terms of the sale by Seller to Buyer shall be as set forth in the purchase and sale agreement(s) and related agreements and documents that have heretofore been provided to Veron for review and approval and are listed on Exhibit "B" which is attached hereto and incorporated herein by reference. Seller and Buyer shall not make any changes to such agreements and documents without the prior written approval of Veron.

(c) Seller shall execute the form of General Release which is attached hereto as Exhibit "C" and incorporated herein by reference.

(d) Seller and Buyer shall execute and deliver to Veron the Declaration of Buyer and Seller which is attached hereto as Exhibit "D" and incorporated herein by reference.

(e) Seller shall pay to Veron all sums due and payable to Veron as of the Closing Date pursuant to paragraph 4 below.

(f) Buyer shall execute and deliver to Veron the agreements and documents described in Exhibit "E" attached hereto and incorporated herein by reference (the "Buyer's Franchise Documents").

(g) Seller shall pay to Veron a transfer fee of Ten Thousand Dollars (\$10,000.00), which shall be payable in full prior to Buyer's attendance at Veron's initial franchisee training program. Said transfer fee shall be non-refundable, even in the event the purchase and sale transaction between Buyer and Seller is not concluded.

(h) Buyer shall pay to Veron, upon the execution of this Agreement, the sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) as a security deposit and \_\_\_\_\_ Dollars (\$\_\_\_\_\_) as rent pursuant to the terms of the Sublease to be entered into between Buyer and Veron.

(i) Buyer shall complete the Veron training program, as designed and implemented in the sole discretion of Veron, to the satisfaction of Veron. Buyer shall execute and deliver the Buyer's Franchise Documents prior to entering into the Veron training program.

3. Escrow Disclaimer. Buyer and Seller hereby acknowledge that Veron is not an escrow agent and shall not serve as such in connection with Buyer's purchase of the Franchise from Seller. Buyer and Seller acknowledge and represent that, except as otherwise specifically stated in this Agreement, all funds transferred between Buyer and Seller have been so transferred outside of Veron's consent to the transfer of the franchise, and that no funds have been paid to Veron, its employees, or its agents

in connection with this transaction. Veron has advised Buyer and Seller that it would be in their best interests to process and complete this transaction via an escrow agent in order to safeguard Buyer and Seller in connection with amounts owed to parties other than Veron.

Buyer's Initials: \_\_\_\_\_ Seller's Initials: \_\_\_\_\_

4. Closing Date. The closing of the Transfer shall occur on a date (the "Closing Date") acceptable to Veron, Buyer and Seller; provided, however, that the Closing Date shall not occur until after the conditions set forth in paragraph 2 above have been satisfied. Notwithstanding the foregoing, in the event the Closing Date does not occur on or before \_\_\_\_\_, 2\_\_\_\_, Veron may, at its option at any time after such date, withdraw its consent to the Transfer and terminate this Agreement and the Buyer's Franchise Documents by delivering written notice of such withdrawal and termination to Buyer and Seller. Such withdrawal and termination shall not affect in any manner the Seller's Franchise Documents or the obligations of Seller thereunder, all of which shall remain in full force and effect.

5. Satisfaction of Seller's Indebtedness and other Obligations.

(a) Within three (3) days following the date of execution hereof by Veron, but prior to the Closing Date, Seller shall pay to Veron by cashier's check the full amount of Seller's indebtedness to Veron, which is currently estimated to be in the amount of \_\_\_\_\_ (\$\_\_\_\_\_) (the "Estimated Indebtedness"). Concurrently with such payment, Seller shall also pay Veron the sum of \$3,000.00 to cover any additional rents, royalties, late charges, advertising charges, indebtedness and other amounts payable to Veron which may accrue prior to the Closing Date ("Closing Fund"). The parties acknowledge and agree that the payment of the Estimated Indebtedness and the Closing Fund shall not serve as a waiver or release by Veron of any of Seller's obligations under the Seller's Franchise Documents, and that, except as provided in paragraph 5 below, Seller shall remain liable for the performance of all of its obligations under the Seller's Franchise Documents.

