



RAD AIR COMPLETE CAR CARE AND TIRE CENTERS®

FRANCHISE DISCLOSURE DOCUMENT

Rad Air Franchise Systems, Inc.

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Rad Air Franchise Systems, Inc.
An Ohio corporation
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Rad Air Franchise Systems, Inc. (“**Rad Air**”) offers franchises for the operation of vehicle service and repair centers that specialize in maintenance, repair, and professional automotive service (a “**Rad Air Business**” or “**Franchised Business**”).

The total investment necessary to begin operation of a new Franchised Business is \$145,500 to \$573,000. This includes \$54,650 that must be paid to the franchisor or its affiliates. If you enter into a Development Agreement, the total investment necessary to begin operation of one new Franchised Business and to have the right to develop between a total of two and ten Franchise Businesses is \$185,500 to \$858,000. This includes \$94,650 to \$339,650 that must be paid to the franchisor or its affiliates.

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.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Bill Snow at 17601 West 130th St., Suite 4A, North Royalton, OH 44133, (216) 659-1179 or at info@radair.com

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 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: April 28, 2022

State Cover Sheet

How to Use This Franchise Disclosure Document

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

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

What You May 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 a 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 D.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement or area development 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 and area development agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Ohio. 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 Ohio than in your own state.
2. **Mandatory Minimum Payments** You must make mandatory minimum royalty payments or advertising contributions regardless of your sales levels. Your inability to make these 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.

The State of Michigan requires us to include the following notice in the Disclosure Document:

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials that have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if:
 - (i) the term of the franchise is less than 5 years, and
 - (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an

agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

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

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, Telephone (517) 373-7117.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

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- Exhibit A – Franchise Agreement
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ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

General. To simplify the language in this Disclosure Document, “**Rad Air**” or “**we**” means Rad Air Franchise Systems, Inc., the franchisor. “**You**” or “**Franchisee**” means the person or entity who buys the franchise, including all equity owners of a corporation, general partnership, limited partnership, limited liability, or any other type of entity (an “**Entity**”). If you are an Entity, each individual with direct or indirect ownership interest shall be referred to as an “**Owner**.”

Rad Air is an Ohio corporation with its principal offices located at 17601 W. 130th St., Suite 4A, North Royalton, OH 44133 that was organized on July 23, 1999. To the extent that we have designated agents for service of process in other states, they are listed in Exhibit D. We conduct business under the name “Rad Air”. We began offering Franchised Businesses in 1999. We do not offer other franchises in any other line of business. We do not conduct any other business activities other than selling and supporting Franchised Businesses. We do not have any predecessors or parents.

Other than as described above, none of our affiliates will provide products or services to our franchisees. None of our affiliates offer franchises in any line of business.

Franchisor’s Business and Prior Business Experience

Our owners operate two (2) Franchised Businesses through separate legal entities, each under a franchise agreement with us. These businesses are substantially similar to the Franchised Businesses offered under this Disclosure Document. We refer to these businesses each as a “Company-Owned Outlet”. We have operated the Company-Owned Outlets since 1997 and 2014, respectively. The Company-Owned Outlets will not provide products or services to our franchisees, and they do not offer franchises in any line of business. However, the Company-Owned Outlet facilities may be used to host a portion of the training programs that we offer to you.

Other than as described above, none of our affiliates will provide products or services to our franchisees. None of our affiliates offer franchises in any line of business.

The Business and Franchises Offered. We are offering, under the terms of this Disclosure Document, the opportunity to become a franchisee to develop and operate a Franchised Business that will operate a vehicle service and repair center that specialize in comprehensive maintenance, repairs and professional automotive services

A Franchised Business operates under the “RADAIR COMPLETE CAR CARE®” mark and certain other trademarks, service marks, trade names, signs, associated designs, artwork, and logos (collectively, the “**Marks**”). We may designate other trade names, service marks, and trademarks as Marks and may change the Marks at any time.

A Franchised Business operates under a prescribed system of specifications and operating procedures that we have developed and will continue to develop (the “**System**”). The distinguishing characteristics of the System include, but are not limited to, our designs, layouts, and identification schemes (collectively, the “**Trade Dress**”), our specifications for equipment, inventory, and accessories; our website or series of websites for the Franchised Businesses (the “**System Website**”); our relationships with vendors; our software and computer programs; the

accumulated experience reflected in our training program, operating procedures, customer service standards methods, and marketing techniques; and the mandatory and suggested policies, procedures, standards, specifications, rules, and requirements (“**System Standards**”) set out in our operations manuals (“**Manuals**”) and otherwise in writing. We may change, improve, add to, and further develop the elements of the System from time to time.

You may purchase a Rad Air franchise (“**Franchise**”) to develop and operate one Franchised Business at a mutually agreed upon site (the “**Site**”) within an area (“**Site Selection Area**”) that we will specify in the Franchise Agreement that we and you will execute (the “**Franchise Agreement**”). Our current form of Franchise Agreement is included as Exhibit A to this Disclosure Document. You will have no obligation, nor any right, to open any additional Franchised Businesses. Under the Franchise Agreement, you have no right to use the Marks or the System at any location other than the Site or to use the Marks or the System in any wholesale, e-commerce, or other channel of distribution other than the operation of the Franchised Business at the Site. We and our affiliates have the right to use, or license the use of, the Mark, or any other trademark or service mark, in the designated area of responsibility. See Item 12.

You must designate an Owner with at least a 10% ownership interest in your Entity as the “**Operating Principal**.” The Operating Principal must have authority over all business decisions related to your Franchised Business and must have the power to bind you in all dealings with us. In addition, you must appoint a trained manager (the “**Key Manager**”) to manage the day-to-day business of your Franchised Business, who may also be the Operating Principal.

Franchise Businesses are typically located in a metropolitan area or surrounding suburbs. Our standard prototype Franchised Business is a one-story 4,100 square foot space, with Franchised Businesses typically ranging in size from 2,400 to 6,500 square feet. A Franchised Business may be located either in a freestanding building or in an in-line retail plaza space, but, in any event, ample parking, good visibility and availability of prominent signage are a necessity. Preferred locations for Franchised Businesses are free standing buildings, strip shopping centers and ground-level retail spaces with a mixture of residences and commercial facilities (offices and businesses) nearby.

You must ensure that all car repair services that are provided at your Franchised Business are logged into the Business Management and Technology System, that all customers make payments by cash, debit or credit account and that these payments are entered into the Business Management and Technology System, and that certain data applicable to your Franchised Business (such as inventory levels, labor costs, sales levels, customer data, and scheduled services for customers) are entered into your Business Management and Technology System. We will have real-time access to all of the information that is entered into and stored on the Business Management and Technology System.

Development Program. In addition, for qualified franchisees who desire the right to develop multiple Franchised Businesses within a designated territory (the “**Development Area**”) that meet certain conditions, we also offer the opportunity to enter into a Development Agreement with us (the “**Development Agreement**”) to develop a mutually agreed upon number of Franchise Businesses in accordance with a development schedule specified in the Development Agreement (the “**Development Schedule**”). Our current form of Development Agreement is included as Exhibit B to this Disclosure Document.

As each Franchised Business is opened, you will sign our then-current form of Franchise Agreement for each Franchised Business, which may include terms that are materially different

from the form of Franchise Agreement included as Exhibit A to this Disclosure Document. If you fail to open and continue to operate the required number of Franchised Businesses in accordance with the mutually agreed upon Development Schedule, we will have the right to terminate the Development Agreement. If the Development Agreement is terminated, you will lose all of your rights to develop the Development Area and the initial fees paid for any Franchised Businesses for which Franchise Agreements have not been signed. However, the Franchise Agreement for each Franchised Business which has been opened will not be terminated solely by reason of the termination of the Development Agreement.

Unless you sign a Development Agreement, you have no obligation, nor any right, to open any additional Franchised Businesses.

Area Representative Program. In the future, we may offer qualified parties the opportunity to operate as a Rad Air area representative (“**Area Representative**”) that will operate a Rad Air area representative business (an “**Area Business**”) in accordance with an Area Representative Agreement with us (the “**Area Representative Agreement**”). Area Representatives recruit individuals interested in purchasing Franchises and assist us in providing certain support and services to Franchises located in a designated area. Area Representatives are also required to operate at least one Franchised Business under a Franchise Agreement.

If we have appointed, or appoint in the future, an Area Representative to operate an Area Business in the area in which your Franchised Business is located, such Area Representative may provide training, support, marketing, and other services to you on our behalf and will have the authority to exercise many of our rights and perform many of our obligations under the Franchise Agreement. We may, without your consent, appoint an Area Representative or a substitute for the Area Representative at any time.

Competition. The general market for the products and services offered by Franchised Businesses is well established and highly competitive. You may compete with other business performing similar services, including numerous national franchise programs similar to ours, automobile dealerships, and automobile tire and repair centers.

The market for our services is year-round, but it will fluctuate to some degree depending on the time of year. The success of your Franchised Business will depend in large measure on the demographics of the residents of your Territory, the competition surrounding your Franchised Business, local labor conditions and wage rates, the local costs of advertising, the availability of suitable facilities in convenient locations and at affordable rents, and your management, marketing, and selling skills and work ethic.

Industry-Specific Regulations. You will have to comply with laws and regulations that are applicable to business generally (such as workers’ compensation, OSHA, and Americans with Disabilities Act requirements).

There are a number of regulations specific to the industry in which Rad Air franchises operate. Federal Environmental Protection Agency (EPA) regulations prohibit tampering with emission control systems in automobiles. These regulations prohibit disconnecting and altering the emission control systems or informing customers how to disconnect or alter the systems or supplying parts to disconnect the systems. Federal EPA regulations require that air conditioning service be performed by licensed technicians and also require recordkeeping regarding the use of refrigerants. Federal EPA regulations require that tires be recycled following specific guidelines for storage, disposal, customer charges for this service and recordkeeping. In addition, there are

Federal EPA and State regulations on the use and disposal of lead wheel weights. The Federal EPA also regulates the disposal of oil, oil filters and other automotive fluids. The Occupational Health and Safety Administration (OSHA) develops and enforces occupational safety and health standards that will apply to your business. OSHA has issued a "Hazardous Communications" rule, which deals with the usage of hazardous chemicals. You must maintain a Material Safety Data Sheets (MSDS) binder at your location that will contain information about the chemicals used in your business. Some state regulations impose requirements in addition to the requirements imposed under federal regulations. For example, state laws may require licensed technicians to provide certain services or may establish more stringent regulations relating to emission systems or air conditioning servicing. Additionally, there are EPA and OSHA guidelines that, though not specific to the industry, influence the operating procedures for Rad Air Franchised Businesses. These regulations generally address the handling and disposal of hazardous materials. There may be other regulations applicable to your business and we urge you to make inquiries about the described regulations and other regulations that may impact your business.

You must ensure compliance with the Payment Card Industry Data Security Standard Requirements and Security Assessment Procedures and other applicable payment card industry requirements ("PCI Requirements"). The purpose of the PCI Requirements is to ensure the protection and privacy of customer information and credit card numbers. The PCI Requirements require secured data connections and other steps to protect information. The PCI Requirements are substantial and complex and change regularly, so you must devote material business and management time and effort to your compliance efforts. You could incur significant liability if there is credit card fraud and you have not complied with the PCI Requirements.

Federal, state and local governmental laws, ordinances and regulations periodically change. It will be your responsibility to ascertain and comply with all federal, state and local governmental requirements in your jurisdiction. We do not assume any responsibility for advising you on these regulatory matters. You should consult with your attorney about laws and regulations that may affect your Franchised Business.

ITEM 2 BUSINESS EXPERIENCE

Andy Fiffick – Founder, President, and CEO

Mr. Fiffick has served as our Founder, President, and CEO since May of 1999. Mr. Fiffick has also served as an owner/operator of one of the Company-Owned Outlets in Garfield Heights, Ohio since 1986. Mr. Fiffick serves in his current capacity in North Royalton, Ohio.

William Snow – VP of Franchise Development and Operations

Mr. Snow has served as our VP of Franchise Development and Operations since January of 2019. Mr. Snow has also served as an owner/operator of one of the Company-Owned Outlets in Wickliffe, Ohio since February of 2014. From August of 2002 to August of 2013 Mr. Snow served as a sales manager for Sprint in Broadview Hills, Ohio. Mr. Snow serves in his current capacity in North Royalton, Ohio.

Elissa Fiffick – Secretary and Treasurer

Ms. Fiffick has served as our Secretary and Treasurer since August of 1999. Ms. Fiffick also serves as President and Controller for the Company-Owned Outlets in Garfield Heights, Ohio and has done so since April of 1997. Ms. Fiffick serves in her current capacity in North Royalton, Ohio.

ITEM 3 LITIGATION

Rad Air Franchise Systems Inc. v. Michael Selby, et al. (No. CV-17-887332 Cuyahoga County Court of Common Pleas filed Oct. 17, 2017)

We filed an action against our franchisee Mr. Michael Selby alleging claims for breach of contract as a result of the failure to pay certain monies to us, failure to operate in line with our System Standards, and violations of his obligations not to compete with our system. Mr. Selby brought counterclaims for violations of O.R.C. 1334 and fraudulent misrepresentation. We entered into a settlement and release agreement with Mr. Selby on January 27, 2020 (the “Selby Settlement”) and, per the terms of the settlement agreement, Mr. Selby agreed to pay us a \$15,000 settlement payment and to release us from any claims or causes of action alleged by Mr. Selby. As part of the Selby Settlement, we agreed to terminate Mr. Selby’s franchise agreement and release him from his obligations under that franchise agreement. As part of the Selby Settlement, the parties agreed to dismiss the pending lawsuit and the case was dismissed with prejudice on January 28, 2020.

Rad Air Franchise Systems, Inc. v Kristin Selby and Makes Enterprise LLC (No. CV-18-900820 Cuyahoga County Court of Common Pleas filed July 17, 2018)

We filed an action against Mr. Selby’s spouse, Kristin Selby, and a business entity owned by them, Make Enterprises LLC, alleging tortious interference, misappropriation of trade secrets, unjust enrichment, unfair competition, civil conspiracy, and an injunction seeking to prohibit the Selbys from continuing to operate a competing business in violation of the franchise agreement. These allegations all arise from the same case and controversy involving us and Mr. Michael Selby that is discussed above. Ms. Selby and Make Enterprises LLC were made parties to the Selby Settlement and they agreed to dismiss this pending lawsuit as part of the Selby Settlement. In the Selby Settlement, we agreed to release Ms. Selby and Make Enterprises LLC from any claims or causes of action that we alleged in this lawsuit. On January 28, 2020, this lawsuit was dismissed with prejudice by the Cuyahoga County Court of Common Pleas.

Except as set forth above, no other litigation is required to be disclosed in this Item 3.

ITEM 4 BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

The initial franchise fee (the “**Franchise Fee**”) for a single Franchised Business is \$49,500 and is due upon execution of the Franchise Agreement. If we determine that you are financially and operationally qualified to develop multiple Franchised Businesses, we may offer

you the opportunity to enter into a Development Agreement, in which you will commit to develop a certain number of Franchised Businesses that you and we determine to be appropriate. If you enter into a Development Agreement, you must pay us a development fee that is based upon the number of Franchised Businesses you commit to develop under the Development Agreement (the “**Development Fee**”).

If you commit to develop two (2) Franchised Businesses, the Development Fee will be \$89,500. If you commit to develop three (3) Franchised Business, the Development Fee will be \$124,500. If you commit to develop four (4) or more Franchised Businesses the Development Fee will be \$124,500 for the first three Franchised Businesses, plus \$30,000 for each additional Franchised Business under your Development Agreement beginning with the fourth Franchised Business.

If you are an honorably discharged veteran of the United States military that purchases a Franchised Business through the VetFran program, we will discount the Royalty Fee payable to us by 50% during your first six (6) months of operations after opening your Franchised Business to the public.

Grand Opening Management Fee

As part of your grand opening budget, you must pay us a \$5,000 “**Grand Opening Management Fee**”) which is payable to us upon invoice to be delivered approximately 60 days prior to your anticipated certificate of occupancy date. The Grand Opening Management Fee includes our on-site participation and management of your grand opening at your Franchise Business location, including our travel, living and personnel expenses.

Technology Fee

You must pay to us, or to a third party that we designate, a technology fee for various technology services that we will provide or arrange for third parties to provide, which services are subject to change over time (a “**Technology Fee**”). The Technology Fee currently includes fees related to your access to and usage of our customer management system, our intranet, email addresses, any mobile applications we develop, and the System Website. Currently, the Technology Fee is \$50 per month and will begin approximately 90 days prior to the anticipated certificate of occupancy date for your Site. We reserve the right to increase the fee by providing you with written notice of any change at least 30 days prior to the implementation of the new fee amount.

The Franchise Fee, Development Fee, Grand Opening Management Fee, and Technology Fee are not refundable under any circumstances. Except as described above, the Franchise Fee, Development Fee, Grand Opening Management Fee, and Technology Fee are uniform for all franchisees and must be paid in a lump sum.

ITEM 6**OTHER FEES****OTHER FEES (Note 1)**

Type of Fee	Amount	Due Date	Remarks
Royalty Fees (2)	<p>The greater of (i) 6% of your Gross Revenue for the preceding week or (ii) the “Minimum Royalty” per week (subject to increase annually based on a change to the CPI).</p> <p>The “Minimum Royalty” is equal to:</p> <p>(i) \$0 per week in your first 6 months after opening;</p> <p>(ii) \$200 per week in months 7 through 12 after opening;</p> <p>(iii) \$400 per week in months 13 through 24 after opening; and</p> <p>(iv) \$600 per week thereafter.</p>	Currently due weekly within five business days after the end of each calendar week	See Note 2 for the definition of Gross Revenue. Your first Royalty Fee payment is due in the first full week after the date the Franchised Business opens and shall be paid based on all Gross Revenue accrued prior to the opening date and during your first full or partial week of operations
Brand Fund Contribution	Up to 3% of Gross Revenue; currently, 0% of your Gross Revenue	Currently due weekly within five business days after the end of each calendar week	We may create a Brand Fund and require you to contribute the Brand Fund Contribution. See Note 2 for the definition of Gross Revenue.

Type of Fee	Amount	Due Date	Remarks
Local Marketing Spending Requirement	<p>A minimum of 5% of monthly Gross Revenue.</p> <p>We recommend spending approximately 7.5% to 10% of Gross Revenue on Local Marketing during your first 24 months of operations.</p>	Each month as incurred by you.	<p>In addition to your Brand Fund Contribution, beginning in the first full month after the date the Franchised Business opens, you must spend a minimum of 5% of your Gross Revenue per month on local advertising and promotional activities, which shall be payable directly to third party vendors. If you fail to pay the required amount in any quarter, we may require you to pay us the shortfall as an additional Brand Fund Contribution or to pay us the shortfall for us to spend on local marketing for your Franchised Business. We may require you to expend certain amounts of the Local Marketing Spending Requirement on specific types of advertising, such as digital marketing, social media marketing, and other forms of marketing in our sole discretion. We may require you to use certain Approved or Designated Suppliers to meet your Local Marketing Spending Requirement, which may include us or our affiliates.</p>
Technology Fee	<p>Currently, \$50 per month beginning in the month you begin using technology services that we provide to you, but subject to change at any time upon 30 days' written notice to you.</p> <p>We anticipate you will begin to incur the Technology Fee beginning in the month that is 90 days prior to your certificate of occupancy.</p>	Currently due monthly within five business days after the end of each calendar month.	<p>The Technology Fee currently includes fees related to your access to and usage of our customer management system, our intranet, email addresses, any mobile applications we develop, and the System Website. We may add, delete, or otherwise modify the products and services that are included in the Technology Fee. There is no cap on the amount the Technology Fee may be increased. The first month will be assessed pro rata from the date on which you begin receiving services.</p>

Type of Fee	Amount	Due Date	Remarks
Cooperative Advertising	We do not currently implement any cooperative advertising funds or require you to participate in cooperative marketing plans, but reserve the right to do so in the future.	Weekly	Currently there are no cooperative advertising plans in place but we reserve the right to establish them in the future. You will be required to participate in any cooperative advertising plan that we implement. Contributions you make to any cooperative advertising plan will count toward amounts you are required to spend as part of your Local Marketing Spending Requirement. We may require you to make cooperative advertising contributions directly to us which we will use to administer the cooperative advertising plan.
Renewal Fee	25% of our then-current Franchise Fee for single-unit franchises, not to exceed \$15,000	Upon execution of Renewal franchise agreement	Due upon your renewal after initial fifteen-year term if you desire to renew for up to two (2) additional ten-year periods .
Transfer Fee	\$15,000 for any transfer resulting in a change of control; \$2,500 plus our administrative costs and expenses for non-control transfers and transfers to entities for the convenience of ownership.	\$3,000 deposit due with written notice of proposed transfer; balance due at closing	No Transfer Fee is due for transfers upon death or incapacity.
Payment Processing Fee	A reasonable monthly fee plus a reasonable per transaction charge	Upon demand	We may require you to use us, our affiliate, or a third party processor to process all credit card transactions related to your Franchised Business. If we require you to use us or our affiliates, we will disclose to you any required fees that you must pay.
Late Fee and Interest	18% per annum or maximum interest rate allowed by law (whichever is less) from due date to date of payment, plus \$100 for each week that a payment is paid after the due date for the payment specified	When amount owed becomes past due	Required whenever a payment to us is made after its due date.

Type of Fee	Amount	Due Date	Remarks
Relocation Fee	Our actual legal and administrative costs in evaluating the relocation request, not to exceed \$5,000 per relocation review request.	Upon demand	Payable if you submit a request to relocate your Franchised Business from the Site to a new location
Opening Deadline Extension Fee	\$2,500 per month for each month we agree to extend your opening deadline.	Upon demand	You must open the Franchised Business no later than 270 days after the effective date of the Franchise Agreement and within 180 days after possession of the Site is delivered to you by your landlord. If you fail to do so, we may terminate your Franchise Agreement. We may extend this deadline, in our sole discretion, which we may condition on you agreeing to pay an extension fee of \$2,500 for each month (or portion of a month) for which the deadline is extended and you executing a general release.
Initial Training Fee for Additional or Replacement Trainees	Currently, \$1,000 per additional trainee (beyond 3 people for Initial Training), or replacement trainee (subject to change without limitation by written notice to you).	Within 10 days of receipt of an invoice	We will provide Initial Training in the System for up to three (3) trainees as part of the Initial Franchise Fee. We reserve the right to charge a reasonable fee for training (i) more than three trainees, even if they attend the same training session, (ii) persons who are repeating the course or replacing a person who did not pass, and (iii) subsequent Operating Principals, Key Managers, or employees who attend the course.
Additional Training Programs	Varies based on program	Within 10 days of receipt of an invoice	We may charge you a reasonable fee for optional or required training programs that we may provide.
In-Person Consulting Services	Currently, \$250 per employee or agent for each full or partial day, plus their travel and living expenses	As incurred, drafted weekly via ACH transfer	Payable if we provide requested consulting services in person at a place other than our offices. We may change this fee without limitation from time to time upon written notice to you.
Temporary Key Manager	Currently, \$350 per employee or agent for each full or partial day, plus their travel and living expenses plus our actual costs and expenses	As incurred, drafted weekly via ACH transfer	Payable if we provide a Key Manager to work at your Franchised Business, after the departure of your previous manager, until a new Key Manager is hired and trained. We are under no obligation to provide a temporary Key Manager but may do so in our discretion after the departure of your previous Key Manager.

Type of Fee	Amount	Due Date	Remarks
Temporary Management	7% of the Franchised Business's Gross Revenue during the period of management, plus any direct out of pocket costs and expenses	As incurred, drafted weekly via ACH transfer	Payable if we exercise our right to manage your Franchised Business after a default. We have no obligation to provide temporary management services to you.
Mandatory Seminars, Conventions or Programs	Reasonable registration fee for you and any employees who attend. The estimated range of costs for each event will be \$500-\$1,000 per person. If you do not attend mandatory seminars, conventions or any other required events, you must pay us the applicable registration fee, regardless of the cause for non-attendance, unless you receive our advance written approval for such absence.	Prior to attending the event	Payable for you and your employees who attend any conventions, meetings, demonstrations, and teleconferences that we host. The registration fee may vary from event to event based on the costs and expenses we expect to incur, the vendor contributions we expect to collect, and the number of franchisees we expect to attend. You are responsible for the travel and living expenses of you and your employees. We do not at this time have mandatory meetings, but we will have an annual convention and may in the future conduct periodic meetings that you must attend.
Product, Service, Supplier, and Service Provider Review	Our reasonable cost of the inspection and our actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs	Upon demand	Payable if you wish to offer products or use any supplies, equipment, or services that we have not approved or wish to purchase from a supplier or service provider that we have not approved, whether or not we approve the item, service, supplier, or service provider.
Insurance Reimbursement	Cost of the premium plus a reasonable fee for our services in procuring the insurance	Upon demand	Payable only if you fail to maintain the minimum insurance we require and we choose to procure the required insurance for you.
Mystery Shopper Program	A reasonable fee as defined in the Manuals	Upon demand	We have the right to establish a mystery shopper-type program and to set reasonable fees associated with such program. Details of any program and fees will be included in the Manuals.
Audit	Our costs and expenses, including costs for an independent accountant and attorneys' fees and related travel and living expenses	Within 10 days of demand	Payable if audit or review shows an understatement of Gross Sales for the audited or reviewed period of 2% or more.

Type of Fee	Amount	Due Date	Remarks
Inspection	Our reasonable expenses incurred in inspecting your business (ourselves, through our employees, Area Representatives, or agents), including travel and living expenses, wages, and other expenses for our employees	Upon demand	Payable if inspection is necessitated by your repeated or continuing failure to comply with any provision of the Franchise Agreement.
Remedial Expenses	Our reasonable expenses incurred in correcting your operational deficiencies	Upon demand	Payable if we correct deficiencies that we have identified during a Site inspection and that you failed to correct within a reasonable time after notice from us.
Indemnification	Amount of our liabilities, fines, losses, damages, costs and expenses (including reasonable attorneys' fees)	Upon demand.	Payable if we incur losses due to your breach of the Franchise Agreement or any other action or inaction by you or any other person relating to your Franchised Business
Enforcement Expenses	Our reasonable cost of de-identifying your Franchised Business	Upon demand	Payable if your Franchise Agreement expires or is terminated, you fail to de-identify your Franchised Business and we take steps to do so.
Equipment Upgrades and Replacement	You must upgrade and maintain your equipment as required to safely and lawfully operate your Franchised Business.	As incurred	The equipment and accessories must be replaced in accordance with our System Standards, which may require you to purchase replacement items from us, our affiliates, or other approved suppliers. Your actual costs will vary based upon equipment failure rates and whether or not the equipment is under warranty at the time of failure.
Refurbishment and Renovations	Your actual costs in refurbishing and renovating your Franchised Business to our current System Standards.	As incurred	You must update and refurbish your Franchised Business in accordance with our then-current System Standards but we will not require to update or refurbish your Franchised Business more than two (2) times during the initial term of your Franchise Agreement.

NOTES:

1. All of the fees in the table above are imposed by us, payable to us, non-refundable, and are uniformly imposed. You must use the payment methods we designate. You must furnish us and your bank with any necessary authorizations to make payment by the methods we require.

2. **“Gross Revenue”** means all revenue that you receive or otherwise derive from operating the Franchised Business, whether from cash, check, credit or debit card, gift card or gift certificate, or other credit transactions, and regardless of collection or when you actually provide the products or services in exchange for the revenue. If you receive any proceeds from any business interruption insurance applicable to loss of revenue at the Franchised Business, there shall be added to Gross Revenue an amount equal to the imputed gross revenue that the insurer used to calculate those proceeds. Gross Revenue includes promotional allowances or rebates paid to you in connection with your purchase of products or supplies or your referral of customers. Gross Revenue does not include (i) any bona fide returns and credits that are actually provided to customers and (ii) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority. You may not deduct payment provider fees (i.e., bank or credit card company fees and gift card vendor fees) from your Gross Revenue calculation.

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ITEM 7 ESTIMATED INITIAL INVESTMENT

A. YOUR ESTIMATED INITIAL INVESTMENT – SINGLE FRANCHISED BUSINESS

Type of Expenditure (1)	Low Estimate	High Estimate	Method of Payment	When Due	To Whom Payment Is Made
Franchise Fee (2)	\$49,500	\$49,500	Lump sum	When sign Franchise Agreement	Us
Travel Expenses to Training (3)	\$1,000	\$7,500	As incurred	As incurred	Airlines, hotels, and restaurants
Security Deposits for Lease and/or Utilities (4)	\$1,000	\$12,000	As incurred	As incurred	Landlord, utility company
Rent (3 months)(5)	\$0	\$30,000	As incurred	As incurred	Landlord
Construction Due Diligence (6)	\$0	\$6,000	As incurred	As incurred	Third party vendors
Design/ Architecture/ Engineering (7)	\$1,000	\$5,000	As incurred	As incurred	Third party vendors
Construction Permits and Permit Management (8)	\$250	\$1,000	As incurred	As incurred	Government agencies, Project Manager, and third party vendors
Construction Project Management (9)	\$0	\$8,000	As incurred	As incurred	Third party vendors
Net Leasehold Improvements (10)	\$10,000	\$150,000	As incurred	As incurred	Third party vendors
Furniture, Fixtures, and Equipment (11)	\$5,000	\$148,000	As incurred	As incurred	Third party vendors
Signage and Graphics (12)	\$3,500	\$15,000	As incurred	As incurred	Third party vendors
Initial Inventory, Supplies and Accessories (13)	\$2,000	\$10,000	As incurred	As incurred	Third party vendors
Business Management and Technology System (14)	\$2,000	\$6,500	As incurred	As incurred	Third party vendors
Business Licenses (15)	\$250	\$500	As incurred	As incurred	Government agencies
Software Licensing & Technology Fee Through First Three Months (16)	\$3,000	\$5,000	As incurred	As incurred	Us, third party vendors
Professional Fees (17)	\$1,000	\$6,000	As incurred	As incurred	Attorneys, accountants, etc
Insurance Deposit and Initial Premiums (3 months) (18)	\$1,000	\$3,000	As incurred	Prior to opening	Insurance agent or carrier
Grand Opening Marketing Spend (19)	\$35,000	\$35,000	As incurred	As incurred	Third party vendors, us, or our affiliates
Additional Funds, 3 months (20)	\$30,000	\$75,000	As incurred	As incurred	Employees, utilities, suppliers, us, and other third parties, etc.
TOTAL (21)	\$145,500	\$573,000			

1. Type of Expenditure. The amounts provided in this Item 7 include costs you will incur to start your business. These estimates are based upon our experience developing Company-Owned Outlets in and around the Cleveland, Ohio metropolitan area, and based upon data reported to us by our franchisees who had signed leases for Franchised Businesses prior to the issuance date of this Disclosure Document (the “**Reporting Franchised Businesses**”). All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. The low and high ranges in the table do not include optional upgrades to equipment or facility design and are for a 3,500 to 6,500 square foot Franchised Business with 4 to 6 service bays that was previously utilized as an automotive repair center, or is located in a facility that meets our requirements for construction into a Franchised Business. If you open a Rad Air service center with more than 6 bays, your costs will be greater. The estimates provided in this Item 7 assume that you will rent the premises in which your Franchised Business will be located from a third-party landlord. It does not include costs associated with the acquisition of real estate if you decide to operate from a building you purchase, or the costs of building a new facility. The costs for rent, fixtures and improvements will vary and may be significantly higher than projected in this table, based on the square footage, location, economic climate, market conditions, prevailing interest rates, other financing costs, the conditions of the property, and other physical characteristics of your Franchised Business.
2. Franchise Fee. The standard Franchise Fee for opening a single unit is \$49,500. If you enter into a Development Agreement, the per-unit Franchise Fee attributable to each Franchised Business under your Development Agreement may be less, but you will be required to pay us the entire Development Fee upon execution of the Development Agreement. The Franchise Fee and Development Fee are non refundable. See Item 5.
3. Travel Expenses to Training. This estimate is for the cost of up to three people to attend Initial Training in North Royalton, Ohio, a suburb of Cleveland, Ohio. You are responsible for the travel and living expenses, wages, and other expenses incurred by your trainees during Initial Training. The actual cost will depend on the number of trainees that attend, your point of origin, method of travel, class of accommodations, and dining choices.
4. Security Deposits for Lease and/or Utilities. This estimate includes prepaid rent and deposits payable to the landlord and any deposits on utilities required to open the Franchised Business. The low-end estimate of \$0 takes into account: (i) instances where the Landlord does not require a security deposit, the cost of utilities is included in the rent amount for the store location, and utilities deposits are waived based on your credit history; or (ii) instances where you convert an existing auto repair facility to a Franchised Business and are already in possession of the leased premises. These amounts will vary based on your location, credit history and the terms of your lease.
5. Rent. The figures in the table reflect our estimates for leasing our standard prototype Franchised Business, which is a one-story 4,100 square feet space with 4 service bays. The low estimate assumes that you will be able to negotiate a rent abatement for your initial months of operation. The high estimate assumes that you lease a Franchised Business in a high-demand area and do not receive a rent abatement. The estimate includes up to three months of prepaid rent. Your rent will depend on the Site’s size, condition, visibility, accessibility, and location, local market conditions, and demand for the premises among prospective lessees. In certain major metropolitan markets such as Boston, Chicago, New York, Los Angeles, San Francisco, Seattle, and Washington, D.C. and in certain other high demand districts, prevailing market rents could be significantly higher than the high estimate.

We cannot accurately project your costs. You should consult with a local commercial real estate broker to get a more accurate estimate of costs in your market.

You may choose to purchase, rather than rent, real estate on which a building suitable for the Franchised Business already is constructed or could be constructed. Because of the numerous variables that affect the value of a particular piece of real estate, this initial investment table does not reflect the potential purchase cost of real estate or the costs of constructing a building suitable for the Franchised Business.

6. Construction Due Diligence. You must use a construction project manager that we designate or approve in writing (the “**Construction Project Manager**”) to manage and lead the design and construction of your Franchised Business. This estimate is of the amount that the Construction Project Manager will charge you to provide you with an as-built/conditions survey, site investigation report, and a due diligence summary.
7. Design/Architecture/Engineering. You or the Construction Project Manager will engage designers, architects, and engineers to draft standard construction plans for your Franchised Business. This estimate includes costs related to the drafting, shipping, and printing of such plans. This estimate does not include site-specific structural, seismic, and acoustical engineering designs, plans and drawings. Your costs will vary depending upon the location of the Site, its condition, and the need for additional designs, plans, and drawings, if applicable.
8. Construction Permits and Permit Management. The Construction Project Manager will assist in the filing of construction permits. This estimate includes the cost of acquiring construction permits, including permit fees, Construction Project Manager fees, and the cost of hiring, if necessary, a local third party to assist in managing, expediting, and acquiring permits. Your costs will vary depending upon your Franchised Business’s location. In some markets, the costs of required permits may significantly exceed our estimates.
9. Construction Project Management. This estimate includes fees paid to the Construction Project Manager to provide construction project management services, including management of competitive bidding processes, management and oversight of your general contractor, and management of vendors and orders.
10. Net Leasehold Improvements. This estimate includes the net cost of leasehold improvements to our standard prototype 4,100 square foot, 4-bay Franchised Business, including floor coverings, wall treatments, ceilings, painting, electrical, carpentry, plumbing, HVAC, and similar work. Our standard prototype Franchised Business is a one-story 4,100 square feet space with 4 service bays, but Franchised Businesses typically range from 3,500 to 6,500 square feet with 4 to 6 service bays. This estimate includes both materials and the cost of labor. The low estimate assumes you are converting an existing automotive repair facility into Franchised Business, and/or you are able to secure a Site that was previously utilized as an automotive repair center or similar facility.

You may be able to negotiate tenant improvement allowances from your landlord. If you are able to negotiate a tenant improvement allowance from your landlord, the landlord typically may require you to provide proof that you have paid for the leasehold improvements before reimbursing you the money. Some landlords may require you to receive the tenant improvement allowance in the form of reduced rent over the life of your lease, rather than in the form of a lump sum reimbursement. As a result, your actual out-of-pocket costs and the

cost of any construction financing that you may need to obtain may be significantly higher than the net leasehold improvement costs presented in this table.

Your actual costs will depend on, among other factors, the Franchised Business location, the size of the Franchised Business, the condition of the premises being remodeled, national and local economic factors, the local costs of materials and labor, and the amount of tenant improvement allowances that you are able to obtain, if any. In certain major metropolitan markets such as Boston, Chicago, New York, Los Angeles, San Francisco, Seattle, and Washington, D.C., costs could be significantly higher than the estimates provided here due to local market rates for materials and labor. As a result, we cannot accurately project your costs.

11. Furniture, Fixtures, and Equipment. You must purchase or lease certain items of equipment to operate a Franchised Business prior to opening including hoists, air compressors, specialty tools and equipment for air conditioning service, display cases, shelves, metal workbenches, miscellaneous tools, and certain items of office equipment. The estimate in this Table applies in the event that you purchase the equipment. Generally, equipment is leased from third persons. The terms and conditions of an equipment lease are subject to the requirements of a particular supplier of equipment. We have no control over the terms offered in the purchase or lease of equipment.
12. Signage and Graphics. This estimate includes the cost of outdoor identification on the Franchised Business and displays and signage throughout the Franchised Business.
13. Initial Inventory, Supplies and Accessories. This estimate covers the initial supplies of products. These figures are estimates. We cannot guarantee that you will not have additional expenses. You must maintain a level of inventory that will be sufficient to meet the daily demands of your business. This is non-refundable. You must purchase certain point of sale materials, such as business cards, stationery, and work orders from approved sources prior to opening. These materials identify your business as a franchise operation of a Rad Air® Franchised Business.
14. Business Management and Technology System. This figure includes the cost of acquiring the hardware, other equipment, and network connections (including three months of internet service and security system service) that we specify in the Manuals necessary to operate our point of sale system, the customer relationship management system, and other technology systems that we designate (the “**Business Management and Technology System**”). You must purchase these components from suppliers that we approve or designate and must execute any related software licenses required by designated vendors.
15. Business Licenses. This estimate includes the cost of acquiring business licenses and permits. Your costs will vary depending upon your Franchised Business’s location.
16. Software Licensing & Technology Fee Through First Three Months. This figure includes your costs for licensing the software required to operate your Franchised Business as well as your payment of the Technology Fee to us during the pre-sales period (typically, 90 days prior to obtaining your temporary or final certificate of occupancy) and your first three months of operation. The Technology Fee is described in Item 6.
17. Professional Fees. This estimate includes the cost of professional fees that you may incur in establishing your business. Such expenses may include fees payable to attorneys,

accountants, and finance originators that you will need to use for the review of this Disclosure Document and its Exhibits, as well as for entity formation and lease negotiation.

18. Insurance Deposit and Initial Premiums. This estimate is for your insurance premium deposit and your first three months of insurance coverage, which may be paid prior to opening. You will need to check with your insurance carrier for actual premium quotes and costs, as well as for the actual amount of the deposit. The cost of coverage will vary based upon the area in which your business will be located, your experience with the insurance carrier, the loss experience of the carrier, the amount of the deductibles and of coverage, and other factors beyond our control. You should also check with your insurance agent or broker regarding any additional insurance that you may wish to carry above our required minimums. If you elect to pay your entire annual insurance premium in advance, your costs may be higher.
19. Grand Opening Marketing Budget. You must spend a minimum of \$35,000 for grand opening advertising and promotions beginning 90 to 120 days before, and ending 30 days after, the opening of your Franchised Business in accordance with a plan that you must submit to us. This estimate includes the \$5,000 Grand Opening Management Fee that must be paid to us upon invoice approximately 60 days prior to your grand opening. This amount does not include wages and payroll-related expenses for your employees. Your cost may be higher based on the length of time you wish to run opening promotions or any additional marketing spending you may choose to undertake. We have the right to modify your grand opening plan, in our sole discretion. You must provide us with supporting documentation evidencing these expenditures upon our request. This estimate is in addition to the Brand Fund Contribution contributions you will be required to make once we establish a Brand Fund.
20. Additional Funds, Three Months. This is an estimate of the amount of additional operating capital that you may need during the first three months after opening your business. This estimate includes additional funds you may need to pay employee salaries and wages, utilities, payroll taxes (including payroll to cover the grand opening promotional period and the pre-opening training period for your staff), Royalty Fees, Brand Fund Contributions, legal and accounting fees, additional advertising, health and workers' compensation insurance, bank charges, miscellaneous supplies and equipment, staff recruiting expenses, state tax and license fees, deposits, prepaid expenses, and other miscellaneous items. The preceding list is by no means intended to be exhaustive of the extent of possible categories of expenses. The expenses you incur during the start-up period will depend on factors such as local economic and market conditions, your business experience, and the level of traffic at your location. We cannot guarantee that you will not incur additional expenses in starting the business that may exceed this estimate or that you will not need additional funds after your first three months of operation. It is best to contact your accountant or financial advisor for further guidance.
21. Total. This total amount is based upon our experience developing and operating the Company-Owned Outlets and the experience of the Reporting Franchised Businesses. Your costs may vary based on a number of factors including, but not limited to, the geographic area in which you open, local market conditions, the size of your Franchised Business, and your skills at operating a business. We strongly recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area. Your actual costs in each category and your actual total costs may be higher or lower than the costs estimated in this chart. You should independently investigate the costs of opening an automotive repair and servicing center in the geographic area in which

you intend to open a Franchised Business. You should also review the figures carefully with a business advisor before making any decision to purchase the Franchise.