(b) As soon as practical following the Closing Date, Veron shall remit to Seller (or, instead, to Buyer if so directed by written instructions to Veron from both Seller and Buyer) the balance of said \$3,000.00, if any, remaining after payment to Veron of all amounts due from Seller to Veron as of the Closing Date. If Seller's actual indebtedness to Veron as of the Closing Date exceeds the amounts paid to Veron pursuant to this paragraph 4, such excess shall be paid to Veron on or before the Closing Date as a condition to Veron's consent under this Agreement.

(c) If for any reason Veron fails to advise Seller and Buyer of all sums actually due and owing from Seller to Veron as of the Closing Date, both Seller and Buyer shall be jointly and severally liable to Veron for the payment of such sums, which amounts shall be paid by Buyer and Seller within three (3) days after receipt of Veron's written demand for payment. Seller agrees to reimburse Buyer to the extent that Buyer pays such sums to Veron on Seller's behalf (unless Seller and Buyer have expressly agreed otherwise), and Buyer and Seller hereby hold Veron harmless for any disputes between them which may occur in connection therewith.

(d) Prior to the Closing Date, Seller shall perform such repairs and maintenance on and to the Location as reasonably required by Veron. Seller shall provide Veron with current copies of Underground Storage Tank Integrity Certificates, if applicable. Seller and Buyer hereby represent and warrant to Veron that, as of the Closing Date, all required licenses, fees, and permits pertaining to any underground storage tanks at the Location are current and are in full compliance with all governmental laws, rules, regulations and codes.

6. Execution of Current Agreements. Upon the satisfaction of the conditions set forth in paragraph 2 above and the closing of the transactions contemplated under this Agreement, the obligations of Veron and Seller under the Seller's Franchise Documents shall terminate; provided, however, that Seller shall remain liable for (a) the performance of all obligations of Seller under the Franchise Documents which have accrued (including, without limitation, those which may exist from acts or failures to act), or pertain to a period or incident, prior to the Closing Date, and (b) the full and faithful performance by Buyer of all of Buyer's obligations under the Buyer's Franchise Documents as though Seller were a party thereto in place of Buyer.

7. Waiver of Right of First Refusal. Veron hereby waives its right of first refusal to purchase the Franchise with respect only to the assignment and transfer that is the subject of this Agreement; provided, however, that Veron shall again have a right of first refusal with respect to any subsequent assignment or transfer of the Franchise, and with respect to the Transfer contemplated hereby if made on terms other than as set forth in the purchase and sale agreement(s) between Buyer and Seller as approved by Veron pursuant to paragraph 2(b) above.

8. No Further Assignment. It is understood and agreed by Seller and Buyer that no further assignment of the Franchise, including any and all related agreements, or any part thereof, or interest therein shall be made, except with the prior written consent of Veron and in conformity with all agreements between the parties.



9. Inspection by Buyer. Buyer acknowledges that it has independently inspected and investigated Seller's "Purrfect Auto Service" franchise and its operations, including the books and records of Seller pertaining thereto, and that Veron has not made, and Buyer has not acted in reliance upon, any oral or written statement or other representations or warranties pertaining thereto. Accordingly, Buyer and Seller have freely and voluntarily agreed to execute the form of Declaration of Buyer and Seller which is attached hereto as Exhibit "D" and is incorporated herein by reference. Buyer and Seller represent and warrant to Veron that all statements made therein are, and shall be as of the Closing Date, complete and accurate in all respects. Without limiting the generality of the foregoing, Buyer acknowledges that Veron has made no representations or warranties of any kind to induce Buyer to purchase the Franchise, except, if at all, as expressly set forth in said Declaration of Buyer and Seller.

10. Non-Competition by Buyer. Buyer and Seller represent to Veron that, except for any other "Purrfect Auto Service" business operated pursuant to a duly executed franchise agreement, neither Buyer, nor any officer, director, shareholder, partner, affiliate or related party of Buyer, either directly or indirectly, owns, operates, advises, is employed by, or has any interest in any business which is the same as or similar to the "Purrfect Auto Service" business being assigned to Buyer, including without limitation any business which offers motor vehicle tune-up, lubrication, engine emission testing and certification, and brake services ("Competitive Activities"). Veron's consent to the contemplated transaction is granted in reliance upon said representation and it would not consent to the Transfer if Buyer was engaged in any such Competitive Activities. Buyer agrees that in the event of any misrepresentation by Buyer or Seller in connection with the proposed assignment, in addition to any other rights or remedies it may have, Veron shall have the right to terminate this Agreement, the Buyer's Franchise Agreements, and all related agreements pertaining to the Location.

11. Non-Competition by Seller. Seller agrees that during the one (1) year period following the Closing Date, neither Seller, nor any partner, officer, director, shareholder or related party of Seller shall either directly or indirectly own, operate, advise, be employed by, or have any interest in any business the same as or similar to the assigned "Purrfect Auto Service" business located (a) within three (3) miles of the Location, or (b) within ten (10) miles of such franchise territory or within two (2) miles of any Purrfect Auto Service Business. The foregoing restriction shall be for the benefit of Veron and Buyer, each of whom may enforce such restriction in their own name independently of the other and with or without the other's consent. Veron shall be under no obligation to Buyer to enforce such restriction, but may do so in its sole discretion. The foregoing restriction shall be in addition to and

not in lieu of any restriction contained in any agreement between Buyer and Seller, which may be of different duration or scope. If the scope or enforceability of the foregoing is disputed at any time by Seller, Veron may modify either or both of such provisions to the extent deemed necessary to make such provisions enforceable under applicable law. Veron and Buyer, acting together, may reduce the scope of such restriction without the Seller's consent, at any time or times effective immediately upon notice to Seller.

12. Security. In the event Seller is financing a portion of the purchase price or other amounts to Buyer with respect to this transaction, it is hereby expressly agreed that the Location and its assets may not be used as security for such financing. Veron shall have a prior and superior lien on such assets for amounts due to it under Buyer's Franchise Documents. In the event Veron is required to pursue the assets of the business in order to collect amounts due to it, Veron will not be responsible for any amounts owed by Buyer to Seller.

13. Successors and Assigns. Except as otherwise expressly provided in this Agreement, this Agreement shall be binding on and shall benefit the parties and their respective heirs, executors, administrators, successors and assigns.

14. Joint and Several Liability. If Seller or Buyer consists of more than one person or entity, then the obligations and liabilities of each such person or entity to Veron shall be joint and several among them.

15. Governing Law. This Agreement and the legal relations among the parties shall be interpreted, construed and governed by the laws of California, without giving effect to any conflicts of laws.

16. Venue and Jurisdiction. The parties agree that any suit, action or proceeding arising out of or relating to this Agreement, or the interpretation, performance or breach of this Agreement, may be instituted in the United States District Court for California or any court of the State of California located in Los Angeles, and each party irrevocably submits to the jurisdiction of those courts and waives any and all objections to jurisdiction or venue that it may have under the laws of the State of California or otherwise in those courts in any such suit, action or proceeding. The provisions of this paragraph shall not be deemed to preclude Veron from filing any suit, action or proceeding in any other appropriate forum.

17. Entire Agreement. This Agreement contains all of the terms and conditions agreed on by the parties on its subject matter. This Agreement supersedes all prior negotiations, discussions, correspondence and agreements between the parties on

its subject. This Agreement cannot be modified or changed except by written instrument signed by all the parties hereto.

18. Headings. Paragraph numbers and headings are used in this Agreement for convenience only and shall not affect the meaning or construction of any provision of this Agreement.

19. Gender. All terms used in any one number or gender shall mean and include any other number and gender as the facts, context or sense of this Agreement or any provision may require.

20. Construction. The provisions of this Agreement shall be interpreted and construed according to their fair meaning and not strictly for or against any party.

21. Severability. If any provision of this Agreement is invalid or unenforceable in a jurisdiction, either in its entirety or by virtue of its scope or application to a circumstance, that provision shall be deemed modified to the extent necessary to be valid or, if such modification is not possible, that provision shall be deemed to be excised from this Agreement. This Agreement shall be construed and enforced as if that provision were included as modified or were not included, as the case may be. If the invalidity or unenforceability of a provision exists under the laws of only a particular jurisdiction, this paragraph shall operate on that provision only to the extent that the laws of that jurisdiction apply to the provision.

22. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

23. Fees and Expenses. If a party commences any action or proceeding to enforce the terms of this Agreement, to prevent a breach of this Agreement, or to obtain a declaration of rights or obligations under this Agreement, or commences any other action or proceeding relating to this Agreement or the relationship between the parties, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including reasonable attorneys' fees.