We do not provide financing to franchisees either directly or indirectly in connection with their initial investment requirements. The availability and terms of financing obtained from third parties will depend upon such factors as the availability of financing, your credit worthiness, collateral which you may make available, or policies of local lending institutions with respect to the nature of the business.

YOUR ESTIMATED INITIAL INVESTMENT

(MULTIPLE FRANCHISED BUSINESSES DEVELOPED UNDER DEVELOPMENT AGREEMENT)

Type of Expenditure	Low Estimate	High Estimate	Method of Payment	When Due	To Whom Payment Is Made
Development Fee (1)	\$89,500 (2 Units)	\$334,500 (10 Units)	Lump sum	When sign Development Agreement	Us
Estimated Initial Investment for First Franchised Business (2)	\$96,000	\$523,500	As incurred	As incurred	Us and third parties
TOTAL (3)	\$185,500	\$858,000			

Notes:

1. Development Fee. Upon signing the Development Agreement, you must pay us the Development Fee. The Development Fee varies based on the number of Franchised Businesses you commit to develop. The low estimate is based on a commitment to develop two Franchised Businesses (in which case the Franchise Fee under each Franchise Agreement would be \$44,750 per Franchised Business) and the high estimate is based on a commitment to develop 10 Franchised Businesses (in which case the Franchise Fee under each Franchise Agreement would be \$124,500 for the first three (3) Franchised Businesses and \$30,000 per additional Franchised Business from the fourth unit and beyond). We may permit you to enter into a Development Agreement to develop more than ten (10) Franchised Businesses if we determine that you are operationally and financially capable of doing so. The Development Fee will be credited towards the initial Franchise Fee for each Franchised Business developed under the Development Agreement. The Development Fee is not refundable. See Item 5.
2. Estimated Initial Investment for First Franchised Business. For each Franchised Business that you develop under a Development Agreement, you will execute a Franchise Agreement and incur the initial investment expenses for the development of a single Franchised Business as described in the first table of this Item 7. This estimate is based on the expenses described in the first table of this Item 7. The estimate does not include the Franchise Fee, since the Development Fee is credited towards the Franchise Fee for each Franchised Business.

3. Total. We do not provide financing to franchisees either directly or indirectly in connection with their initial investment requirements.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Authorized Products and Services. We have the right to require that furniture, fixtures, signs, and equipment (the “**Operating Assets**”) and products, supplies, and services that you purchase for resale or purchase or lease for use in your Franchised Business: (i) meet specifications that we establish from time to time; (ii) be a specific brand, kind, or model; (iii) be purchased or leased only from suppliers or service providers that we have expressly approved; and/or (iv) be purchased or leased only from a single source that we designate (which may include us or our affiliates or a buying cooperative organized by us or our affiliates).

You must offer to customers only the products and services we approve in writing (“**Authorized Products and Services**”). In addition, you must offer the specific products and services that we require in the Manuals or otherwise in writing. We may change these specifications periodically, and we may designate specific products or services as optional or mandatory. You must offer all products or services that we designate as mandatory. You may sell products and services only in the varieties, forms, and packages that we have approved in accordance with our System Standards. You must maintain a sufficient supply of required products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

We may require you to purchase merchant processing services from us, our affiliates or an approved vendor we select. You must require your customers to pay all service fees and other charges through the Business Management and Technology System. When you begin collecting revenue in your Franchised Business, the payment processor may process all credit card payments related to your Franchised Business, and remit payment to you of all monies owed, after withholding any fees that are payable to us (such as Royalty Fees, Brand Fund Contributions, Technology Fees, and other advertising fees) and any payment processing fees payable to such processor.

When you develop and construct your Franchised Business, you must use the Project Manager that we designate or approve in writing who will engage on your behalf architectural and engineering firms that we have approved. You also must use only general contractors that we have approved in writing, and we may require you to use only general contractors that we have pre-approved.

None of our officers owns any interest in any supplier with whom you are required or recommended to do business.

Insurance. You must obtain before you begin construction and/or development of the Franchised Business and must maintain at all times the types of insurance and the minimum policy limits specified in the Manuals. Currently we require (i) comprehensive general liability and professional liability insurance with minimum limits of \$2 million per occurrence and \$4 million aggregate (including product liability and personal and advertising injury) and (ii) workers’ compensation and employer’s liability insurance covering all of your employees with the minimum limits required by law in the state in which your Franchised Business is located. However, you may be required to acquire additional insurance by the laws in your area. All of your insurance carriers must be rated A or higher by A.M. Best and Company, Inc. (or such similar criteria as we periodically specify). These insurance policies must be in effect on or before the deadlines we

specify. All coverage must be on an “occurrence” basis, except for the employment practices liability insurance coverage, which is on a “claims made” basis. All policies shall apply on a primary and non-contributory basis to any other insurance or self-insurance that we or our affiliates maintain. We must be named as an additional insured under each policy that we require. Upon our request or as specified in the Manuals, you must provide us with certificates of insurance evidencing the required coverage. We may require additional types of coverage or increase the required minimum amount of coverage upon 60 days’ notice to you.

Business Management and Technology System. You are required to purchase most of the components of the Business Management and Technology System that we specify from suppliers that we approve or designate, including the software, computer, tablets, equipment required to connect to our technology platform, and credit card scanner. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must execute any software license agreements that we or the licensor of the software require and any related software maintenance agreements.

Approval Process. If you would like to offer products or use any supplies, Operating Assets, or services that we have not approved or to purchase or lease from a supplier or service provider that we have not approved, you must submit a written request for approval and provide us with any information that we request. We have the right to inspect the proposed supplier’s facilities and test samples of the proposed products and to evaluate the proposed service provider and the proposed service offerings. Proposed suppliers may be required to come to our offices in Cleveland, Ohio in order for us to make an evaluation. You agree to pay us an amount not to exceed the reasonable cost of the inspection and our actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs, whether or not the item, service, supplier, or service provider is approved. We have the right to grant, deny, or revoke approval of products, services, suppliers, or service providers based solely on our judgment. If we revoke our approval of any item, service, supplier, or service provider, we will inform you in writing and you must discontinue your purchase, use, or sale of the particular item, service, supplier or service provider immediately after notice is given to you. We may, but we are not obligated to, make available to you our criteria for approving suppliers. If we make this approval criteria available to you, we will do so in the Manuals. We will notify you in writing of our decision as soon as practicable following our evaluation. If you do not receive our approval within 90 days after submitting all of the information that we request, our failure to respond will be deemed a disapproval of the request. You acknowledge that the products and services that we approve for you to offer in your Franchised Business may differ from those that we permit or require to be offered in other Franchised Businesses.

We reserve the right to re-inspect the facilities and products of any approved supplier and to reevaluate the services provided by any service provider at and to revoke approval of the item, service, supplier, or service provider if any fail to meet any of our then-current criteria. If we revoke approval of a previously-approved product that you have been selling to customers or service that you have been offering to customers, we will inform you in writing and you must immediately discontinue offering the service and may continue to sell the product only from your existing inventory for up to 30 days following our disapproval. We have the right to shorten this period if, in our opinion, the continued sale of the product would prove detrimental to our reputation. After the 30-day period, or such shorter period that we may designate, you must dispose of your remaining formerly-approved inventory as we direct.

Issuance of Specifications and Standards. To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers

or service providers for particular items or services, we will publish our requirements in the Manuals. We may, at any time, in our discretion, change, delete, or add to any of our specifications or quality standards. Such modifications, however, will generally be uniform for all franchisees. We will notify you of any changes to our Manuals, specifications, or standards in writing, which we may transmit to you electronically.

Proportion of Purchases Subject to Specifications. We estimate that the cost to purchase and lease all equipment, inventory and other items and services that we require you to obtain from us or our affiliates, from designated suppliers, or in accordance with our specifications ranges from 50% to 75% of the total cost to purchase and lease equipment, inventory, and other items necessary to establish a Franchised Business and 50% to 75% of the total cost to purchase and lease equipment, inventory, and other items to operate a Franchised Business.

Revenue from Purchases. We or our affiliates may receive revenues or profits or other material consideration from the purchases you make from us, our affiliates, or from other approved suppliers. We or our affiliates intend to earn revenue from your purchase of apparel and merchandise, project management services, furniture, fixtures, equipment, technology, signage and graphics, audio-visual equipment, services we or they may offer, and other items that we may specify from time to time. We or our affiliates may retain any rebates or other payments we receive from suppliers.

Currently, we have not established arrangements with any certain suppliers which require the supplier to make rebate payments to us, but we reserve the right to do so in the future. In the 2021 fiscal year, we received \$0 in rebates from the required purchase of products and services by our franchisees.

Cooperatives and Purchase Arrangements. We are not involved in any purchasing or distribution cooperatives. We may, but are not obligated to, negotiate purchase arrangements with suppliers for the benefit of franchisees. As of the issuance date of this Disclosure Document, we have not negotiated any such arrangements.

Warranty Program We have established certain standardized customer warranty programs with respect to Authorized Products and Services. We may, in our sole discretion, add new warranty programs, discontinue existing warranty programs, and/or modify the terms and conditions of the warranty programs from time to time. You must perform promptly all of the terms and conditions of all customer warranties, including warranty work that is performed on vehicles that were originally serviced at other Rad Air service centers. If you purchase an existing Franchised Business, you are responsible for performing warranty work for vehicles serviced by the prior owner.

All warranty information is contained in the Manuals and outlined in the warranty folders that a Rad Air service center will provide to its customers. In the event that the warranty work will be performed at a different service center than the original facility, the service center performing the warranty repairs must validate the warranty information with the client and the original service center before performing any repairs. Warranty work performed under a valid warranty claim will be done at no charge to a customer. However, you may invoice the original Rad Air service center for the parts, materials, labor costs, and other charges/fees associated with warranty work performed on vehicles that were first serviced at a different Rad Air service center. Parts and materials may be invoiced at actual (wholesale) cost and paid by the original service center within 24 hours of completion of the warranty work. Similarly, other Rad Air service centers may invoice you for these costs if they perform warranty services under a valid warranty claim for vehicles that

were originally serviced at your Franchised Business. In the event of a dispute that cannot be resolved between the service center and the client or between multiple service centers, we will make a determination as to the validity of the warranty, the services to be performed, and the allocation of costs for the performance of the warranty services. Our determination will be made in our reasonable, good faith business judgment, and will be binding on you and the other service center(s) in question

Material Benefits. We do not provide any material benefits to franchisees (for example, renewal or granting additional franchises) based upon their purchase of particular products or services or use of particular suppliers.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in Franchise Agreement	Disclosure Document Item
a.	Project management and site acquisition/lease	FA: Sections 4.1, 4.2, and 4.4	Item 11
b.	Pre-opening purchases/leases	FA: Sections 4.4, 6.7, and 6.10	Items 6, 7, 8 and 11
c.	Site development and other pre-opening requirements	FA: Sections 4.4 and 4.5	Items 7, 8 and 11
d.	Initial and ongoing training	FA: Section 5	Items 6, 7 and 11
e.	Opening	FA: Section 4.6 DA: Section 3	Items 6 and 11
f.	Fees	FA: Sections 3, 4.6, 4.7, 5.1, 5.3, 5.4, 5.6, 6.2, 6.9(b), 6.10(a), 6.14, 7.2(a), 7.3, 8.4, 8.5, 8.6, 13.4, 13.5, 13.6, 13.8, 14.2(b)(viii), 15.1, 15.2, and 16.9 DA: Section 2	Items 5, 6, 7 and 11
g.	Compliance with standards and policies/Operations Manual	FA: Sections 5.4, 5.5, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.10, 6.12, 7.3, 8.4, 8.6, 10.3, and 13.4	Items 7, 8, 11, 13, 14, 15 and 16
h.	Trademarks and proprietary information	FA: Sections 9 and 10 DA: Section 8	Items 13, 14 and 17
i.	Restrictions on products/services offered	FA: Sections 6.6, 6.7, and 6.8	Items 8 and 16
j.	Warranty and customer service requirements	FA: Section 6.11 and 8.6	Items 8 and 16
k.	Territorial development and sales quotas	FA: Section 6.4 DA: Section 3	Item 12
l.	Ongoing product/service purchases	FA: Sections 6.7 and 6.8	Items 8 and 16
m.	Maintenance, appearance and remodeling requirements	Sections 4.5, 6.3, and 6.5	Items 7, 8 and 11
n.	Insurance	FA: Section 6.13	Items 7 and 8
o.	Advertising	FA: Sections 3.3 and 7	Items 6, 7, 8 and 11
p.	Indemnification	FA: Section 11	Item 6

	Obligation	Section in Franchise Agreement	Disclosure Document Item
q.	Owner's participation/management/staffing	FA: Sections 1.4, 1.5, and 6.2	Items 11 and 15
r.	Records and reports	FA: Section 8.1, 8.2, and 8.3	Items 6 and 17
s.	Inspections and audits	FA: Sections 8.4, 8.5, and 8.6	Items 6 and 11
t.	Transfer	FA: Section 13 DA: Section 7	Items 6 and 17
u.	Renewal	FA: Section 2.2	Item 17
v.	Post-termination obligations	FA: Section 15 DA: Section 8	Item 17
w.	Non-competition covenants	FA: Section 12 and 15.9 DA: Section 8	Item 17
x.	Dispute resolution	FA: Section 16 DA: Section 8	Item 17

ITEM 10 FINANCING

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

ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

If we have appointed, or appoint in the future, an Area Representative to operate an Area Business in the area in which your Franchised Business is located, such Area Representative may provide the training, support, marketing, and other services described in this Item 11 to you on our behalf and will have the authority to exercise many of our rights and perform many of our obligations under the Franchise Agreement.

Our Pre-Opening Obligations

For all Franchise Agreements, whether executed pursuant to a Development Agreement or otherwise, before you begin operating your Franchised Business:

1. Designate Areas. We will designate your Site Selection Area. (Franchise Agreement - Section 1.1).

2. Real Estate Project Management Services. We will designate or approve a Real Estate Project Manager that you must contract with to manage and lead real estate brokerage services, site selection counseling, and other assistance that the Real Estate Project Manager considers necessary and appropriate, which may include, in the Real Estate Project Manager's sole discretion, on-site evaluations. The Real Estate Project Manager may engage third-party real estate brokers to work on your behalf to identify sites for your Franchised Business in the Site Selection Area. Currently, we do not intend to own and lease sites to you. You may not engage other real estate brokers without our written approval. If you identify a site in the Site Selection Area on your own that is reasonably suited for the conduct of the Franchised Business and is consistent with any site selection guidelines that we may provide, before entering into any lease

or purchase agreement for the site, you must submit a site proposal package describing details about the proposed site and provide any other information that we reasonably require. (Franchise Agreement – Section 4.1)

a. Site Selection. We will review each site that the Real Estate Project Manager, broker or you identify and determine whether to accept it using our proprietary site selection assistance criteria, which may include evaluations of the proposed site by third-party site selection assistance software. We will conduct such on-site evaluation as we consider necessary and appropriate as part of our evaluation. We are not required to complete our review within a certain period of time. In addition to certain demographic characteristics, we also consider the following factors in accepting a Franchised Business location: site visibility, zoning, parking, competition, neighboring tenants, accessibility, population density, and adjusted gross income.

While we will provide assistance and guidance, it is solely your responsibility to select a suitable site for the Franchised Business. Our acceptance of a proposed site is not a warranty or representation of any kind as to the potential success or profitability of your Franchised Business.

You must secure a site that we have accepted by signing a site lease or purchase agreement within 90 days after the effective date of your Franchise Agreement (the “**Site Acquisition Deadline**”). We may extend this Site Acquisition Deadline by up to 90 days in our sole discretion, and we may require you to execute a general release as a condition of us agreeing to grant such extension. If we have accepted a site for your Franchised Business and you are unable or unwilling to acquire such site or an alternative site that we accept by the Site Acquisition Deadline or you are unable to identify a site for your Franchised Business that we accept by the Site Acquisition Deadline, we may terminate the Franchise Agreement. (Franchise Agreement - Sections 4.1, 4.2, and 4.4).

b. Approval of Site Lease. Before you make a binding commitment to purchase, lease, or sublease a site, we must approve in writing the proposed lease or purchase agreement or any letter of intent between you and the third-party seller or lessor. If you lease the site, unless we waive the requirement in writing, you must arrange for the execution of the Lease Rider in the form that is attached as Appendix D to the Franchise Agreement. We may require you to engage an attorney to review your lease or purchase agreement for the Site that we have accepted and to supply us with reasonable documentation in connection with such review, including a lease abstract and confirmation that the terms in the agreement reflect the terms in any letter of intent between you and the third-party seller or lessor. We will not provide you with any legal advice with respect to your lease or purchase of the site. Our review of the lease is for our benefit and is not intended to supplement or replace any review by a real estate attorney engaged on your behalf. You are strongly encouraged to engage competent legal counsel to assist in the review and negotiation of your site lease. (Franchise Agreement - Section 4.4).

3. Construction Project Management Services. We will designate or approve a Construction Project Manager that you must contract with to provide construction project management services, including architectural, engineering, and design services. We will make available to the Construction Project Manager a set of prototype plans and specifications (not for construction) for the Franchised Business and for the exterior and interior design and layout. You or the Construction Project Manager must also engage designers, architects, and engineers to adapt for the Site our standard plans and specifications for the exterior and interior design and layout, fixtures, furnishings, signs, Trade Dress, and equipment for the Franchised Business. We will review the plans developed by the Construction Project Manager, which we must approve prior to their submission to permitting. You may not engage any project managers, architects,

engineers, or designers other than the Construction Project Manager and those selected by the Construction Project Manager without our prior written consent. (Franchise Agreement - Section 4.5(a))

4. Approval of Contractors. You must provide us with written notice identifying your general contractor, and you must ensure that the contractor is duly licensed in your jurisdiction and adequately insured. You may not begin construction until we have given you written approval of the plans and we or the approved Construction Project Manager has approved in writing your choice of general contractor. We may require you to use only general contractors that we have pre-approved, provided that one is available in your Site Selection Area. (Franchise Agreement - Sections 4.5(c))

5. Initial Training. We will provide Initial Training in the System and our policies and procedures to your Required Trainees. See "Training", below in this Item. (Franchise Agreement - Section 5.1)

6. Manuals. We will provide you with electronic access to our Manuals, on loan for as long as this Agreement or a successor franchise agreement remains in effect. (Franchise Agreement - Section 6.1(a))

7. Initial Equipment Purchases. We, or an approved third party supplier, will deliver to you your initial supply of equipment and inventory, which you must use in providing Approved Products and Services to your customers. (Franchise Agreement - Section 3.5)

8. Advice. We will advise you as to local marketing and networking efforts. We will advise you as to best practices for operating your Franchised Business from time to time, upon request. We will provide you with templates for customer agreements, warranty information, and/or related waivers for use in your Franchised Business, which you must adapt to comply with applicable laws and regulations. We must approve any modified forms of such agreements or waivers. (Franchise Agreement – Sections 5.2 and 6.11)

9. Opening Approval. We will approve your Franchised Business opening, provided that you have met all of our requirements for opening, including, but not limited to, providing us with a certificate of occupancy and building the Franchised Business in compliance with the plans that we approved. (Franchise Agreement - Section 4.6). We estimate that the typical length of time between signing a Franchise Agreement and opening your Franchised Business is approximately 270 days. Factors affecting this length of time include, among others: ability to select a site and negotiate a satisfactory lease; hiring of the requisite employees; successful completion of Initial Training; local ordinances or community requirements; delivery of fixtures, equipment, and signs; issuance of all necessary licenses, permits and approvals; and procuring required insurance. You must open the Franchised Business no later than 270 days after the effective date of the Franchise Agreement and within 180 days after possession of the Site is delivered to you by your landlord. If you fail to do so, we may terminate your Franchise Agreement. We may extend this deadline, in our sole discretion, which we may condition on you agreeing to pay an extension fee of \$2,500 for each month (or portion of a month) for which the deadline is extended and you executing a general release.