24. Notices. All notices and reports permitted or required to be delivered by a party shall be deemed delivered: (i) when delivered in person; (ii) one business day after transmission by facsimile or other electronic system; or (iii) three business days after deposit in the United States Mail by Registered or Certified Mail, return receipt requested, postage prepaid and addressed as follows:

If to Veron: Veron, Inc.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to Seller:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to Buyer:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

or to any other address for Seller or Buyer in Veron's books and records. Either party shall have the right to change the address for notice by delivering a notice to the other party in accordance with the provisions of this paragraph.

25. Review of Agreement. Each of Seller or Buyer acknowledges, represents and warrants that:

(a) it has read and understands all of this Agreement and all of the other related documents, if any, to be executed by Seller or Buyer concurrently or in conjunction with the execution of this Agreement; and

(b) it has had the opportunity to obtain advice and consult with professional advisors, like attorneys and accountants, concerning this Agreement, the risks of the business venture contemplated by this Agreement and whether or not to enter into this Agreement.

26. Rights Cumulative. All rights, options, elections, powers and remedies of Veron under the provisions of this Agreement are cumulative of each other and of every other right, option, election, power or remedy which Veron may otherwise have at law, in equity, and under Seller's Franchise Documents and Buyer's Franchise Documents. The exercise of one or more rights, options, elections, powers or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies Veron may have upon a default by Seller or Buyer under this Agreement.

27. Waiver. No delay or omission in the exercise of any right or remedy of Veron upon any default by Seller or Buyer shall impair such right or remedy or be construed as a waiver of such default.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written, but shall not be effective unless and until signed by all parties listed below.

MAKER:

Veron, Inc.

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Print Name

---

Signature

---

Title

SELLER:

---

Print Name

---

Signature

---

Title

BUYER:

---

Print Name

---

Signature

---

Title

**EXHIBIT A TO CONSENT TO TRANSFER AGREEMENT**

**SELLER'S FRANCHISE DOCUMENTS**

**EXHIBIT B TO CONSENT TO TRANSFER AGREEMENT**

**PURCHASE AND SALE AGREEMENTS**

**EXHIBIT C TO CONSENT TO TRANSFER AGREEMENT**

**GENERAL RELEASE BY BUYER & SELLER**

This General Release ("Release") is made as of \_\_\_\_\_,  
2\_\_\_\_ by \_\_\_\_\_, a(n) \_\_\_\_\_  
("Seller") and \_\_\_\_\_, a(n) \_\_\_\_\_  
("Buyer") for the benefit of Veron, Inc., a California corporation  
("Veron").

WHEREAS, Seller is a "Purrfect Auto Service" franchisee and  
operates a "Purrfect Auto Service" franchise # \_\_\_\_\_ (the  
"Franchise") located at \_\_\_\_\_  
\_\_\_\_\_ (the "Location") pursuant to that  
certain Franchise Agreement, dated \_\_\_\_\_, 2\_\_\_\_ (the  
"Franchise Agreement");

WHEREAS, Seller desires to assign all rights and obligations  
of Seller under the Franchise Agreement and Seller's other  
Franchise Documents (as defined in that certain Consent to Transfer  
Agreement dated \_\_\_\_\_, 2\_\_\_\_, among Seller, Veron and Buyer)  
to the Buyer; and

WHEREAS, in consideration of Veron's consent to said  
assignment and for other good and valuable consideration, the  
receipt and sufficiency of which are hereby acknowledged, Seller  
and Buyer (jointly and severally referred to as "Releasors") have  
agreed to execute this Release.

NOW, THEREFORE, Releasors agree as follows:

1. Releasors hereby absolutely and forever release and discharge  
Veron and its predecessors, successors, assigns, agents, employees,  
master lessors/sublessors, attorneys and their respective officers,  
directors, shareholders, partners, heirs, executors and  
representatives from and against any and all obligations, actions,  
proceedings, losses, claims, demands, damages, debts, liabilities,  
accounts, costs, expenses, attorneys' fees, liens and causes of  
action of every kind and nature whatsoever ("Released Matters"),  
whether now known or unknown, suspected or unsuspected, which  
Releasors now have, own or hold, or at any time heretofore ever  
had, owned or held, pertaining to or arising out of (a) the  
Seller's Franchise Documents (including, without limitation, the  
Franchise Agreement and Sublease) or any related documents, (b) the  
business conducted by Seller at the Location, (c) the assignment of  
certain rights and obligations with respect to the Franchise to  
Buyer, (d) the sale by Seller and the purchase by Buyer and the



related transfer of the Franchise and other assets to Buyer and/or (e) the franchisor-franchisee relationship between Releasors and Veron through the date of this Release.

2. Releasors acknowledge that they are familiar with the provisions of Section 1542 of the California Civil Code which provide as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Releasors hereby waive and relinquish every right or benefit which they have under Section 1542 of the California Civil Code and any similar statute under any other state or federal law, to the full extent that they may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Matters defined in paragraph 1 hereof, Releasors acknowledge that they are aware that they may hereafter discover facts in addition to or different from those which they now know or believe to be true with respect to the subject matter of this Release, but that it is their intention hereby fully, finally and forever, to settle and release all Released Matters, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts.

3. Releasors understand and agrees that this Release supersedes any prior negotiations and agreements, oral or written, with respect to its subject matter. Releasors understand and agree that no representations, warranties, agreements or covenants have been made with respect to this Release, other than those set forth herein, and that in executing this Release, Releasors are not relying upon any representation, warranty, agreement or covenant not set forth herein.

4. This Release and the legal relations among the parties shall be interpreted, construed and governed by the laws of California, without giving effect to any conflicts of laws.

5. Releasors certify that they have read all of this Release and fully understand all of the same and that they have executed this Release after having received full legal advice as to its rights from legal counsel of its choice.

6. Releasors represents and warrants that they have the full

power and authority to execute this Agreement, and to do any and all things reasonably required hereunder.

7. Releasors represent and warrant that they have not assigned, transferred, or conveyed to any third party all or any part of, or any partial or contingent interest in, any of the claims which are called for to be released by this Release now or in the future, that they are aware of no third party who contends or claims otherwise, and that they will not assign, transfer or convey any such claim hereafter.

8. Whenever in this Agreement the context may so require, the neuter gender shall be deemed to refer to and include the feminine and masculine, the singular shall be deemed to refer to and include the plural, and vice versa.

9. Releasors agree that any suit, action or proceeding arising out of or relating to this Release, or the interpretation, performance or breach of this Release, may be instituted in the United States District Court for the Central District of California or any court of the State of California located in Los Angeles County, and Releasors irrevocably submit to the jurisdiction of those courts and waive any and all objections to jurisdiction or venue that they may have under the laws of the State of California or otherwise in those courts in any such suit, action or proceeding. The provisions of this paragraph shall not be deemed to preclude Veron from filing any suit, action or proceeding in any other appropriate forum.

10. If Veron or Releasors commence any action or proceeding to enforce the terms of this Release, to prevent a breach of this Release, or to obtain a declaration of rights or obligations under this Release, or commence any other action or proceeding relating to this Release or the relationship between the parties, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including reasonable attorneys' fees.

IN WITNESS WHEREOF, the Releasors have executed this Release as of the date set forth above.

RELEASORS:

\_\_\_\_\_  
Print Name  
  
\_\_\_\_\_  
Signature  
  
\_\_\_\_\_  
Title

\_\_\_\_\_  
Print Name  
  
\_\_\_\_\_  
Signature  
  
\_\_\_\_\_  
Title

**EXHIBIT D TO CONSENT TO TRANSFER AGREEMENT**

**DECLARATION OF BUYER AND SELLER**

\_\_\_\_\_, a(n) \_\_\_\_\_  
("Buyer"), is the proposed assignee of that certain "Purrfect Auto Service" franchise business (the "Franchise") located at \_\_\_\_\_ (the "Location"), currently being conducted by \_\_\_\_\_, a(n) \_\_\_\_\_ ("Seller"). Buyer and Seller, pursuant to the franchise documents more particularly described in that certain Consent to Transfer Agreement executed contemporaneously herewith, hereby certify as follows:

1. On \_\_\_\_\_, Buyer received a copy of the Veron, Inc. Franchise Disclosure Document, the effective date of which was \_\_\_\_\_, as amended on \_\_\_\_\_, and Buyer has read and understood said Franchise Disclosure Document.