Ongoing Assistance

During the operation of your Franchise:

1. Review Advertising. We will review any advertising or promotional programs or materials that you develop. (Franchise Agreement - Sections 7.3(b))

2. National Brand Fund Management. We will manage the National Brand Fund as described below in this Item, if we establish one. We will prepare an unaudited statement of contributions and expenditures for the National Brand Fund and make it available within 60 days after the close of our fiscal year to franchisees who make a written request for a copy. (Franchise Agreement - Section 7.2(a))

3. Requested Consulting Services. We will provide to you additional consulting services with respect to the operation of the Franchised Business upon your reasonable request and subject to the availability of our personnel or the personnel of any Area Representative at a mutually convenient time. We will make available to you information about new developments, techniques, and improvements in the areas of merchandising, advertising, management, operations, and Franchised Business design. We may provide such additional consulting services through the distribution of printed or filmed material, an Intranet or other electronic forum, meetings or seminars, teleconferences, webinars, or in person. If such services are rendered in person other than at our offices, you must pay us a fee and our expenses. (Franchise Agreement - Section 5.6)

4. Relocation Review. We will evaluate sites to which you propose to relocate your Franchised Business in accordance with our then-current real estate project management requirements. (Franchise Agreement - Section 4.7)

5. Warranty Program – We will maintain a national customer warranty program. (Franchise Agreement – Section 6.11)

6. Pricing. If we determine that we may lawfully require you to charge certain prices for goods or services, certain minimum prices for goods or services, or certain maximum prices for goods or services, you must adhere to our pricing policies as set forth in the Manuals or otherwise in writing from time to time. We currently require you to charge rates equal to or in excess of a minimum pricing schedule, which we will provide and may revise from time to time. Otherwise, you are solely responsible for determining the prices that you charge customers and must provide us with your current price list upon our request. (Franchise Agreement – Section 6.5)

Advertising

Our Marketing. We may from time to time formulate, develop, produce, and conduct, at our sole discretion, advertising or promotional programs in such form and media as we determine to be most effective. We may make available for you to purchase approved advertising and promotional materials, including signs, posters, collaterals, etc. that we have prepared.

We have not conducted national media advertising for the Rad Air® concept. If we conduct media advertising, we may use direct mail, print, radio, Internet, or television, which may be local, regional, or national in scope. We may produce the marketing materials in-house or employ a local, regional, or national advertising agency. We are not obligated to conduct any advertising or marketing programs within your market.

Local Marketing. You must use your best efforts to promote the use of the Mark in your market area. You must spend at least five percent (5%) of your monthly Gross Revenue on local advertising and promotional activities (the “**Marketing Spending Requirement**”). Your Marketing Spending Requirement is in addition to your Brand Fund Contribution. We have the right to designate in the Manuals the types of expenditures that will or will not count toward the Marketing Spending Requirement including portions of your Marketing Spending Requirement which must be spent with approved or designated suppliers. At our request, you must submit appropriate documentation to verify compliance with the Marketing Spending Requirement. If you fail to spend (or prove that you spent) the Marketing Spending Requirement in any quarter, then we may, in addition to and without limiting our other rights and remedies, require you to pay us the shortfall as an additional Brand Fund Contribution or to pay us the shortfall for us to spend on local marketing for your Franchised Business.

You must participate in such advertising, promotional, and community outreach programs that we may specify from time to time, at your own expense. Any media advertising or direct mail marketing that you conduct must be predominantly focused within your Territory, unless we and franchisees in neighboring territories agree otherwise. You must ensure that all of your advertising, marketing, promotional, customer relationship management, public relations and other brand related programs and materials that you or your agents or representatives develop or implement relating to the Franchised Business is completely clear, factual and not misleading, complies with all applicable laws and regulations, and conforms to the highest ethical standards and the advertising and marketing policies that we periodically specify. Moreover, you must conduct all advertising in a dignified manner and in conformance with the standards and requirements we specify in the Manuals.

You must submit to us in writing for our prior approval all sales promotion materials and advertising that have not been prepared by or previously approved by us. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. We will have the final decision on all creative development of advertising and promotional messages. We reserve the right to require you to discontinue the use of any advertising or marketing materials.

Grand Opening Advertising. In connection with the opening of the Franchised Business, you must spend a minimum of \$35,000 for grand opening advertising and promotion in the 90 to 120 days prior to opening the Franchised Business and the 30 days after opening the Franchised Business in accordance with a plan that you must submit to us. This amount includes the Grand Opening Management Fee that must be paid to us upon invoice prior to your grand opening. We have the right to modify your grand opening plan, in our sole discretion, and may require you to use a public relations firm to assist with your grand opening. No amount paid by you for your grand opening will be credited toward the Marketing Spending Requirement. You must provide us with supporting documentation evidencing these expenditures upon request.

Brand Fund. We may, but are not obligated to, establish the Rad Air® Brand Fund, a segregated or independent fund into which all Brand Fund Contributions will be paid (the “**Brand Fund**”). While currently we do not collect the Brand Fund Contribution, we may collect a Brand Fund Contribution of up to 3% of your Gross Revenue from you for contribution to the Brand Fund. We may use monies in the Brand Fund and any earnings on the Brand Fund account for any costs associated with advertising (media and production), branding, marketing, public relations and/or promotional programs and materials, and any other activities we believe would benefit the Rad Air® brand or the Franchised Businesses generally, including advertising campaigns in various media; creation, maintenance, and optimization of the System Website or other websites;

keyword or adword purchasing programs; conducting and managing social media activities; direct mail advertising; market research, including, without limitation, secret shoppers and customer satisfaction surveys; branding studies; employing advertising and/or public relations agencies; purchasing promotional items; conducting and administering promotions, contests, giveaways, public relations events, and community involvement activities; and providing promotional and other marketing materials and services to our franchisees. We have the right to direct all marketing programs, with the final decision over creative concepts, materials, and media used in the programs and their placement. We do not guarantee that you will benefit from the Brand Fund in proportion to your contributions to the Brand Fund.

We will make any sales and other materials produced with Brand Fund monies available to you without charge or at a reasonable cost, and we will deposit the proceeds of such sales into the Brand Fund.

We will not use the Brand Fund for anything whose sole purpose is the marketing of franchises; however, the Rad Air® website, public relations activities, community involvement activities, and other activities supported by the Brand Fund may contain information about franchising opportunities.

We will not use any contributions to the Brand Fund to defray our general operating expenses, except for reasonable administrative costs and overhead we incur in activities reasonably related to the administration of the Brand Fund or the management of Brand Fund-supported programs (including the pro-rata amount of salaries of our personnel who devote time to Brand Fund activities and retainers and fees for outside agencies). We may use monies in the Brand Fund to pay for an independent audit of the Brand Fund, if we elect to have it audited.

In no event will we be deemed a fiduciary with respect to any Brand Fund Contributions we receive or administer. We are not required to have an independent audit of the Brand Fund completed. We will prepare an unaudited statement of contributions and expenditures for the Brand Fund and make it available within 60 days after the close of our fiscal year to franchisees who make a written request for a copy.

All franchisees and Franchised Businesses operated by us or our affiliates will contribute to the Brand Fund a uniform percentage of their Gross Sales.

As of the date of this Disclosure Document, we have not created a Brand Fund and, accordingly, there were no Brand Fund Contributions made in 2021, and thus there were no expenditures. Any sums in the Brand Fund at the end of any year shall be applied toward the following years' expenditures.

Digital Marketing. We may, in our sole discretion, establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, **"Digital Marketing"**) that are intended to promote the Marks, your Franchised Business, and the entire network of Franchised Businesses. We will have the sole right to control all aspects of any Digital Marketing, including those related to your Franchised Business.

Unless we consent otherwise in writing, you and your employees may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to the

Franchised Business or the network. If we do permit you or your employees to conduct any Digital Marketing, you or your employees must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. If we permit you or your employees to conduct Digital Marketing, we will have the right to retain full control over all websites, social media accounts, mobile applications or other means of digital advertising that we have permitted you to use. We may withdraw our approval for any Digital Marketing or suspend or terminate your use of any Digital Marketing platforms at any time.

You are not authorized to have a website for your Franchised Business or to have a webpage related to your Franchised Business in any third-party website, including, without limitation, social networking sites. As part of our Digital Marketing, we or one of our designees will operate and maintain the Rad Air® website, which will include basic information related to the Franchised Business, the ability for customers to obtain Authorized Products and Services at your Franchised Business, and access to the Franchised Business's service reservation system.

Promotional Programs. You must participate in all in-Franchised Business promotional programs that we offer to franchisees. You will follow our guidelines concerning the acceptance and reimbursement of gift certificates, gift cards, coupons, corporate discounts, and other promotional programs as we set forth from time to time in the Manuals or otherwise in writing. You will not allow use of gift certificates, gift cards, or coupons (including Groupons and similar discounts) unless approved or offered by us.

Advertising Cooperatives. We currently do not have any advertising cooperatives and have no plans to form such cooperatives in the immediate future. However, you must join and actively participate in any organizations or associations of franchisees or advertising cooperatives that we establish or that are established at our direction for the purpose of promoting, coordinating, and purchasing advertising in local, regional, or national areas where there are multiple Franchised Businesses, and you must abide by the bylaws, rules, and regulations duly required by such advertising cooperative, which we have the right to mandate or approve if and when we form such cooperative. If we form an advertising cooperative, we will have the right to determine how membership will be defined, whether company or affiliate-owned Franchised Businesses will participate in the cooperative, and whether we, an affiliate, a franchisee, or a third party will administer the cooperative. If you join an advertising cooperative, we or the advertising cooperative may require you to spend additional funds on marketing programs conducted by the advertising cooperative, which may be in addition to your Brand Fund Contribution or the Marketing Spending Requirement. There is no cap on this potential spending obligation. If we form an advertising cooperative, we will make any governing documents available to you for your review.

Advertising Councils. We currently do not have an advertising council composed of franchisees to advise us on our advertising policies. We may decide to implement an advertising council in the future, at which point we will set policies related to such council. If we form an advertising council, we may appoint members, allow franchisees to elect members, or have a mix of appointed and elected positions. The advertising council may consist of both franchisees and our representatives. Any advertising council will be advisory and will not have any decision-making authority. We will have the right to modify or dissolve any advertising council that we create.

Computer System You must obtain, maintain, and use the Business Management and Technology System that we specify periodically in the Manuals to (i) enter and track purchase orders and receipts and customer information, (ii) update inventory, (iii) enter and manage your customer's contact information, (iv) generate sales reports and analysis relating to the Franchised Business, and (iv) provide other services relating to the operation of the Franchised Business.

The Business Management and Technology System typically includes: three to five tablet computers, a desktop computer, an all-in-one printer/scanner, three to five Chromebook computers, wireless routers and network switches, three to five telephones, and related equipment. Components of the Business Management and Technology System must be connected to the Internet via a high-speed Internet connection. The Business Management and Technology System will use third-party software from our approved vendors. Currently, franchisees are required to use Tekmetric, My Shop Manager, and Indentifix cloud-based software programs in the operation of the Franchised Business. For any proprietary software or third party software that we require you to use, you must execute and be responsible for the fees associated with any software license agreements or any related software maintenance agreements that we or the licensor of the software require. We do not require you to purchase any specific brand of hardware components, however any hardware you select must be able to run our required software platforms, connect to the internet, and perform general business computing functions such as email, word processing, and spreadsheet applications.

We estimate that the Business Management and Technology System will cost between \$2,000 and \$6,500, which includes the cost of the hardware, related equipment, and network connections, including related installation costs. We, or our approved suppliers, will act as vendors or suppliers of some or all of the components of the Business Management and Technology System.

You must maintain the Business Management and Technology System at your expense and must purchase any hardware or software maintenance or technical support programs that we require. You must replace, upgrade, or update the Business Management and Technology System as we may require from time to time. We will establish reasonable deadlines for implementation of any changes to our Business Management and Technology System requirements, but there are no contractual limitations on our right to require changes to the Business Management and Technology System.

We currently do not require you to enter into, or expect that you will need to enter into, any maintenance, updating, upgrading, or support contracts related to the Business Management and Technology System. We, our affiliates, and third-party vendors are not obligated to provide you with any ongoing maintenance, repairs, upgrades, or updates. Vendors may be able to offer optional maintenance, updating, upgrading, or support contracts to you, which we estimate may cost between \$500 to \$1,000 per year.

You, at all times, must give us unrestricted and independent electronic access (including users IDs and passwords, if necessary) to the Business Management and Technology System for the purposes of obtaining the information relating to the Franchised Business. You must permit us to download and transfer data via a high-speed Internet connection or such other connection that we specify on a real-time basis. There are no contractual limitations on our right to access data stored in the Business Management and Technology System.

You must dedicate your computer system for use as the Business Management and Technology System only and use the Business Management and Technology System in

accordance with our policies and operational procedures. Your employees must complete any and all training programs we reasonably require for the proper operation and use of the Business Management and Technology System. You may not use any other cash registers or computer systems in your Franchised Business.

Manuals

The current Table of Contents of the Manuals is attached as Exhibit G to this Disclosure Document. The Manuals currently consist of 80 pages plus additional appendices. We may amend, modify, or supplement the Manuals at any time, so long as such amendments, modifications, or supplements will, in our good faith opinion, benefit us and our existing and future franchisees or will otherwise improve the System. You must comply with revised standards and procedures within 30 days after we transmit the updates.

Training

Initial Training. Your Required Trainees must personally attend and satisfactorily complete our Initial Training before you open your Franchised Business. Initial Training currently consists of: (i) two consecutive weeks of training at our headquarters and a Rad Air service center location in Cleveland, Ohio, which will be conducted approximately 45 days prior to your anticipated grand opening date; and (ii) up to two weeks of training which will be conducted at your Franchised Business during the period that is one week prior to your grand opening, and through your first week of operations. We will conduct Initial Training no less than quarterly or as dictated by the amount of incoming franchisees into our system. We reserve the right to modify the length, location, and timing of Initial Training. We may waive a portion of Initial Training or alter the training schedule if we determine that your Required Trainees have sufficient prior experience or training. Initial Training will be provided as soon as practicable after you sign your Franchise Agreement.

We will provide instructors, facilities, and materials for Initial Training for up to three of your representatives (including your Required Trainees) at no additional charge to you, provided that all of your trainees are trained during the same training session. If space is available, you may bring more than three representatives to Initial Training. We reserve the right to charge a training fee of \$1,000, which we may increase upon 60 days' written notice to you, for (i) each person in excess of three trainees, (ii) each person who is repeating the course or replacing a person who did not pass, and (iii) each subsequent Operating Principal, Key Manager, or employee who attend the course. You are responsible for any travel and living expenses, wages, and other expenses incurred by your trainees during Initial Training or any other training programs. We are responsible for our travel and living expenses for up to two weeks of training at your Franchised Business during your grand opening period. If you request that our representatives provide additional training beyond the period that is seven (7) days after your grand opening date, you will be responsible for the travel and living expenses we incur for these additional training days, and we may charge the Additional Training fee of \$500 per our employee, per day, for this additional requested training.

If we have appointed an Area Representative for the area in which your Franchised Business is located, they may provide some or all of our training programs at their Franchised Business or your Franchised Business.

Our Initial Training currently consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
Rad Air History, Values & Building a Client	1		Classroom Training in Cleveland, Ohio
The Portal	2		
Shop Management System	2		
The WOW Oil Change Process	2	6	On-the-job training at our Company-Owned Outlet in Cleveland, Ohio and at your Franchised Business
Rad Air Digital Inspection Process	2	4	
Observe Rad Air Operation		40	
Warranty Process	1		
Working with other Rad Air locations	1		
Phone Skills (inbound, outbound, follow ups)	8		
Parts sourcing, pricing and management	2		
Estimating, Inspections, Work Order Review	4	8	
Accounting Management	3		
General Policies	1		
Client Payment Plans	2	1	
Community Engagement	2		
Marketing & Advertising	4		
Building a Training Program	2		
Social Media Marketing	2	1	
Client Intake (The drop)	2		
Vehicle Pick Up	4		
Measuring & Managing your KPIs	4		
Community Engagement	2	2	
Building Key Relationships	1		
Business Fleet Sales	2		
Talent Management	5		
My Shop Manager	2		
Waste, recycling, being green	1		
Operating your service center	2		
Working on the business	1		
Emergency Preparedness	1		
Opening Day Prep/Practice		24	
Business Coaching (1 hour/week in 1st quarter of operations)		13	Remote/Telephonic
TOTAL	68	99	

We use manuals and Power Point presentations as instructional materials in our training programs. The instructors for our initial training program all have experience working with us or similar facilities. The following individuals will lead our training programs: Andy Fiffick, our Founder, President, and CEO since May of 1999, who has operated a Company-Owned outlet since 1986, and Bill Snow, our VP of Franchise Development and Operations since January of 2019, who has operated a Company-Owned Outlet since February of 2014. Other individuals

identified in Item 2, as well as personnel with experience in our System and standards of operation will also participate in portions of Initial Training.

Your Required Trainees must successfully complete Initial Training before you open your Franchised Business to the public. We will determine, in our discretion, what constitutes successful completion of the program. If your Required Trainees are unable to successfully complete, in our sole discretion, Initial Training for any reason, your Required Trainees must repeat Initial Training or you must send replacement Required Trainees to complete Initial Training. If your Required Trainees have not, in our sole discretion, successfully completed Initial Training ten days before the Opening Deadline, we may terminate the Franchise Agreement, in which case we will not refund any initial fees paid by you.

Additional Training. We may periodically conduct mandatory or optional training programs for your Required Trainees and/or your employees at our office or another location that we designate. There will be no charge for training programs that we require you or your employees to attend, but we may charge you a reasonable fee for optional training programs. We may provide additional training in person or via recorded media, teleconference, videoconference, the Internet, webinar, or any other means, as we determine. We may require your Required Trainees or employees to satisfactorily complete any additional training programs that we specify. We may require your Required Trainees to participate in refresher or advanced training each year.

If, in our sole judgment, you fail to maintain the quality and service standards set forth in the Manuals, we may, in addition to all of our other rights and remedies, assign trainers to the Franchised Business to retrain Franchised Business employees and restore service levels and/or require you or your employees to repeat Initial Training or attend additional training programs at a location that we designate. We may charge a reasonable fee for each trainer assigned to your Franchised Business and any remedial training.

If your Key Manager ceases to be employed by you at the Franchised Business and you are unable to immediately appoint and train a new manager, we may, in our sole discretion and for a reasonable fee, provide a Key Manager to work at your Franchised Business temporarily until a new Key Manager is appointed and trained.

Training by You. You and/or your Operating Principal and your Key Managers are responsible for training all of your other employees (and subsequent Key Managers) in accordance with our standards and training programs. If, in our sole judgment, you fail to properly train your employees in accordance with our standards, we may prohibit you from training additional employees and either require them to attend training at our headquarters or pay for our costs and expenses to send one of our representatives to train them at your Franchised Business.

Delegation. We may delegate the performance of any or all of our obligations under the Franchise Agreement to an Area Representative, affiliate, agent, independent contractor, or other third party. As described in Item 1, if we appoint an Area Representative in the area that includes your Franchised Business, the Area Representative will provide training, support, marketing, and other services to you on our behalf and will have the authority to exercise many of our rights and perform many of our obligations under the Franchise Agreement.

ITEM 12 TERRITORY

Franchise Program

Site. Your franchise is for the specific Site that we approve. You must select a site that we have accepted within the non-exclusive Site Selection Area that we specify. The site will be added to the Franchise Agreement once we accept it and you secure it. Your Site Selection Area is not exclusive and is only intended to give you a general indication of the area within which you may locate the Site for the Franchised Business.

Relocation of the Franchised Business. If you would like to relocate your Franchised Business, you must receive our written consent. Our approval will not be unreasonably withheld, provided (i) the new location for the Franchised Business is satisfactory to us and within your Site Selection Area, (ii) your lease, if any, for the new location complies with our then-current requirements, (iii) you comply with our then-current requirements for constructing and furnishing the new location, (iv) the new location will not, as determined in our sole discretion, materially and adversely affect the Gross Revenue of any other Franchised Business, (v) you have fully performed and complied with each provision of the Franchise Agreement within the last three years prior to, and as of, the date we consent to such relocation (the “**Relocation Request Date**”), (vi) you are not in default, and no event exists which with the giving of notice and/or passage of time would constitute a default, exists as of the Relocation Request Date, and (vii) you have met all of our then-current training requirements. If you lose your lease, you must secure our approval of another site and enter into a lease for the new approved site within 90 days after you lose your site lease. You must pay us a relocation fee as specified in Item 6.