2. The Buyer has independently inspected and investigated the Seller's Franchise, its operation, and all relevant books and records pertaining thereto and has received from Seller such representations, warranties and assurances as the Buyer has deemed necessary and desirable, and has consulted with attorneys, accountants, and such other representatives as the Buyer has deemed necessary and desirable in order to protect its interest and to assist it with respect to its purchase of the Franchise.

3. The Buyer represents and warrants to Veron, Inc. that it is purchasing the Franchise based solely upon its investigation of the Franchise, as more fully described in paragraph 2 above, and that it is not purchasing the Franchise based upon any representation, warranty or statement of Veron, Inc., except as may be set forth in paragraph 4 below.

4. Except as specifically set forth below, the Buyer hereby certifies that, other than information specifically set forth in Veron, Inc.'s Franchise Disclosure Document, neither Veron, Inc. nor any of its officers, directors, salespersons, employees or agents has made (i) any oral or written representation, warranty or statement as to the actual, estimated or forecasted sales, profits or earnings relating to the Franchise, or as to the "Purrfect Auto Service" franchise system generally, or (ii) any other oral or written representation or warranty upon which the Buyer has relied in making its decision

to purchase the Franchise and assume Seller's obligations in connection therewith (if none, write "none"):

BUYER'S INITIALS: \_\_\_\_\_ SELLER'S INITIALS: \_\_\_\_\_

5. The Buyer hereby certifies, represents and warrants that all of the foregoing information is true, accurate and complete and that this document may be introduced as evidence in any court of law, or other forum in order to evidence the facts certified hereby.

6. The Buyer hereby certifies that it is taking possession of the premises of the Franchise and the Location in an "as is" condition, and shall hold harmless Veron, Inc., its officers, directors, salespersons, employees and agents, and the owner of the premises, for any deficiency, defect (latent or patent) or adverse condition related thereto.

7. Seller hereby represents that the following constitute the terms of its sale of the Franchise to Buyer:

PURCHASE PRICE: \$ \_\_\_\_\_

PAYMENT OF PURCHASE PRICE RECEIVED FROM BUYER AS FOLLOWS:

CHECK FROM BUYER: \$ \_\_\_\_\_

CASH FROM BUYER: \$ \_\_\_\_\_

AMOUNT FINANCED  
BY SELLER: \$ \_\_\_\_\_

TOTAL PURCHASE PRICE: \$ \_\_\_\_\_

BUYER'S INITIALS: \_\_\_\_\_ SELLER'S INITIALS: \_\_\_\_\_

Buyer hereby represents that the following constitute the terms of its purchase of the Franchise from Seller:

PURCHASE PRICE: \$ \_\_\_\_\_

PAYMENT OF PURCHASE PRICE BY BUYER AS FOLLOWS:

CHECK PAID TO SELLER: \$ \_\_\_\_\_

CASH PAID TO SELLER: \$ \_\_\_\_\_

AMOUNT FINANCED  
BY SELLER: \$ \_\_\_\_\_

TOTAL PURCHASE PRICE: \$ \_\_\_\_\_

BUYER'S INITIALS: \_\_\_\_\_ SELLER'S INITIALS: \_\_\_\_\_

The Seller and Buyer hereby certify, under penalty of perjury, that the foregoing is true and correct.

SELLER:

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

BUYER:

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

**EXHIBIT E TO CONSENT TO TRANSFER AGREEMENT**

**BUYER'S FRANCHISE DOCUMENTS**

## **EXHIBIT I**

**PURRFECT AUTO SERVICE**  
**LIST OF STORES @ JUNE 30, 2024**

**EXHIBIT I**

STORE NUMBER	FRANCHISEE LEGAL NAME	STREET ADDRESS	CITY	ST	ZIP CODE	TELEPHONE NUMBER
71	SYNERGETIA, INC.	400 S. BALDWIN AVE. STE 320	ARCADIA	CA	91007	(626) 446-4464
11	AMSE CORPORATION	9225 ALONDRA BLVD	BELLFLOWER	CA	90706	(562) 804-0118
74	JUNE GUERRERO	2187 SAMPSON AVENUE SUITE 111	CORONA	CA	92879	(951) 737-8682
274	BHAWESH AUTO, INC.	13823 FOOTHILL BOULEVARD	FONTANA	CA	92335	(909) 355-0202
10	JAIME MARTINEZ	16780 HARBOR BLVD	FOUNTAIN VALLEY	CA	92708	(714) 839-3899
279	EUNIQUE AUTO, INC.	1950 EAST ROUTE 66	GLENDORA	CA	91740	(626) 857-7477
17	SATYAM, INC.	20732 LAKE FOREST DRIVE-SUITE B-1	LAKE FOREST	CA	92630	(949) 457-1150
254	RICHARD LEON TOVES, JR.	5483 ARROW HIGHWAY	MONTCLAIR	CA	91763	(909) 982-1919
91	PO-HSIN WU	407 TOPEKA STREET	OCEANSIDE	CA	92054	(760) 967-8888
2	FSI AUTOMOTIVE, INC.	11075 CENTRAL AVE-SUITE C	ONTARIO	CA	91762	(909) 517-9140
106	KIM & BECK INVESTMENTS, INC.	8615 ROSECRANS AVE.-UNIT D	PARAMOUNT	CA	90723	(562) 630-8620
99	TBE AUTO, INC.	8503 WHITTIER BLVD SUITE B-1	PICO RIVERA	CA	90660	(562) 908-6700
369	GDS AUTOMOTIVE, INC.	120 S. PLACENTIA AVENUE	PLACENTIA	CA	92870	(714) 577-8788
3	LUBNA KURESHI	621 E ARROW HWY	POMONA	CA	91767	(909) 482-2222
1	MARSS, LLC	45 RIO RANCHO ROAD-#5	POMONA	CA	91766	(909) 629-2886
162	HAYK MIRIMANYAN	4350 WHITSETT AVENUE	STUDIO CITY	CA	91604	(818) 762-5116
79	CD REAL ESTATE DEVELOPMENT, LLC	3075 EDINGER AVENUE	TUSTIN	CA	92780	(949) 653-0100
115	MAHBANO KHAN	730 SOUTH ORANGE AVENUE, UNIT B	WEST COVINA	CA	91790	(626) 962-2886



## **EXHIBIT J**

VERON, INC.

LIST OF FRANCHISEES WHO LEFT THE SYSTEM  
DURING OUR LAST YEAR

**METHODS OF TRANSFER:**

1 = SALE TO A SUBSEQUENT FRANCHISEE

2 = REPURCHASE

3 = TERMINATION

4 = LEFT THE SYSTEM/OTHER

**EXHIBIT J**

STORE #	TRANSFEROR'S NAME	TRANSFEROR'S ADDRESS & TEL. #	METHOD OF TRANSFER	DATE OF REPURCHASE OR TERMINATION	DATE OF TRANSFER TO NEW FRANCHISEE	NAME OF NEW FRANCHISEE
369	CARS COOPER, INC.	120 S. PLACENTIA AVE. PLACENTIA, CA 92870	1	---	8/1/2023	GDS AUTOMOTIVE, INC.
274	REAL AMERICAN AUTO, LLC	13823 FOOTHILL BLVD. FONTANA, CA 92335	3	9/15/2023	10/1/2023	BHAWESH AUTO, INC.
2	RAZA RAFI	11075 CENTRAL AVE., SUITE C ONTARIO, CA 91762	1	---	1/1/2024	FSI AUTOMOTIVE, INC.
313	MALAIKA AUTO, INC.	400 E. WHITTIER BLVD. LA HABRA, CA 90631	4	3/31/2024	---	---
10	BARRY HEMMING	16780 HARBOR BLVD. FOUNTAIN VALLEY, CA 92708	1	---	4/1/2024	JAIME MARTINEZ