Territory. Once you have secured the Site, we will provide you an area in which you will have protected rights (the “**Territory**”). Your Territory will be determined based on a number of factors, which may vary from one location to the next, but a minimum Territory will contain a approximately 100,000 households. We expect your Territory will typically range from an approximately three (3) mile radius around your Franchised Business in a suburban area, to a one-half (0.5) mile radius if your Franchised Business is located in a major metropolitan downtown area or similarly situated/populated central business district (a “**Central Business District**”). The size of your Territory may vary from the territory granted to other franchisees based on the location and demographics surrounding your Franchised Business.

The boundaries of your Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map. The sources we use to determine the population within your Territory will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources).

The Territory is an exclusive territory. This means that during the term of the Franchise Agreement, provided you are not in default under the Franchise Agreement, we will not operate, or license others to operate, a Franchised Business using the System and the Marks inside the Territory. During the Term of your Franchise Agreement, there are no circumstances that permit us to modify your Territory, nor do we require that you meet a minimum sales volume, market penetration, or other contingency to maintain your Territory. Your Territory may be modified upon renewal or transfer of your Franchise Agreement.

Reserved Rights. Among other things, we and our affiliates have the right to (a) establish or license franchises and/or company-owned Franchised Businesses, or other businesses offering

similar or identical products, services, and programs and using the System or elements of the System (i) under the Marks anywhere outside of the Territory or (ii) under names, symbols, or marks other than the Marks anywhere, including inside and outside of the Territory; (b) sell or offer, or license others to sell or offer, any products, or services using the Marks or other marks through any alternative distribution channels, including, without limitation, through e-commerce, in retail stores, via recorded media, via online videos, or via broadcast media, anywhere, including inside and outside of the Territory; (c) advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside of the Territory; and (d) acquire, be acquired by, or merge with other companies with existing facilities or businesses anywhere (including inside or outside of the Territory) and, even if such businesses are located in the Territory, (i) convert the other businesses to the Rad Air® name, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Franchised Businesses to such other name.

We will not compensate you for any of our activities in your Territory, even if they have an impact on your Franchised Business.

Restriction on Rights. You do not have the right to open additional Franchised Businesses, nor do you have any rights of first refusal on any other location. You do not have the right to use the Marks or the System at any location other than the Site or in any wholesale, e-commerce, or other channel of distribution besides the retail operation of the Franchised Business at the Site. Any media advertising or direct mail marketing that you conduct must be predominantly focused within your Territory unless we agree otherwise. There are no territorial restrictions from accepting business from customers that reside or work or are otherwise based outside of your Territory if these customers contact you, but we reserve the right to implement additional rules and restrictions regarding soliciting such customers in the future in our Manuals.

We reserve the right to establish guidelines concerning the acceptance and reimbursement of gift certificates, gift cards, coupons, corporate discounts, and other promotional programs as we set forth from time to time in the Manuals or otherwise in writing, including policies related to the allocation of monies when a gift certificate is purchased at one Franchised Business and redeemed at another Franchised Business. Currently, our policy requires you to honor any gift cards presented to you regardless of their original place of purchase. Upon your performance of services, you may invoice the location that issued the gift card for the value of the services redeemed under that gift card, and the issuing facility must repay the redeeming facility within 10 days of receipt of the invoice.

Development Program

Development Area. If you enter into a Development Agreement, you will have the right to develop a mutually agreed upon number of Franchised Businesses in the Development Area in accordance with the Development Schedule. The total number of Franchised Businesses to be opened in your Development Area, as well as the size of the Development Area, will be dependent upon a number of factors such as (i) the number of Franchised Businesses we grant you the right to open and operate; and (ii) the location and demographics of the general area where we mutually agree you will be opening these locations. The boundaries of your Development Area may be described in terms of zip codes, streets, landmarks (both natural

and man-made) or county lines, or otherwise delineated on a map attached to the Development Agreement.

You must execute our then-current Franchise Agreement for each Franchised Business that you develop under a Development Agreement. You must select a site, and obtain our acceptance of such site, as described above in this Item, at which point we will designate a Territory for the Franchised Business. We will use our then-current standards for accepting sites and designating Territories.

The Development Area is an exclusive territory. This means that while the Development Agreement is in effect, provided that you open and operate the Franchised Businesses in accordance with the Development Schedule and the minimum number of Franchised Businesses that you have open and operating in the Development Area at any given time is not less than the minimum required under the Development Schedule, we will not operate, or license any person other than you to operate, a Franchised Business under the Marks and the System within the Development Area.

You must comply with your development obligations under the Development Agreement, including your Development Schedule, in order to maintain your exclusive right to develop Franchised Businesses within the Development Area. If you do not comply with your Development Schedule, we may terminate your Development Agreement and any further development rights you have under that agreement. Otherwise, we will not modify the size of your Development Area except by mutual written agreement signed by both parties.

If a Franchised Business is destroyed or damaged by any cause beyond your control such that it may no longer continue to be open for the operation of business (“**Destruction Event**”), you must diligently work to repair and restore the Franchised Business to our approved plans and specifications as soon as possible at the same location or at a substitute site accepted by us within the Development Area. Under such circumstances, the Franchised Business will continue to be deemed a “Franchised Business in operation” for the purpose of this Agreement for up to 180 days after the occurrence. If a Franchised Business (i) is closed in a manner other than those described in the Development Agreement or as otherwise agreed by us in writing or (ii) fails to reopen within 180 days after a Destruction Event, then we may terminate the Development Agreement and all of your exclusive territorial rights, if any, will be eliminated.

The Development Agreement and your exclusive right to develop Franchised Businesses in the Development Area will expire on the last development deadline in the Development Schedule, unless the Development Agreement is terminated sooner. Upon the expiration or termination of the Development Agreement, your right to develop Franchised Businesses within the Development Area will be terminated. However, Franchised Businesses that you have opened will continue to operate under the terms of the applicable Franchise Agreements.

Reserved Rights. Among other things, we reserve the right to: (a) establish or license franchises and/or company-owned Franchised Businesses or other businesses offering similar or identical products, services, and programs and using the System or elements of the System (i) under the Marks anywhere outside of the Development Area or (ii) under names, symbols, or marks other than the Marks anywhere, including inside and outside of the Development Area; (b) sell or offer, or license others to sell or offer, any products, or services using the Marks or other marks through any alternative distribution channels, including, without limitation, through e-commerce, in retail stores, via recorded media, via online videos, or via broadcast media, anywhere, including inside and outside of the Development Area; (c) advertise, or authorize

others to advertise anywhere, using the Marks; (d) acquire, be acquired by, or merge with other companies with existing facilities or businesses anywhere (including inside or outside of the Development Area) and, even if such businesses are located in the Development Area, (i) convert the other businesses to the Rad Air® name, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Franchised Businesses to such other name; and (e) engage in any other activity, action or undertaking that we are not expressly prohibited from taking under the Development Agreement. We will not compensate you for any actions we take in your Development Area.


Additional Disclosures

We have not established other franchises or company-owned outlets or another distribution channel offering or selling similar products or services under a different trademark. Neither we nor our affiliates have established, or presently intend to establish, other franchised or company-owned businesses that offer vehicle maintenance, repair, or professional services, or similar products or services under a different trade name or trademark, but we reserve the right to do so in the future without your consent.

ITEM 13 TRADEMARKS

We grant you the right to operate a Franchised Business under the Rad Air® mark, and other trademarks, service marks, associated designs, artwork, and logos that we specify from time to time. We may require you to use the Marks in conjunction with other words or symbols or in an abbreviated form.

We have registered the following Marks with the Principal Register of the United States Patent and Trademark Office (“USPTO”) and we have filed all required affidavits with respect to each of the Marks:

Mark	Registration No.	Registration Date
RADAIR COMPLETE CAR CARE	4,065,794	Dec. 6, 2011
 The logo for Rad Air Complete Car Care and Tire Centers. It features the word "RADAIR" in large, bold, yellow letters with a red outline. Below it, "Complete Car Care" is written in smaller black letters, and "and Tire Centers" is written in red letters. To the right of the text is a graphic of a car with a red checkered flag trailing behind it.	6,483,104	Sept. 14, 2021

There are no currently effective determinations of the USPTO, Trademark Trial and Appeal Board, the Trademark Administrator of any state, or any court; nor is there any pending infringement, opposition or cancellation proceedings, or material litigation, involving any of the Marks. We do not know of any superior prior rights or infringing uses that could materially affect your use of any of the Marks. There are no currently effective agreements that significantly limit our rights to use or license the use of the Marks listed above in a manner material to the franchise.

You may also use certain other Marks owned by or licensed to us in the operation of your Franchised Business. You must use the Marks only in strict accordance with the Franchise

Agreement and Operations Manual. You may not use any Mark (i) as part of any corporate or legal business name, (ii) with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we have licensed to you), (iii) in selling any unauthorized services or products, (iv) as part of any domain name, electronic address, metatag, social media account, or otherwise in connection with any website or other electronic medium without our consent, or (v) in any other manner we have not expressly authorized in writing. You must display the Marks in a manner that we specify on signage at the Franchised Business and on all written materials, forms, advertising, promotional materials, supplies, employee uniforms, business cards, receipts, letterhead, contracts, stationary, and other materials we designate. Upon receipt of notice from us, you must discontinue, alter or substitute any of the Marks as we direct.

You must display in a conspicuous location in or upon the Franchised Business, or in a manner that we specify, a sign containing the following notice (or an alternative notice that we specify): "This business is owned and operated independently by [name of franchisee] who is an authorized licensed user of the trademark "RadAir Complete Car Care[®]", which is a trademark owned by Rad Air Franchise Systems, Inc." You must include this notice or other similar language that we specify on all forms, advertising, promotional materials, business cards, receipts, letterhead, contracts, stationary, and other written materials we designate.

You must promptly notify us if any other person or Entity attempts to use any of the Marks or any colorable imitation of any of the Marks. You must immediately notify us of any infringement of or challenge to your use of any of the Marks. We will have the right to take any action that we deem appropriate, and to direct and control any administrative proceeding or litigation involving the Marks, including any settlements. We will be entitled to retain any and all proceeds, damages, and other sums, including attorneys' fees, recovered or owed to us or our affiliates in connection with any such action. You agree to execute all documents and, render any other assistance we may deem necessary to any such proceeding or any effort to maintain the continued validity and enforceability of the Marks.

We will defend you against any third-party claim, suit, or demand arising out of your use of the Marks. If we, in our sole discretion, determine that you have used the Marks in accordance with the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Marks in accordance with the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement.

If we decide that you should modify or discontinue using any of the Marks, or use one or more additional or substitute service marks or trademarks, you must comply with our directions in the time that we reasonably specify, and neither we nor any of its affiliates will have any obligation to reimburse you for the cost of complying with our directions.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We own no rights in, or licenses to, any patents or patent applications.

Except as provided below, we own no rights in, or licenses to, any copyrights. We have not registered any copyrights with the United States Copyright Office. However, we claim copyrights with respect to our advertising materials and Operations Manual, as well as other materials we may periodically develop. There are no determinations of the Copyright Office or any court regarding any of our copyrights. There are no agreements limiting the use of any copyrights by us.

Any copyrights used by you in the Franchised Business belong solely to us or our affiliates. You agree to notify us in writing of any suspected infringement of our or our affiliates' copyrights. We and our affiliates have exclusive rights to bring an action for infringement and retain any amounts recovered with respect to such action, and to control any infringement proceeding whether brought by or against us or you. We have no obligation to defend or otherwise protect you against any claims involving any copyright, including without limitation any copyright infringement claim, or to indemnify you for any losses you may incur as a result of our copyrights infringing the rights of any other copyright owner. If so requested by us, you will discontinue the use of the subject matter covered by any copyright used in connection with the Franchised Business.

During the term of your Franchise Agreement, we or our affiliates may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how, and other confidential information relating to the System, our business, our vendor relationships, our Authorized Products and Services, or the construction, management, operation, or promotion of the Franchised Business (collectively, "**Proprietary Information**"). You may not, nor may you permit any person or Entity to, use or disclose any Proprietary Information (including any portion of the Operations Manual) to any other person, except to the extent necessary for your employees to perform their functions in the operation of your Franchised Business. You must take reasonable precautions necessary to protect Proprietary Information from unauthorized use or disclosure, including conducting orientation and training programs for your employees to inform them of your obligation to protect Proprietary Information and their related responsibilities and obligations. If we or our affiliates so request, you must obtain from your officers, directors, Owners, Key Managers, and employees confidentiality agreements in a form satisfactory to us or our affiliates. You will be responsible for any unauthorized disclosure of Proprietary Information by any person to whom you have disclosed Proprietary Information.

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

At all times that your Franchised Business is open for business, it must be under the personal, on-premises supervision of either you, your Operating Principal, your Key Manager, or a trained attendant. Your Key Manager or another trained manager must be available at all times the Franchised Business is open for business. You or your Operating Principal and your Key Manager must successfully complete our training program and any other training programs that we may require. You may not permit your Franchised Business to be operated, managed, directed, or controlled by any other person without our prior written consent.

Your Operating Principal must have at least a 10% ownership interest in your Entity and must have authority over all business decisions related to your Franchised Business and must have the power to bind you in all dealings with us. In addition, you must appoint a Key Manager to manage the day-to-day business of your Franchised Business, who may also be the Operating Principal. The Key Manager is not required to have an ownership interest in your Entity. You must provide us with written notice of your Operating Principal and Key Manager at least 60 days prior to opening and may not change your Operating Principal and Key Manager without our prior approval.

We may also require you to obtain from your officers, directors, Key Managers, instructors, your Owner's spouses, and other individuals that we may designate executed agreements containing nondisclosure and noncompete covenants in a form acceptable to us, such as the form

attached as Exhibit I, which specifically identify us as having the independent right to enforce them.

Each Owner, including the Operating Principal, must sign the Payment and Performance Guarantee (the “**Guarantee**”) attached to the Franchise Agreement, assuming and agreeing to discharge all obligations of the franchisee under the Franchise Agreement and agreeing to comply with the confidentiality, indemnification, covenant not to compete, and assignment provisions of the Franchise Agreement. If you are a party to a Development Agreement, each individual with a direct or indirect ownership interest in your Entity must sign the Guarantee attached to the Development Agreement.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer for sale in the Franchised Business only the Authorized Products and Services that we have approved in writing. In addition, you must offer the specific Authorized Products and Services that we require in the Manuals or otherwise in writing. We may designate specific Authorized Products and Services as optional or mandatory. You must offer all Authorized Products and Services that we designate as mandatory. You may sell products only in the varieties, forms, and packages that we have approved. You must maintain a sufficient supply of required products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

We may, without limitation, change the types, amounts, or specifications of the goods or services that you may offer. We may, without limitation and in our sole discretion, revoke approval of a previously-approved Authorized Products and Services that you have been selling, in which case, you must immediately discontinue offering the service and may continue to sell the product only from your existing inventory for up to 30 days following our disapproval. We have the right to shorten this period if, in our opinion, the continued sale of the product would prove detrimental to our reputation. After the 30-day period, or such shorter period that we may designate, you must dispose of your remaining formerly-approved inventory as we direct.

We impose no restriction on the retail customers that you may serve at your Franchised Business, but you may not make any sales of products or services outside of the Franchised Business, or use vendor relationships that you establish through your association with us or the Rad Air® brand for any other purpose besides the operation of the Franchised Business, unless we consent in writing. You agree to purchase products solely for resale to retail customers, and not for resale or redistribution to any other party, including other Rad Air® franchisees. You may not offer products or services in connection with the Marks on any website on the Internet or any other electronic communication network unless we consent in writing. Any media advertising or direct mail marketing that you conduct must be predominantly focused within your Territory, unless we agree otherwise. While there are no territorial restrictions from accepting business from customers that reside or work or are otherwise based outside of your Territory if these customers contact you, we reserve the right to implement rules and restrictions regarding soliciting such customers in the future in our Manuals or otherwise in writing.

You must comply with our discount price programs as they may be modified from time to time. These discount price programs are necessary to maintain the marketing concept of Rad Air businesses and are part of our System Standards. You may not enter into any agreement, understanding or arrangement, or engage in any concerted practice, with other Rad Air franchisees or others relating to the prices at which Authorized Products and Services are offered or sold by you or any other Franchised Business.

We have established a standardized customer warranty with respect to Authorized Products and Services on terms and conditions which we may, in our sole discretion, modify. You must perform promptly all of the terms and conditions of all customer warranties. If you purchase and existing Rad Air business, you are responsible for performing warranty work for vehicles serviced by the prior owner.

You must ensure that all sales of products or services at your Franchised Business are logged through the Business Management and Technology, and that your customers make payments through the Business Management and Technology System.

You may not offer products or services in connection with the Marks on any website on the Internet or any other electronic communication network unless we consent in writing. Any media advertising or direct mail marketing that you conduct must be predominantly focused within your Territory, unless we agree otherwise.

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	Section 2.1	Begins on the Effective Date of your Franchise Agreement and continues for fifteen years from the date you open your Franchised Business for business.
b.	Renewal or extension of the term	Section 2.2	If you meet the conditions, you may enter into two renewal ten-year terms.
c.	Requirements for franchisee to renew or extend	Section 2.2	You have notified us of your intent to renew at least six months in advance but no more than 12 months in advance; you have signed our then-current form of franchise agreement, which may have materially different terms and conditions than your original Franchise Agreement; you have refurbished the Franchised Business to our then-current specifications; you have executed a general release in favor of us and our affiliates; you, your Operating Principal, and Key Manager have completed our then-current training requirements; you have secured from your landlord the right to continue operating at the Site; you have substantially complied with the Franchise Agreement during the term; no Event of Default (as defined in the Franchise Agreement) or event which, with the giving of notice or passage of time or both, would become an Event of Default, exists; and you have paid us the Renewal Fee.
d.	Termination by franchisee	Section 14.3	If we commit a material breach of the Franchise Agreement and we fail to cure the breach or take reasonable steps to begin curing the breach within 60 days after receiving notice from you, you may terminate the Franchise Agreement.

	Provision	Section in Franchise Agreement	Summary
e.	Termination by us without cause	Not applicable	None.
f.	Termination by us with cause	Section 14.2	We can terminate only if you default under the Franchise Agreement (see (g) and (h) below).
g.	"Cause" defined – curable defaults	Section 14.1	You have 10 days to cure the non-payment of any amounts owed to us or our affiliates or your failure to make sufficient funds available to us; 24 hours to cure non-compliance with any law, regulation or ordinance which results in a threat to the public's health or safety; and 30 days to cure a failure to comply with any other provision of the Franchise Agreement not described above or in (h) below.
h.	"Cause" defined – non-curable defaults	Section 14.1	You make a material misrepresentation to us; your Required Trainees fail to satisfactorily complete initial training; you fail to secure a site by the Site Acquisition Deadline; you fail to open on time; you fail to timely refurbish your Franchised Business; you fail to rebuild your Franchised Business after its destruction; you suspend operations of the Franchised Business for more than five days without our consent; you fail to communicate with us; you miss two or more required meetings; you or any of your Owners or officers or directors is convicted or pleads nolo contendere to a crime involving moral turpitude or consumer fraud or any other crime or offense or engages in any activities which impairs the goodwill associated with the Marks; you misuse the Marks; you disclose Proprietary Information; you or your Owners make an improper transfer; you or your Owners violate the noncompete covenants of the Franchise Agreement; you become insolvent or bankrupt; you fail to pay suppliers and trade creditors an amount exceeding \$2,000 for more than 60 days; you fail to pay your taxes; you underreport Gross Sales by more than 2% twice in a two-year period or by 5% in any period; you fail to permit us to inspect or audit your books and records; you fail to timely file reports three times in 12 months; you default under any other agreement with us or our affiliates if such default would permit the termination of that agreement; or you are in default three or more times within any 18-month period.
i.	Franchisee's obligations on termination/non-renewal	Section 15	Pay all amounts due to us or our affiliates; discontinue use of the Marks and the System; return Proprietary Information, customer data, and Manuals; close vendor accounts; cancel assumed name registration; cancel or transfer telephone number, post office boxes, domain names, social media accounts, and directory listings; complete de-identification of the Site; reimburse customers; refrain from disclosing Proprietary Information; and comply with noncompete covenants (also see (o) and ^(r) below).