## **EXHIBIT K**

## **EXHIBIT K - ADDRESSES OF STATE ADMINISTRATORS**

### **STATE OF CALIFORNIA - DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION**

2101 ARENA BOULEVARD  
SACRAMENTO, CA 95834  
(866) 275-2677  
(916) 445-7205

ONE SANSOME STREET  
SUITE 600  
SAN FRANCISCO, CA 94104-4428  
(415) 972-8565

320 WEST 4TH STREET  
SUITE 750  
LOS ANGELES, CA 90013-2344  
(213) 576-7500

1350 FRONT STREET  
ROOM 2034  
SAN DIEGO, CA 92101-3697  
(619) 525-4233

45 FREMONT STREET  
SUITE 1700  
SAN FRANCISCO, CA 94105  
(415) 263-8500

300 SOUTH SPRING STREET  
SUITE 15513  
LOS ANGELES, CA 90013  
(213) 897-2085

7575 METROPOLITAN DRIVE  
SUITE 108  
SAN DIEGO, CA 92108  
(619) 682-7227

## **EXHIBIT L**

**EXHIBIT L**

**PURRFECT AUTO SERVICE FRANCHISEE BUSINESS GUIDE  
TABLE OF CONTENTS, NUMBER OF PAGES PER SECTION,  
AND TOTAL NUMBER OF PAGES AS OF OCTOBER 18, 2024**

<b><u>SECTION</u></b>	<b><u>NUMBER OF PAGES IN SECTION</u></b>
1. PRELIMINARY MATTERS	14
2. FRANCHISEE/FRANCHISOR ROLES	8
3. IMPORTANCE OF THE L.O.F. BUSINESS	4
4. THE BRAKE BUSINESS	4
5. THE OTHER BUSINESSES YOU OPERATE	3
6. LAYOUT-CLEANLINESS-PROFESSIONALISM	6
7. NECESSARY EQUIPMENT, SIGNS, FIXTURES, AND INVENTORY REQUIRED TO OPEN YOUR LOCATION	10
8. INVENTORY ORDERING AND CONTROL	19
9. STAFFING YOUR BUSINESS	39
10. INVOICING-MANUAL AND COMPUTERIZED	12
11. INSPECTION FORMS AND 4-STEP SALES PROCEDURE, DESCRIPTION OF SERVICES & FLOW CHART DESCRIBING A CUSTOMER TRANSACTION	24
12. MARKETING YOUR BUSINESS	43
13. THREE VARIABLES ANALYSIS AND THE ANNUAL BINDER	8
14. MANAGEMENT REPORTS FROM YOUR COMPUTER SOFTWARE-"THE AUTO REPAIR MANAGER"	9
15. ADMINISTRATIVE TASKS	7
16. TEST	12
TOTAL NUMBER OF PAGES IN FRANCHISEE BUSINESS GUIDE	222

## **EXHIBIT M**

(Franchisee's Copy)

RECEIPT (EXHIBIT M)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully. If Veron, Inc. offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If Veron, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statements, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the California Department of Financial Protection and Innovation, 320 West 4th Street, Suite 750, Los Angeles, California 90013-2344.

Date of Issuance: October 9, 2024.

I have received a disclosure document dated October 9, 2023 that included the following exhibits:

- A. FINANCIAL STATEMENTS
- B. FRANCHISE AGREEMENT
- C. SUBLEASE
- D. CONDITIONAL LEASE ASSIGNMENT AGREEMENT
- E. GUARANTY
- F. CONTRACT FOR SALE OF ASSETS
- G. SECURED PROMISSORY NOTE AND SECURITY AGREEMENT
- H. CONSENT TO TRANSFER
- I. LIST OF FRANCHISEES
- J. LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM DURING OUR LAST CALENDAR YEAR
- K. ADDRESSES OF STATE ADMINISTRATORS
- L. PURRFECT AUTO SERVICE FRANCHISEE BUSINESS GUIDE TABLE OF CONTENTS, ETC.

Dated: \_\_\_\_\_

Seller:

Lizzet Berenice Sanchezrios,  
President  
21700 Copley Dr., Suite 280  
Diamond Bar, California 91765  
Tel: (626) 858-2444

PROSPECTIVE FRANCHISEE:

(If a Business Entity)

(If an individual)

\_\_\_\_\_  
Name of business entity

\_\_\_\_\_  
Print Your Name

\_\_\_\_\_  
Print Your Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Phone Number

\_\_\_\_\_  
Signature

Social Sec. No.: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_



(Franchisor's Copy)

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Dated: \_\_\_\_\_

Seller:

Lizzet Berenice Sanchezrios,  
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PROSPECTIVE FRANCHISEE:

(If a Business Entity)

(If an individual)

\_\_\_\_\_  
Name of business entity

\_\_\_\_\_  
Print Your Name

\_\_\_\_\_  
Print Your Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Phone Number

\_\_\_\_\_  
Signature

Social Sec. No.: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_