	Provision	Section in Franchise Agreement	Summary
j.	Assignment of contract by us	Section 13.1	No restriction on our right to assign.
k.	"Transfer" by franchisee – definition	Section 13.2	Includes transfer of the Franchise Agreement, any interest in the Franchise Agreement, the license to use the System and the Marks, the Franchised Business or substantially all of the assets of the Franchised Business, or an interest in the ownership of the Franchised Business (if you are an Entity).
l.	Our approval of transfer by franchisee	Section 13.3	We have the right to approve all transfers.
m.	Conditions for our approval of transfer	Section 13.4	You pay us a non-refundable deposit to review the transfer; you pay us the Transfer Fee; all of your monetary obligations are satisfied; you are not in default; you and your Owners sign a general release; you and your Owners remain liable for obligations incurred or arising prior to transfer; you comply with noncompetition and confidentiality provisions; your landlord consents to the transfer of your lease; new franchisee agrees to discharge all of your obligations; new franchisee qualifies, meets training requirements, and signs then-current franchise agreement; new franchisee upgrades the Franchised Business to our then-current specifications; new franchisee covenants to continue to operate the Franchised Business under the Marks; new franchisee's owners execute our then-current form of personal guarantee; and we determine purchase price acceptable and financing arrangements are subordinate to our interests.
n.	Our right of first refusal to acquire franchisee's business	Section 13.9	We can match any offer for your Franchised Business, the Franchised Business's assets, or any ownership interest, except for certain transfers to spouses, children, or existing Owners.
o.	Our option to purchase your business	Section 15.5	For 15 days after the Franchise Agreement terminates or expires, we can purchase any or all of the inventory, supplies, Operating Assets, and other assets related to the operation of your Franchised Business for the fair market value of the assets, less any amounts then owing to us. We also may assume your lease or sublease or equipment leases.
p.	Death or disability of franchisee	Section 13.8	Executor or representative must transfer your interest to a third party approved by us within 120 days.
q.	Non-competition covenants during the term	Section 12.1	You and your Owners may not: own, manage, engage in, be employed by, advise, make loans to, or have any other interest in (i) any business that is the same or similar to your Franchised Business, including but not limited to a business that provides automotive maintenance and repair services and/or sells, installs, and services automobile radiator systems, exhaust systems, brakes, front end, steering, suspension, alignment, air conditioning, engine diagnostics,

	Provision	Section in Franchise Agreement	Summary
			batteries, or tires at retail, or any other Approved Products and Services that we authorize you to provide at your Franchised Business now or in the future; and (ii) any entity that grants franchises or licenses for any of these types of businesses (a “ Competitive Business ”) in the United States; divert or attempt to divert any business or customer or potential business or customer of the Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise; perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; use any vendor relationship established through your association with us for any purpose other than to purchase products or equipment for use or retail sale in the Franchised Business; or directly or indirectly solicit for employment any person who at any time within the immediate past 12 months has been employed by us, or our affiliates, or by any of our franchisees.
r.	Non-competition covenants after the Franchise Agreement is terminated or expires	Section 12.2	For two years after the expiration of termination of your Franchise Agreement, you and your Owners may not be involved in any Competitive Business that is (or is intended to be) located within a 25-mile radius of your former Franchised Business or any other Franchised Business that is operating or under development at that time and may not solicit for employment individuals employed during the past 12 months by us, our affiliates, or our franchisees.
s.	Modification of the agreement	Section 17.2	Except for modifications to the Manuals, no modifications unless agreed to in writing by both parties.
t.	Integration/merger clause	Section 17.1	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises made outside of this Disclosure Document and the Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 16.1	Prior to filing most proceedings, a party must submit the dispute to non-binding mediation.
v.	Choice of forum	Section 16.2	Subject to applicable state laws, you and your Owners must, and we may, bring claims in federal or state courts located in Cleveland, Ohio (or the city in which our principal place of business is then located, if we no longer have an office in Cleveland)
w.	Choice of law	Section 16.3	Subject to applicable state laws, Ohio law applies, without regard to Ohio conflict-of-laws rules.

DEVELOPMENT AGREEMENT

The table below lists certain important provisions of the Development Agreement. You should read these provisions in the form of Development Agreement attached to this Disclosure Document as **Exhibit B**.

	Provision	Section in Development Agreement	Summary
a.	Length of the franchise term	Section 5	The term expires upon the deadline to open the last Franchised Business to be opened under the Development Schedule.
b.	Renewal or extension of the term	Not applicable	Not applicable.
c.	Requirements for franchisee to renew or extend	Not applicable	Not applicable.
d.	Termination by franchisee	Not applicable	Not applicable.
e.	Termination by us without cause	Not applicable	Not applicable.
f.	Termination by us with cause	Section 6.1	We can terminate only if you default (see (g) and (h) below) under the Development Agreement or any Franchise Agreement. A termination of your Development Agreement for failure to open and operate businesses in accordance with your Development Schedule will not, in itself, be “cause” for us to terminate any previously executed franchise agreement.
g.	“Cause” defined – curable defaults	None	Not applicable.
h.	“Cause” defined – non-curable defaults	Section 6.1, 6.2	You fail to timely execute a Franchise Agreement or fail to pay any initial franchise fee owed thereunder; you fail to have open and operating the minimum number of Franchised Businesses specified in the Development Schedule at any deadline; any Franchise Agreement is in default; or you breach or otherwise fail to comply fully with any provision of the Development Agreement. A termination of your Development Agreement for failure to open and operate businesses in accordance with your Development Schedule will not, in itself, be “cause” for us to terminate any previously executed franchise agreement.
i.	Your obligations on termination/non-renewal	Section 6.2	You will lose your right to develop additional Franchised Businesses.
j.	Assignment of contract by us	Section 7	No restriction on our right to assign.

	Provision	Section in Development Agreement	Summary
k.	"Transfer" by you – definition	Section 7	Includes transfer of the Development Agreement, any interest in the Development Agreement, or, if you are an Entity, any interest in the Entity.
l.	Our approval of transfer by franchisee	Section 7	We have the right to approve or not approve all transfers in our sole discretion.
m.	Conditions for our approval of transfer	Section 7	We have sole discretion in setting conditions for our approval of a transfer.
n.	Our right of first refusal to acquire franchisee's business	Section 7	We have the first right of refusal on all transfers, exercisable within 30 days of receiving all documentation that we require.
o.	Our option to purchase your business	Not applicable	Not applicable.
p.	Death or disability of franchisee	Not applicable	We have the right to approve or disapprove any transfer in our sole discretion.
q.	Non-competition covenants during the term	Section 8.1	You and your Owners may not: be involved in any Competitive Business in the United States; divert customers or potential customers to any Competitive Business; do acts injurious to our goodwill; use vendor relationships established through your associations with us for any other purpose besides the operation of your Franchised Business; or solicit for employment individuals employed during the past 12 months by us, our affiliates, or our franchisees.
r.	Non-competition covenants after the Development Agreement is terminated or expires	Section 8.2	For two years after the expiration of termination of your Franchise Agreement, you and your Owners may not be involved in any Competitive Business that is (or is intended to be) located within a 25-mile radius of your former Development Area or any other Franchised Business that is operating or under development at that time and may not solicit for employment individuals employed during the past 12 months by us, our affiliates, or our franchisees.
s.	Modification of the agreement	Section 10	No modifications unless agreed to in writing by both parties.
t.	Integration/merger clause	Section 10	Only the terms of the Development Agreement and any Franchise Agreements are binding (subject to state law). Any other promises outside this Disclosure Document, the Development Agreement, and the Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 9	Prior to filing most proceedings, each party has the right to demand non-binding mediation.

	Provision	Section in Development Agreement	Summary
v.	Choice of forum	Section 9	Subject to applicable state laws, you and your Owners must, and we may, bring claims in federal or state courts located in Cleveland, Ohio (or the city in which our principal place of business is then located, if we no longer have an office in Cleveland).
w.	Choice of law	Section 9	Subject to applicable state laws, Ohio law applies, without regard to Ohio conflict-of-laws rules.

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our Franchises, but may do so in the future.

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ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

This financial performance representation is based upon the historic operating revenues and certain expenses of two (2) Company-Owned Outlets (each a "**Company-Owned Outlet**") and seven (7) franchised outlets (each a "**Disclosed Franchise Outlet**") that: (i) provided data to us regarding the operation of their outlet; and (ii) were in operation in locations in and around the Cleveland, Ohio metropolitan statistical area for the entirety of the "**Measuring Period**", which covers the period from January 1, 2019 to December 31, 2021. There were a total of eight (8) franchised outlets in operation during the Measuring Period, however one (1) of these franchised outlets did not provide complete data upon our request and has therefore been excluded from this financial performance representation.

We obtained these historical financial results from the profit and loss reports submitted by the Company-Owned Outlets and the owners of the Disclosed Franchise Outlets who provided this information to us. A location's continuous operation throughout the Measuring Period and submission of complete profit and loss data are the only criteria that was used to select the financial performance information that is included in Item 19. Neither we nor a certified public accountant have independently audited or verified the information. The explanatory notes included with the following charts are an integral part of this financial performance representation and should be read in their entirety for a full understanding of the information contained in the following charts.

In Part I. of this Item 19 we disclose the historic Gross Revenues and certain operating expenses for the Company-Owned Outlets and the Disclosed Franchise Outlets during the Measuring Period, categorized annually based upon year of operation. Except as discussed in the notes below, the Company-Owned Outlets and the Disclosed Franchise Outlets all operate in a substantially similar manner to how your Franchised Business will operate.

In Part II. of this Item 19 we disclose the combined average and median Gross Revenues, certain operating expenses, and net profit, for the Company-Owned Outlets and the Disclosed Franchise Outlets, as well as the number of Disclosed Franchise Outlets who achieved results at or above these average figures.

In Part III. of this Item 19, we disclose the average number of vehicles serviced per month at the Company-Owned Outlets and the Disclosed Franchise Outlets, as well as the average repair cost per vehicle. We also disclose the combined average and median of these figures for the Company-Owned Outlets and Disclosed Franchise Outlets.

Part I. Gross Revenues and Certain Operating Expenses

Part I.A. – Company-Owned Outlets

Company-Owned Outlet #1			
Category	2019	2020	2021
Gross Revenue	\$1,690,302	\$1,816,287	\$2,362,113
Labor Expense	\$480,537	\$453,532	\$503,934
COGS	\$470,527	\$503,536	\$618,357
Facilities Expense	\$134,450	\$144,570	\$166,357
Insurance	\$17,738	\$14,438	\$9,117
Equipment Expense	\$25,061	\$55,514	\$17,879
Misc. Expenses	\$104,048	\$88,116	\$87,497
Franchise Royalty (6%)	\$101,418	\$108,977	\$141,727
Advertising	\$92,854	\$110,237	\$141,849
Net Profit	\$263,669	\$337,367	\$675,396
Net Profit %	15.60%	18.57%	28.59%

Company-Owned Outlet #2			
Category	2019	2020	2021
Gross Revenue	\$984,060	\$972,209	\$1,300,263
Labor Expense	\$233,756	\$303,354	\$342,546
COGS	\$280,086	\$266,496	\$358,615
Facilities Expense	\$90,572	\$86,659	\$84,071
Insurance	\$7,688	\$8,529	\$9,163
Equipment Expense	\$218	\$1,638	\$2,527
Misc. Expenses	\$82,184	\$71,082	\$78,182
Franchise Royalty (6%)	\$59,044	\$58,333	\$78,016
Advertising	\$78,973	\$103,440	\$89,868
Net Profit	\$151,539	\$72,679	\$257,274
Net Profit %	15.40%	7.48%	19.79%

Part. I.B. – Disclosed Franchise Outlets

2019							
Category	Outlet 1	Outlet 2	Outlet 3	Outlet 4	Outlet 5	Outlet 6	Outlet 7
Gross Sales	\$841,117	\$777,487	\$761,444	\$1,365,980	\$632,435	\$1,362,289	\$1,056,962
Labor Expense	\$241,174	\$185,530	\$122,907	\$353,829	\$141,573	\$360,712	\$329,762
COGS	\$272,793	\$301,217	\$243,390	\$350,564	\$158,356	\$337,419	\$287,313
Facilities Expense	\$83,020	\$66,370	\$40,217	\$128,342	\$67,148	\$82,291	\$127,784
Insurance	\$2,841	\$14,357	\$8,569	\$12,428	\$8,670	\$14,125	\$7,459
Equipment Expense	\$3,769	\$4,464	\$960	\$11,796	\$958	\$108	\$1,168
Misc. Expenses	\$69,664	\$58,725	\$71,792	\$90,563	\$75,542	\$137,180	\$63,126
Franchise Royalty (6%)	\$50,467	\$46,649	\$45,687	\$81,959	\$37,946	\$81,737	\$63,418
Advertising	\$50,993	\$45,687	\$54,796	\$100,440	\$35,176	\$72,947	\$61,798
Net Profit	\$66,396	\$54,488	\$173,126	\$236,060	\$107,066	\$275,768	\$115,136
Net Profit %	7.89%	7.01%	22.74%	17.28%	16.93%	20.24%	10.89%

2020							
Category	Outlet 1	Outlet 2	Outlet 3	Outlet 4	Outlet 5	Outlet 6	Outlet 7
Gross Sales	\$803,383	\$816,708	\$993,699	\$1,369,034	\$590,476	\$1,342,545	\$930,576
Labor Expense	\$217,911	\$264,301	\$192,874	\$346,537	\$144,341	\$319,046	\$273,000
COGS	\$219,930	\$273,507	\$340,518	\$325,635	\$142,143	\$317,137	\$267,636
Facilities Expense	\$83,432	\$70,187	\$78,639	\$127,439	\$64,398	\$63,515	\$137,469
Insurance	\$36	\$11,706	\$15,353	\$7,303	\$8,573	\$16,182	\$13,531
Equipment Expense	\$3,097	\$81	\$2,881	\$10,596	\$2,551	\$380	\$1,402
Misc. Expenses	\$58,959	\$59,292	\$58,267	\$83,739	\$60,719	\$117,208	\$65,426
Franchise Royalty (6%)	\$48,203	\$49,002	\$59,622	\$82,142	\$35,429	\$80,553	\$55,835
Advertising	\$49,819	\$60,029	\$84,070	\$94,810	\$36,775	\$82,444	\$82,509
Net Profit	\$121,996	\$28,603	\$161,476	\$290,831	\$95,548	\$346,081	\$33,768
Net Profit %	15.19%	3.50%	16.25%	21.24%	16.18%	25.78%	3.63%

2021							
Category	Outlet 1	Outlet 2	Outlet 3	Outlet 4	Outlet 5	Outlet 6	Outlet 7
Gross Sales	\$882,194	\$901,412	\$1,101,831	\$1,821,401	\$733,447	\$1,362,289	\$1,156,546
Labor Expense	\$247,117	\$267,788	\$271,916	\$437,111	\$158,263	\$324,712	\$349,146
COGS	\$274,171	\$317,253	\$236,935	\$460,994	\$194,505	\$337,419	\$230,246
Facilities Expense	\$94,095	\$56,625	\$69,972	\$130,010	\$70,573	\$79,142	\$120,152
Insurance	\$3,970	\$13,557	\$10,385	\$12,566	\$9,256	\$14,125	\$14,543
Equipment Expense	\$5,737	\$242	\$902	\$3,146	\$1,365	\$108	\$17,663
Misc. Expenses	\$52,444	\$37,038	\$44,227	\$47,165	\$63,364	\$116,830	\$58,435
Franchise Royalty (6%)	\$52,932	\$54,085	\$66,110	\$109,284	\$44,007	\$81,737	\$69,393
Advertising	\$44,110	\$56,456	\$101,534	\$103,493	\$38,012	\$72,947	\$60,570
Net Profit	\$107,618	\$98,368	\$299,850	\$517,633	\$154,103	\$335,268	\$236,398
Net Profit %	12.20%	10.91%	27.21%	28.42%	21.01%	24.61%	20.44%

Notes to Part I.

1. "Gross Sales" means all revenues derived from providing products and/or services to customers. Gross sales does not include taxes which were collected and paid to applicable governmental authorities or revenue for which there was a valid corresponding refund paid to the customer.
2. "Labor Expense" means wages, bonuses, payroll taxes, and payroll expenses for employees, and may include draws or salary paid to the owner(s) of the outlet. Certain of the Company-Owned Outlets and Disclosed Franchise Outlets are owner-operated by an owner who worked day-to-day in the business. To the extent any of the outlets disclosed do not pay a salary to the owner-operator, the owner-operator's pay is not reflected as a "Labor Expense" in this table but is instead reflected in the "Net Profit" for that outlet. The Labor Expense figures disclosed above reflects the expenses as they were submitted to us by the Company-Owned Outlets and the Disclosed Franchise Outlets.
3. "COGS" or "Costs of Goods Sold" includes the costs of product acquisition for the sale of automotive parts, accessories, and supplies used in the performance of services to customers. COGS does not include labor costs attributable to product or service sales, which are included in the Labor Expense category.
4. "Facilities Expense" means expenses paid in the form of Rent, CAM, Utilities, Telephone, Internet expenses, Repairs and Maintenance, Janitorial, Property taxes, and trash collection. The facilities expenses for your Franchised Business may vary based upon the property size, location, amenities provided in your lease, prevailing costs of vendor services in your market, the building type and layout, and other factors.
5. "Insurance" means the expenses incurred for insurance policy premiums.
6. "Equipment Expense" means the costs associated with the maintenance, servicing, general upkeep and replacement of equipment used in the operation of each outlet.

7. "Misc. Expenses" or "Miscellaneous Expenses" means other expenses attributable to the operation of each outlet, including: software fees, merchant fees and banking charges, business licenses & permits, office expenses, payroll services, dues & subscriptions, meals and entertainment, mileage, charitable contributions, postage and delivery, and other miscellaneous expenses.
8. "Franchise Royalty" means an amount equal to six percent (6%) of the Gross Sales for each outlet. Some of the Company-Owned Outlets and Disclosed Franchise Outlets pay a lower royalty rate than the 6% Royalty you will be required to pay under your Franchise Agreement. In the figures above, the actual royalty rate paid by all outlets has been adjusted to reflect the 6% Royalty Rate that each outlet would pay if it were operating under our current form of Franchise Agreement.
9. "Advertising" means all amounts that each outlet spent on advertising and marketing activities, including digital marketing.
10. "Net Profit" means Gross Sales minus Labor Expenses, COGS, Facilities Expense, Insurance, Misc. Expenses, Franchise Royalty, and Advertising. Net Profit does not include interest paid on debt, taxes, depreciation, or amortization expenses.
11. "Net Profit %" is calculated by dividing the Net Profit figure for each outlet by its respective Gross Sales figure.

Part II. Average and Median Gross Revenues, Certain Operating Expenses, and Net Profit

Company-Owned Outlets and Disclosed Franchise Outlets - 2019					
Category	Average	Median	Low	High	# and % At or Above Average
Gross Sales	\$1,052,453	\$984,060	\$632,435	\$1,690,302	4 / 44%
Expenses	\$892,092	\$832,521	\$525,369	\$1,426,633	4 / 44%
Net Profit	\$160,361	\$151,539	\$107,066	\$275,768	4 / 44%

Company-Owned Outlets and Disclosed Franchise Outlets - 2020					
Category	Average	Median	Low	High	# and % At or Above Average
Gross Sales	\$1,070,546	\$972,209	\$590,476	\$1,816,287	3 / 33.3%
Expenses	\$905,174	\$896,808	\$494,928	\$1,478,921	3 / 33.3%
Net Profit	\$165,372	\$121,996	\$28,603	\$346,081	3 / 33.3%

Company-Owned Outlets and Disclosed Franchise Outlets - 2021					
Category	Average	Median	Low	High	# and % At or Above Average
Gross Sales	\$1,291,277	\$1,156,546	\$733,447	\$2,362,113	4 / 44%
Expenses	\$993,288	\$939,723	\$579,345	\$1,088,834	4 / 44%
Net Profit	\$297,990	\$257,274	\$98,368	\$675,396	4 / 44%

Notes to Part II.

1. The figures above are calculated using the combined sales, expenses, and profit information for Company-Owned Outlets and Disclosed Franchise Outlets from Part I of this Item 19.

2. Part III. Average Monthly Vehicles Serviced and Average Repair Order Amount

	2020 Average Per Month		2021 Average Per Month	
Location	Avg # of Vehicles	Avg ARO	Avg # of Vehicles	Avg ARO
Company-Owned Outlet #1	249	\$621	281	\$733
Company-Owned Outlet #2	198	\$419	216	\$518
Disclosed Franchise Outlet #1	191	\$358	204	\$363
Disclosed Franchise Outlet #2	139	\$471	142	\$517
Disclosed Franchise Outlet #3	168	\$500	154	\$619
Disclosed Franchise Outlet #4	245	\$463	266	\$556
Disclosed Franchise Outlet #5	173	\$288	192	\$320
Disclosed Franchise Outlet #6	245	\$426	269	\$443
Disclosed Franchise Outlet #7	203	\$400	249	\$383
Average of all Locations	201	\$438	219	\$495
Median of all Locations	198	\$426	216	\$516
Low	139	\$288	142	\$320
High	249	\$621	281	\$733
# and % Above Average	4 / 44%	4 / 44%	4 / 44%	5 / 56%

Notes Regarding the Company-Owned Outlets, Disclosed Franchise Outlets and Item 19 Generally:

1. The figures in the tables above use the historical information that the Disclosed Outlets provided to us. You should be advised that no certified public accountant has audited these figures or expressed his or her opinion concerning their contents or form, nor have we sought to independently verify their accuracy. Upon your reasonable request, we will provide written substantiation for this financial performance representation.
2. The actual performance of any outlet will depend on a number of factors specific to the location, including:
 - The impact of the COVID 19 pandemic and any related closures or stay at home orders;
 - Any health care law and/or regulatory compliance expenses;
 - Rent, interest or other financing costs for land, buildings, equipment, and inventory;
 - Initial franchise fee and organization costs;
 - Economic and weather conditions of various geographic areas;
 - Competition from a variety of other businesses;
 - Different acquisition, development, construction, and property costs;
 - Cost of equipment;
 - Occupancy expenses such as rent, utilities and property taxes;
 - Labor costs, payroll taxes and laws concerning employees and employee benefits;
 - Different traffic counts, accessibility, visibility, and parking;
 - Different results from advertising;
 - Outlets have been in business for different periods of time in their respective markets;
 - Cost of product and supply costs;
 - Franchise payments including royalties; and
 - Workers' compensation and insurance coverage.

These and other expenses you incur will affect the net income and cash flow of the outlet. You should consider them and evaluate the impact on your operations.

3. The automotive services business is highly competitive and affected by, among other things, changes in geographic area, changes in preferences, local, regional, and national economic conditions, population trends, and traffic patterns. Additionally, acquiring a site is highly competitive with other businesses for suitable sites. The performance of your Franchised Business will be affected by the region in which you operate, your competitors, and the success you have in marketing and managing your operations.
4. All of the Company-Owned Outlets and Disclosed Franchise Outlets operate in and around the Cleveland, Ohio metropolitan area, where the Rad Air brand has likely obtained more of a reputation and positive goodwill among the relevant target market (as compared to another region of the United States where there are no Franchised Businesses in operation).

5. This Item 19 does not reflect certain pre-opening costs and expenses over the Measuring Periods that you are likely to incur in connection with development of a new Franchised Business. See Item 7 for details about pre-opening costs for your Franchised Business.
6. You should consult other sources for financial information including your financial, business, and legal advisors in connection with the information provided and our franchisees listed in Exhibit F to this Franchise Disclosure Document to obtain additional information necessary for you to develop estimates of the sales, costs, expenses, earnings, and profits.
7. Written substantiation to support the information appearing in this financial performance representation is available to you upon reasonable request.

Some outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Bill Snow at 17601 West 130th St., Suite 4A, North Royalton, OH 44133, (216) 659-1179 or at info@radair.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Our fiscal year ends on December 31st of each year.

**Table No. 1
Systemwide Franchised Business Summary
For years 2019 to 2021**

Franchised Business Type	Year	Franchised Businesses at the Start of the Year	Franchised Businesses at the End of the Year	Net Change
Franchised	2019	9	8	-1
	2020	8	8	0
	2021	8	8	0
Affiliate-Owned	2019	2	2	0
	2020	2	2	0
	2021	2	2	0
Total	2019	11	10	-1
	2020	10	10	0
	2021	10	10	0

Table No. 2
Transfers of Franchised Businesses from Franchisees to New Owners (other than to us)
For years 2019 to 2021

State	Year	Number of Transfers
Total	2019	0
	2020	0
	2021	0

Table No. 3
Status of Franchised Businesses
For years 2019 to 2021

State	Year	Franchise Units at Start of Year	Franchise Units Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Franchised Units at End of the Year
OH	2019	9	0	1*	0	0	0	8
	2020	8	0	0	0	0	0	8
	2021	8	0	0	0	0	0	8
Total	2019	9	0	1*	0	0	0	8
	2020	8	0	0	0	0	0	8
	2021	8	0	0	0	0	0	8

*In 2019, one of our franchisees unilaterally discontinued operating its business and stopped making payments to its landlord and vendors without notice to us, and without our approval. As a result of this abandonment, we terminated the franchise agreement and the location was closed.

Table No. 4
Status of Affiliate-Owned Franchised Businesses
For years 2019 to 2021

State	Year	Franchised Units at Start of Year	Franchised Units Opened	Franchised Units Reacquired From Franchisee	Franchised Units Closed	Franchised Units Sold to Franchisee	Franchised Units at End of the Year
OH	2018	2	0	0	0	0	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
Totals	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2

Table No. 5
Projected Openings as of December 31, 2021
For following 12-month Period

State	Franchise Agreements Signed But Franchised Business Not Opened	Projected New Franchised Businesses in the Next Fiscal Year	Projected New Affiliate-Owned Franchised Businesses in the Next Fiscal Year
Total	0	0	0

Current and Former Franchisees. Set forth on Exhibit F are (i) the names of all current franchisees and the address and telephone number of each of their Franchised Businesses, and (ii) the names, city and state, and the current business telephone number, or, if unknown, the last known home telephone number of every franchisee who had a Franchised Business terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under any Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of this Disclosure Document's issuance date.

If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Confidentiality Agreements. During the last three fiscal years, we have signed confidentiality clauses with current or former franchisees. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Rad Air system. 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.

Trademark-Specific Franchisee Organizations. As of the date of this Disclosure Document, there are no trademark-specific franchisee organizations associated with our franchise system.

ITEM 21 FINANCIAL STATEMENTS

Attached as Exhibit E to this Disclosure Document are our audited financial statements as of December 31, 2019, December 31, 2020 and December 31, 2021. The audited financial statements have been prepared by an independent certified public accountant in accordance with generally accepted United States accounting principles. Our fiscal year ends on December 31.

ITEM 22 CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document:

Franchise Agreement	Exhibit A
Payment and Performance Guarantee	Appendix C to the Franchise Agreement
Lease Rider	Appendix D to the Franchise Agreement
Development Agreement	Exhibit B
General Release	Exhibit H
Nondisclosure and Noncompete Agreement	Exhibit I
State-Required Franchise Agreement Riders	Exhibit C
State-Required Development Agreement Riders	Exhibit C

ITEM 23 RECEIPT

Attached as the last two pages of this Disclosure Statement are copies of the Receipt which you will be required to sign. One signed copy of the Receipt must be returned to us, as provided on the Receipt.

**EXHIBIT A
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

Franchise Agreement

(attached)



FRANCHISE AGREEMENT

between

Rad Air Franchise Systems, Inc.

and

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Appendix A – Franchisee-Specific Terms
Appendix B – Marks
Appendix C – Payment and Performance Guarantee
Appendix D – Lease Rider

RAD AIR FRANCHISE AGREEMENT

THIS AGREEMENT (this “**Agreement**”) is made and entered into as of the date set forth on Appendix A of this Agreement (the “**Effective Date**”) (Appendix A and all appendices and schedules attached to this Agreement are hereby incorporated by this reference) between Rad Air Franchise Systems, Inc., an Ohio corporation with its principal place of business at 17601 West 130th St., Suite 4A, North Royalton, OH 44133 (“**Rad Air Franchising**”), and the person or entity identified on Appendix A as the franchisee (“**Franchisee**”) with its principal place of business as set forth on Appendix A. In this Agreement, “**we**,” “**us**,” and “**our**” refers to Rad Air Franchising. “**You**” and “**your**” refers to Franchisee.

RECITALS

A. We and our affiliates have accumulated knowledge and experience in the vehicle maintenance, repair, and professional services industry on the basis of which we have developed and will continue to develop a distinctive business format and set of specifications and operating procedures (collectively, the “**System**”) for the operation of art Service Centers that operate under the Rad Air Complete Car Care and Tire Centers® mark.

B. The distinguishing characteristics of the System include, but are not limited to, our Service Center (as defined in Recital F) designs, layouts, and identification schemes (collectively, the “**Trade Dress**”), our specifications for equipment, inventory, and accessories; our website or series of websites for the Service Centers (the “**System Website**”); our relationships with vendors; our software and computer programs; our online booking system; our reservation procedures; the accumulated experience reflected in our training program, operating procedures, customer service standards methods, and marketing techniques; and the mandatory and suggested policies, procedures, standards, specifications, rules, and requirements (“**System Standards**”) set out in our operations manuals (“**Manuals**”) and otherwise in writing. We may change, improve, add to, and further develop the elements of the System from time to time.

C. We identify the Service Centers operating under the System by means of the Rad Air mark and certain other trademarks, service marks, trade names, signs, associated designs, artwork, and logos set forth on Appendix B (collectively, the “**Marks**”). We may designate for your use other trade names, service marks, and trademarks as Marks from time to time. These marks which will also be included in the term the “Marks.”

D. If you are a corporation, limited liability company, partnership, or other entity (collectively, an “**Entity**”), all of your owners of a legal and/or beneficial interest in the Entity (the “**Owners**”) are listed on Appendix A. If you are an Entity, the individual owner who you must appoint to have authority over all business decisions related to your business and to have the power to bind you in all dealings with us will be referred to as your “**Operating Principal**.”

E. You desire to open and operate a Rad Air Service Center using the Marks and the System (a “**Service Center**”), and we are willing to grant to you a license to open and operate a Service Center on the terms and conditions of this Agreement.

NOW, THEREFORE, for and in consideration of the foregoing promises and the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Section 1 **Rights Granted.**

1.1 Grant of Franchise. Upon the terms and conditions of this Agreement, we grant to you a non-exclusive license (the “**License**”) to operate one Service Center using the Marks and the System. The Service Center will be located at a site to be mutually agreed upon subsequent to the execution of this Agreement, pursuant to Section 4.2 (Site Selection) (the “**Site**”), within the area set forth on Appendix A (the “**Site Selection Area**”). You have no right to (i) sublicense the Marks or the System to any other person or entity, (ii) use the Marks or the System at any location other than the Site, or (iii) to use the Marks or the System in any wholesale, e-commerce, or other channel of distribution besides the operation of the Service Center at the Site.

1.2 Acceptance of License. You hereby accept the License and agree to operate the Service Center according to the provisions of this Agreement for the entire Term, as defined in Section 2.2 (Renewal Term).

1.3 Limited Territorial Protection. Once you have selected and we have accepted a Site in the Site Selection Area in accordance with Section 4.2 (Site Selection), we will designate an area within the confines of the Site Selection Area as your protected territory (the “**Territory**”). You do not have any territorial protection in your Site Selection Area, unless and until we identify your Territory, as explained in Section 4.3 (Definition of the Territory). Except as provided in this Section 1.3, we and our affiliates will not open, or license a third party to open, a Service Center within your Territory. Except for the foregoing sentence, we and our affiliates have the right to conduct any business activities, under any name, in any geographic area, and at any location, regardless of the proximity to or effect on your Service Center. For example, without limitation, we have the right to:

(a) establish or license franchises and/or company-owned Service Centers or businesses offering similar or identical products, services, and programs and using the System or elements of the System (i) under the Marks anywhere outside of the Territory or (ii) under names, symbols, or marks other than the Marks anywhere, including inside and outside of the Territory;

(b) sell or offer, or license others to sell or offer, any products or services, using the Marks or other marks through any alternative distribution channels, including, without limitation, through e-commerce, in retail stores, via recorded media, via online videos, or via broadcast media, anywhere, including inside and outside of the Territory;

(c) advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside of the Territory; and

(d) acquire, be acquired by, or merge with other companies with existing facilities or businesses anywhere (including inside or outside of the Territory) and, even if such businesses are located in the Territory, (i) convert the other businesses to the Rad Air name, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Service Centers to such other name.

1.4 Operating Principal and Key Manager. If you are an Entity, you must appoint an individual owner as your Operating Principal who must have authority over all business decisions related to your Service Center and must have the power to bind you in all dealings with

us. In addition, you must appoint a manager to manage the day-to-day business of your Service Center (the “**Key Manager**”). Your Operating Principal may serve as your Key Manager, unless we believe that he or she does not have sufficient experience or qualifications. Your Operating Principal must have at least a 10% ownership interest in your Entity, but your Key Manager is not required to have an ownership interest in your Entity. Your Operating Principal and Key Manager (if known at the time of signing) shall be listed on Appendix A. You must provide us with written notice of your Operating Principal and Key Manager(s) at least 60 days prior to opening and may not change your Operating Principal and Key Manager without our prior written approval.

1.5 Ownership and Guarantee.

(a) Owners of Equity. If you are an Entity, each of your Owners must execute the “Payment and Performance Guarantee” that is attached in Appendix C (the “**Guarantee**”). By executing the Guarantee, each Owner will be bound by the provisions contained in this Agreement, including without limitation the restrictions set forth in Section 12 (Your Covenant Not to Compete). Further, a violation of any of the provisions of this Agreement, including the covenants contained in Section 12, by any Owner will also constitute a violation by you of your obligations under this Agreement. You represent that the individuals executing this Agreement under the Guarantee represent that they are your sole owners.

(b) Governing Documents. If you are (or Transfer this Agreement to) an Entity, upon our request, you agree to furnish us with a list of holders of direct or indirect equity interests and their percentage interests, as well as copies of your governing documents and any other corporate documents, books, or records, including certificates of good standing from your state. The Owners may not enter into any shareholders’ agreement, management or operating agreement, voting trust, or other arrangement that gives a third party the power to direct and control your affairs without our prior written consent. During the Term, your governing documents must provide that no transfer of any ownership interest may be made, except in accordance with Section 13 (Transfer and Assignment) of this Agreement. Any securities that you issue must bear a conspicuous printed legend to that effect.

Section 2 Initial Term and Renewal Term.

2.1 Initial Term. The initial term (the “**Initial Term**”) of the License begins on the Effective Date and ends fifteen years from the date that your Service Center opens for business (the “**Opening Date**”), unless this Agreement is terminated sooner as provided in other sections of this Agreement.

2.2 Renewal Term. Upon the expiration of the Initial Term, if you (i) are not in default under this Agreement, (ii) have substantially complied with this Agreement throughout the Term, (iii) have timely paid all monies due to us or our affiliates, and (iv) comply with this Section 2.2, you may, at your option, obtain two additional consecutive Renewal terms of ten years each (each, a “**Renewal Term**”). The Initial Term and Renewal Terms are referred to collectively in this Agreement as the “**Term**.” You may only exercise this right to obtain a Renewal Term by:

(a) giving us written notice of your desire to obtain a successor License at least six, but no more than 12, months before the expiration of the then-current Initial Term or Renewal Term;

(b) delivering to us a fully executed franchise agreement on our then-current form of franchise agreement, which you acknowledge may contain terms materially

different than those contained in this Agreement, including, but not limited to, (i) higher rates of Royalty Fees and Brand Fund Contributions(as herein defined) and other fees and charges and (ii) a modified Territory;

(c) refurbishing or renovating the Service Center, at your expense, to conform the decor, color schemes, storefront, signage, and presentation of the Marks to our then-current image and, if necessary, in our sole opinion, to update and replace the equipment, furniture, signage, and fixtures to meet our then-current specifications;

(d) executing a general release, in a form we prescribe, of any and all claims against us, our Area Representatives, our affiliates, and our and their past, present, and future officers, directors, shareholders, and employees arising out of, or relating to, your Service Center;

(e) completing, and having your Operating Principal and Key Manager complete, all of our then-current training requirements, including any additional training that we may require;

(f) securing the right from your landlord to continue operating at the Site for the remainder of such Renewal Term;

(g) substantially and timely complying with each provision of this Agreement or any other agreement with us, our affiliates, or your landlord throughout the Initial Term and having no Event of Default (as defined in Section 14.1 (Events of Default)), or event which with the giving of notice and/or passage of time would constitute an Event of Default, in existence as of the expiration of the Initial Term; and

(h) paying to us the Renewal Fee (as defined in Section 3.6 (Renewal Fee)).

Section 3 Fees.

3.1 Franchise Fee. You must pay us an initial franchise fee as set forth on Appendix A (the “**Franchise Fee**”) upon execution of this Agreement. The initial Franchise Fee is paid in consideration of the rights granted in Section 1 (Rights Granted) and will be deemed fully earned at the time paid. You acknowledge that we have no obligation to refund the Franchise Fee, in whole or in part, for any reason.

3.2 Royalty Fee.

(a) Amount of Royalty Fee. You must pay us a weekly royalty fee (the “**Royalty Fee**”) equal to the greater of (i) 6% of your Gross Revenue (as defined in Section 3.2(b)) for the previous week or (ii) the Minimum Royalty. The “**Minimum Royalty**” is currently: (a) \$0 per week in your first six (6) months after opening; (b) \$200 per week in your 7th through 12th month of operation; (c) \$400 per week in your 13th through 24th month of operation; and (d) \$600 per week thereafter. The Minimum Royalty may be increased at the start of any year by no greater than the CPI Increase (as defined in Section 3.2(c)). The Royalty Fee is non-refundable and is paid in consideration of the ongoing right to use the Marks and the System in accordance with this Agreement and not in exchange for services rendered by us. If you are an honorably discharged veteran of the United States military that purchases a franchise through the VetFran

program, we will discount the Royalty Fee payable to us by 50% during your first six (6) months of operations after opening your Service Center to the public.

(b) Gross Revenue. “**Gross Revenue**” means all revenue that you receive or otherwise derive from operating the Service Center, whether from cash, check, credit or debit card, gift card or gift certificate, or other credit transactions, and regardless of collection or when you actually provide the products or services in exchange for the revenue. If you receive any proceeds from any business interruption insurance applicable to loss of revenue at the Service Center, there shall be added to Gross Revenue an amount equal to the imputed gross revenue that the insurer used to calculate those proceeds. Gross Revenue includes promotional allowances or rebates paid to you in connection with your purchase of products or supplies or your referral of customers. Gross Revenue does not include (i) any bona fide returns and credits that are actually provided to customers; and (ii) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority. You may not deduct payment provider fees (i.e., bank or credit card company fees and gift card vendor fees) from your Gross Revenue calculation.

(c) CPI Increase. To calculate the “**CPI Increase**” on any amount, multiply that amount by a fraction, the numerator of which is the Inflation Index on the first day of the year for which the increase is to apply, and the denominator for which is the Inflation Index on January 1 of the year of the Effective Date or the effective date of the most recent CPI Increase, whichever is more recent. The “**Inflation Index**” means the U.S. City Average Price Index for All Urban Consumers for All Items (Base Year 1982-84), as published by the United States Department of Labor, Bureau of Labor Statistics, or, if such index is discontinued or unavailable, such other comparable index for calculating changes in the cost of living or purchasing power for consumers in the United States that we reasonably designate.

3.3 Brand Fund Contribution. You must contribute an amount up to 3% of your Gross Revenue (the “**Brand Fund Contribution**”) to the Rad Air Brand Fund (the “**Brand Fund**”). The Brand Fund is discussed in greater detail in Section 7 of this Agreement.

3.4 Technology Fee. You must pay to us, or a third party that we designate, a technology fee for various technology services that we will provide or arrange for third parties to provide, which services are subject to change over time (a “**Technology Fee**”). Currently, the Technology Fee is \$50 per month from the date that you begin receiving the technology services. The first month will be assessed pro rata from the date on which you begin receiving the technology services. We reserve the right to increase the fee by providing you with written notice of any change at least 30 days prior to the implementation of the new fee amount. The Technology Fee currently includes fees related to your access to and usage of our reservation system, our intranet, any mobile applications we develop, and the System Website. We may add, delete, or otherwise modify the products and services that are included in the Technology Fee.

3.5 Grand Opening Management Fee. You must pay to us, or a third party that we designate, a grand opening management fee of \$5,000 for our oversight of, and on-site participation in, your grand opening (the “**Grand Opening Management Fee**”). The Grand Opening Management fee is due upon receipt of invoice from us, and will be billed to you approximately sixty (60) days prior to your anticipated grand opening date for your Service Center.

3.6 Renewal Fee. Upon your execution of a Renewal franchise agreement pursuant to Section 2.2 (Renewal Term), you will pay to us a renewal fee equal to the lesser of:

(i) twenty-five percent (25%) of our then current franchise-fee for new franchisees; or (ii) \$15,000 (the “**Renewal Fee**”).

3.7 Transfer Fee. If you Transfer (as defined in Section 13.2 (Definition of Transfer)) your Service Center or this Agreement, you must pay us a Transfer Fee as specified in Sections 13.4(b), 13.5, and 13.6.

3.8 Relocation Fee. If you relocate your Service Center from the Site to a new location, you will pay to us a relocation fee equal to our actual administrative and legal expenses in evaluating the relocation, not to exceed \$5,000 per relocation review request (the “**Relocation Fee**”).

3.9 Payments of Fees. Your Royalty Fees, Brand Fund Contributions , and Technology Fees (the “**Operating Fees**”) are due to us and must be reported to us at the times and in the manner that we specify from time to time in the Manuals or otherwise. Currently, you must pay us your Royalty Fees and Brand Fund Contributions weekly within five business days after the end of each calendar week, based on your Gross Revenue for the preceding week, and must pay us your Technology Fee within five business days after the end of each month. All other fees and payments due to us must be paid to us within ten days of your receipt of an invoice from us.

3.10 Methods of Payment. You must make all payments to us by the method or methods that we specify from time to time in the Manuals, which may include payment via wire transfer or electronic debit to your bank account. You must furnish us and your bank with all authorizations necessary to effect payment by the methods we specify. We currently require you to make payment by electronic debit from your specified checking or savings account, and you must complete and sign an Authorization Agreement for Preauthorized Payments for this purpose. You must deliver a copy of the Authorization to us within five business days of our request. You must maintain sufficient funds in your account to permit us to withdraw the Operating Fees due from time to time. You may not, under any circumstances, set off, deduct or otherwise withhold any Operating Fees, interest charges, or any other monies payable under this Agreement on grounds of our alleged non-performance of any obligations or for any other reason. We may require you to purchase merchant processing services from us, our affiliates, or a vendor that we have approved or designated, each of who may charge a reasonable monthly fee and reasonable per transaction fee. The payment processor may process all credit card payments related to your Service Center, and remit payment to you of all monies owed, after withholding any Operating Fees payable to us and any payment processing fees payable to such processor. If you fail to timely report your Gross Revenue, or we are otherwise unable to access your Gross Revenue, we may estimate the amount of fees due and make a corresponding withdrawal from your bank account based on our estimate, plus 20% of our estimate. If we underestimate any fees due, you will remain obligated to pay the total amount of fees due, which, if we institute an automatic debit program, we may debit from your account automatically. If we overestimate any fees due, we will credit the fees paid (without interest) against fees due in the next payment period after we receive accurate records regarding your Gross Revenue.

3.11 Interest; Late Fee. If any payment due to us is not received in full by the due date, you agree to pay us daily interest on the amount owed, calculated from the due date until paid, at the rate of 18% per annum (or the maximum rate permitted by law, if less than 18%). You also agree to pay us a late fee in the amount of \$100 for each week that a payment is paid after the applicable due date. This late fee is subject to increase upon 60 days’ prior written notice, but will not be increased more than once in any 12-month period. You acknowledge that

this Section 3.10 is not our agreement to accept any payments after they are due and that any late payments are a default under this Agreement.

3.12 Taxes. You are responsible for all taxes, assessments, and government charges levied or assessed on you in connection with your business activities under this Agreement. In addition, as part of the Royalty Fee, Brand Fund Contribution, Training Fee, Technology Fee, or any other fees that we charge, you will pay to us the amount of any taxes imposed on us or our affiliates (and any taxes imposed on us or our affiliates as a result of such imposition) by federal, state, or local taxing authorities as a result of our receipt of any such fees, not including any tax measured on our income.

Section 4 Project Management, Site Selection, Development, and Opening of Service Center

4.1 Real Estate Project Management. You must use a real estate project manager (the “**Real Estate Project Manager**”) that we designate or approve to manage and lead real estate brokerage services, site selection counseling, and other assistance that the Real Estate Project Manager considers necessary and appropriate, which may include, in the Real Estate Project Manager’s sole discretion, on-site evaluations. We or the Real Estate Project Manager may engage third-party real estate brokers to work on your behalf to identify sites for your Service Center. You may not engage real estate brokers other than any broker that we may provide without our written approval.

4.2 Site Selection. If you identify a site in the Site Selection Area on your own that is reasonably suited for the conduct of the Service Center and is consistent with any site selection guidelines that we may provide, before entering into any lease or purchase agreement for the site, you must submit a site proposal package describing details about the proposed site and provide any other information that we reasonably require. We will review each site that we, the Real Estate Project Manager, our designated broker, or you identify and determine whether to accept it using our proprietary site selection assistance criteria. You acknowledge that we may refuse to accept a proposed site for any reason. If we accept the proposed site and you obtain it, we will insert a description of the specific location on Schedule 1 to Appendix A. **YOU ACKNOWLEDGE AND AGREE THAT OUR ACCEPTANCE OR PROPOSAL OF A PROPOSED SITE IS NOT A WARRANTY OR REPRESENTATION OF ANY KIND AS TO THE POTENTIAL SUCCESS OR PROFITABILITY OF YOUR SERVICE CENTER. WHILE WE MAY PROVIDE ASSISTANCE AND GUIDANCE, IT IS SOLELY YOUR RESPONSIBILITY TO SELECT A SUITABLE SITE FOR THE SERVICE CENTER.** The address listed on Schedule 1, if completed and signed by us, will be the “**Site**” referred to in this Agreement. A site is not accepted until you have received our acceptance in writing, as indicated by our delivery of the completed and signed Schedule 1.

4.3 Definition of the Territory. Once the Site has been accepted, we will identify your Territory in Schedule 1 to Appendix A based on the factors that we deem relevant, in our sole discretion, which might include demographics, the character and location of the Site, and nearby businesses and residences. Once we have defined the Territory, you will have no territorial or other rights in those portions of the Site Selection Area that are outside the Territory. You must return to us upon our request a signed copy of Schedule 1 to Appendix A acknowledging the Territory we have designated.

4.4 Site Acquisition. Before you or an affiliate make a binding commitment to purchase, lease, or sublease a site, we must accept the location in writing and approve in writing

the proposed lease or purchase agreement or any letter of intent between you and the third-party seller or lessor. If you or your affiliate leases the Site, unless we waive the requirement in writing, you must arrange for the execution of the Lease Addendum in the form of Appendix D by you and your landlord in connection with any lease or sublease for your Site (“**Site Lease**”) and any other provisions that we may reasonably require. Our review of the Site Lease is for our own benefit only and is not intended to supplement or replace a review by your attorney. We may require you to engage an attorney to review your Site Lease or purchase agreement for the Site that we have accepted and to supply us with reasonable documentation in connection with such review, including a lease abstract and confirmation that the terms in the agreement reflect the terms in any letter of intent between you and the third-party seller or lessor. You must secure a Site that we have approved by signing a Site Lease or purchase agreement within 90 days after the Effective Date (the “**Site Acquisition Deadline**”). We may extend the Site Acquisition Deadline by 90 days in our sole discretion, and we may require you to execute a general release as a condition of us agreeing to grant such extension. If we have accepted a site for your Service Center and you are unable or unwilling to acquire such site or an alternative site that we accept by the Site Acquisition Deadline, we may terminate the Franchise Agreement. You must deliver to us the completely executed purchase agreement or Site Lease and Lease Addendum within 10 days after execution of the Site Lease or purchase agreement, and you may not amend or renew any Site Lease without our written consent. You must comply with the terms and conditions of your Site Lease. We are not obligated to execute your lease or guarantee a lease for you.

4.5 Site Construction.

(a) Construction Project Manager. You must use a construction project manager that we designate or approve (the “**Construction Project Manager**”) to manage and lead the design and construction of your Service Center. We will make available to the Construction Project Manager a set of prototype plans and specifications (not for construction) for the Service Center and for the exterior and interior design and layout. The Construction Project Manager will engage designers, architects, and engineers to adapt for the Site our standard plans and specifications for the exterior and interior design and layout, fixtures, furnishings, signs, Trade Dress, and equipment for the Service Center. We will review the architectural drawings and specifications for the construction of the Service Center showing all leasehold improvements, interior designs, and elevations developed by the Construction Project Manager and its designees (collectively “**Plans**”), which we must approve prior to their submission for permitting. After we have accepted the final Plans, you may not modify the Plans without our prior written consent. You may not engage any project managers, architects, engineers, or designers other than the Construction Project Manager and those selected by the Construction Project Manager without our prior written consent.

(b) Permit, Licenses, and Compliance. Before beginning any construction, you, at your expense, must obtain all necessary government permits and licenses for the lawful construction and operation of your Service Center. You must abide by your landlord’s rules and guidelines. It is your responsibility to ensure that all Plans comply with the Americans with Disabilities Act (the “**ADA**”) and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and Lease requirements and restrictions. Our review of your Plans is limited to ensuring your compliance with our design requirements and is not designed to assess compliance with applicable federal, state, and local laws, rules, regulations, and ordinances in your Territory (“**Applicable Laws**”) or your Lease.

(c) Construction Phase. You must provide us with written notice identifying your proposed general contractor, and you must ensure that the contractor is duly licensed in your jurisdiction and adequately insured. You may not begin construction until we have given you written approval of the Plans and we or the Construction Project Manager has approved in writing your choice of general contractor. We may require you to use only general contractors that we have pre-approved, provided that we have pre-approved one in your Site Selection Area. You must notify us in writing promptly when construction begins and must maintain continuous construction until the Service Center is completed. You agree to complete the construction of your Service Center in accordance with the approved Plans at your expense. We, the Construction Project Manager, our and their employees, and our and their agents may inspect the construction at all reasonable times. After completion of construction, you must promptly obtain a certificate of occupancy and provide a copy of the certificate to us.

4.6 Opening Deadline. You must complete construction of and open your Service Center for business no later than 180 days after possession of the Site is delivered to you by your landlord and no later than 270 days after the Effective Date (the “**Opening Deadline**”), unless we grant you an extension in writing. We may, in our sole discretion, extend the Opening Deadline, which we may condition on you agreeing to pay an extension fee of \$2,500 for each month (or portion of a month) for which the Opening Deadline is extended and you executing a general release. You may not open the Service Center until you have received our written approval, which we will not provide until (i) we have viewed the certificate of occupancy, (ii) confirmed that you have complied with the Plans, and (iii) confirmed that you have complied with the pre-opening marketing obligations set forth in this Agreement and have done so in accordance with our System Standards as set forth in the Manuals. You must open the Service Center for business to the public within ten days from the date we give our written approval. Time is of the essence in constructing the premises for and opening the Service Center.

4.7 Relocation. You may not relocate the Service Center without our prior written consent. Such approval will not be unreasonably withheld, provided that (i) the new location for the Service Center premises is satisfactory to us and you comply with our then-current real estate project management requirements, (ii) your lease, if any, for the new location complies with our then-current requirements and you and your landlord execute the Lease Addendum, (iii) you comply with our then-current requirements for constructing and furnishing the new location, (iv) the new location will not, as determined in our sole discretion, materially and adversely affect the Gross Revenue of any other Service Center, (v) you have fully performed and complied with each provision of this Agreement within the last three years prior to, and as of, the date we consent to such relocation (the “**Relocation Request Date**”), (vi) no Event of Default (as herein defined), or event which with the giving of notice and/or passage of time would constitute an Event of Default, exists as of the Relocation Request Date, and (vii) you have met all of our then-current training requirements. If your Site Lease expires or is otherwise terminated, you must secure our approval of another site and enter into a Site Lease for the new approved site within 90 days. You agree to pay us the Relocation Fee upon completion of our review of your relocation request, whether or not the new Site is approved. We reserve the right to terminate this Agreement if you fail to secure a new approved site within 90 days after you lose the Site Lease.

Section 5 Training and Assistance

5.1 Initial Training. Prior to opening the Service Center, you (or your Operating Principal, if you are an Entity) and your Key Manager (collectively, “**Required Trainees**”) must personally attend and satisfactorily complete our initial training program (“**Initial Training**”). We will provide Initial Training as soon as practicable after the execution and delivery of this

Agreement. Initial training will be conducted in two phases. The first phase of Initial Training will take place approximately 45 days prior to your anticipated grand opening date and includes two consecutive (2) weeks of classroom and on-the-job training. The first phase of Initial Training will be provided at our offices, currently in North Royalton, Ohio and at a Service Center located near our office. The second phase of Initial training includes two consecutive (2) weeks of training at your Service Center and is conducted during the period that is one week prior to, and one week after your grand opening date. We reserve the right to modify the length and location of Initial Training. We may waive a portion of Initial Training or alter the training schedule if we determine that your Required Trainees have sufficient prior experience or training or have previously been trained at one of our Service Centers. Each subsequent Operating Principal and Key Manager must attend our Initial Training unless we otherwise agree in writing, but we may permit them to attend Initial Training remotely via recorded media, teleconference, videoconference, the Internet, webinar, or any other means, as we determine.

(a) Cost. We will provide instructors, facilities, and materials for up to three of your representatives (including your Required Trainees) at our headquarters at no additional cost to you, provided that all of your trainees are trained during the same training session. If space is available, you may bring more than three representatives to Initial Training. We reserve the right to charge a training fee of \$1,000, which we may increase upon 60 days' written notice to you, for (i) each person in excess of three trainees, (ii) each person who is repeating the course or replacing a person who did not pass, and (iii) each subsequent Operating Principal, Key Manager, or employee who attend the course.

(b) Completion of Initial Training. If your Required Trainees are unable to successfully complete, in our sole discretion, Initial Training for any reason, your Required Trainees must repeat Initial Training or you must send replacement Required Trainees to complete Initial Training. Your Required Trainees must successfully complete Initial Training at least ten days before the Opening Deadline. We will not refund any initial franchise fees paid by you. If you and your personnel satisfactorily complete our Initial Training and you do not expressly inform us at the end of Initial Training that you feel that you or they have not been adequately trained, then you and they will be deemed to have been trained sufficiently to operate a Service Center.

5.2 Opening Advice. Prior to opening your Service Center, we will advise you as to operation of your Service Center and local marketing and networking efforts.

5.3 Additional Training. We may periodically conduct mandatory or optional training programs for your Required Trainees and/or your employees at our office or another location that we designate. There will be no charge for training programs that we require you or your employees to attend, but we may charge you a reasonable fee for optional training programs. We may provide additional training in person or via recorded media, teleconference, videoconference, the Internet, webinar, or any other means, as we determine. We may require your Required Trainees or employees to satisfactorily complete any additional training programs that we specify. We may require your Required Trainees to participate in refresher or advanced training in each year of the Term.

5.4 Remedial Training. If, in our sole judgment, you fail to maintain the quality and service standards set forth in the Manuals, we may, in addition to all of our other rights and remedies, assign trainers to the Service Center to retrain Service Center employees and restore service levels and/or require you or your employees to repeat Initial Training or attend additional training programs at a location that we designate. We may charge a reasonable fee (currently,

\$250 per day) for each trainer assigned to your Service Center and any remedial training. We may increase the amount to be charged for each trainer upon 60 days' prior written notice. If you request that our representatives provide additional Initial Training beyond the two-week long second phase of Initial Training at your Service Center location, we may charge the remedial training fee for each additional day that we provide this training to you. We are under no obligation to provide this additional Initial Training and may approve or deny your request in our sole discretion.

5.5 Training by You. You and/or your Operating Principal and your Key Managers are responsible for training all of your other employees, including subsequent Key Managers, in accordance with our standards and training programs. If, in our sole judgment, you fail to properly train your employees in accordance with our standards, we may prohibit you from training additional employees and either require them to attend training at our headquarters (for the fee described in Section 5.1(a) (Initial Training)) or pay for our costs and expenses to send one of our representatives to train them at your Service Center.

5.6 Requested Consulting Services. We will provide to you additional consulting services with respect to the operation of the Service Center upon your reasonable request and subject to the availability of our personnel or the personnel of any Area Representative. We will make available to you information about new developments, techniques, and improvements in the areas of merchandising, advertising, management, operations, and Service Center design. We may provide such additional consulting services through the distribution of printed or filmed material, an intranet or other electronic forum, meetings or seminars, teleconferences, webinars, or in person. If such services are rendered in person other than at our offices, you must pay us a consulting fee of \$250 for each of such employees or agents for each day or partial day services are rendered. We may increase the amount to be charged for such requested consulting services upon 60 days' prior written notice. Such additional consulting services will be rendered at a mutually convenient time.

5.7 Travel and Living Expenses. You are responsible for any travel and living expenses (including meals, transportation, and accommodations), wages, and other expenses incurred by your trainees. We are responsible for our travel and living expenses while we conduct the second phase of Initial Training at your Service Center during your grand opening period. You are responsible for reimbursing us for any travel and living expenses incurred by our employees or agents related to providing any additional training, remedial training, or consulting services at your Service Center.

Section 6 Service Center Operation and System Standards

6.1 Manuals.

(a) Compliance with the Manuals. We will furnish you with electronic access to our Manuals, on loan for as long as this Agreement or a successor franchise agreement remains in effect. We reserve the right to furnish all or part of the Manuals to you in electronic form and to establish terms of use for access to any restricted portion of our website. You must comply with and abide by each required System Standard contained in the Manuals, as they may be amended, modified, or supplemented periodically and such other written or electronically transmitted System Standards that we may issue periodically. You acknowledge that we may amend, modify, or supplement the Manuals at any time, so long as such amendments, modifications, or supplements will, in our good faith opinion, benefit us and our existing and future

franchisees or will otherwise improve the System. You must comply with revised mandatory System Standards within 30 days after we transmit the updates, unless otherwise specified.

(b) Use of the Manuals. You agree to keep your copy of the Manuals up-to-date. If there is any dispute as to the current contents of the Manuals, the terms of our master copy maintained at our headquarters will control. You acknowledge that we own the copyright in the Manuals and that your copy of the Manuals remains our property and will be returned to us immediately upon expiration or termination of this Agreement. You will treat the Manuals, and the information contained therein, as confidential and will maintain the confidentiality of such information. You will not, without our prior written consent, copy, duplicate, record, use, or otherwise reproduce in any way the Manuals, in whole or in part, or otherwise make their contents available to any unauthorized person, except as provided in Section 10 (Proprietary Information).

6.2 Management and Personnel.

(a) Service Center Management. Unless otherwise specified in the Manuals, at all times that your Service Center is open for business it must be under the personal, on-premises supervision of either you, your Operating Principal, your Key Manager, or a trained attendant. Your Key Manager or another trained manager must be available at all times the Service Center is open for business. You may not permit your Service Center to be operated, managed, directed, or controlled by any other person or entity without our prior written consent.

(b) Employment Decisions and Policies. You are solely responsible for all labor and employment-related matters and decisions related to your Service Center, including hiring, firing, promoting, demoting, and compensating (including through wages, bonuses, or benefits) your employees. You must ensure that your employees are qualified to perform their duties in accordance with our System Standards and successfully pass a background check. We do not require you to implement any employment-related policies or procedures or security-related policies or procedures that we (at our option) may make available to you in the Manuals or otherwise for your optional use. You shall determine to what extent, if any, these policies and procedures may be applicable to your operations at the Service Center.

(c) Replacement Key Manager. If your Key Manager ceases to be employed by you at the Service Center, you must hire a new Key Manager, and have them successfully complete Initial Training, within 30 days after your former Key Manager's employment at the Service Center ends. If you are unable to immediately appoint and train a Key Manager, we may, in our sole discretion, provide a Key Manager to work at your Service Center temporarily until a new Key Manager is appointed and trained. In such instances you will pay to us our actual costs and expenses for such temporary Key Manager so assigned to the Service Center, including, without limitation, such Key Manager's salary and travel and living expenses. In addition, we may charge you a reasonable fee for this service.

6.3 Operation of the Service Center. You will not use the Site for any purpose other than the operation of the Service Center in compliance with the System and the Manuals. You will not lease, sublease, or assign the Site Lease for all or any portion of the Site, without our prior written consent.

(a) Restricted Uses. You, your Owners, and your affiliates may not provide any unapproved services to your Service Center's customers (whether those services are provided at the Service Center or any other location) without our prior written approval, which we

may withhold in our sole discretion. You, your Owners, and your affiliates may not operate any retail location providing any products or services that are ancillary to the Service Center's business to customers from a location at or near the Site.

(b) Operating Hours. You must keep the Service Center open for business to the public at least during the hours we prescribe from time to time in the Manuals or otherwise approve, unless prohibited by Applicable Laws or by the Site Lease (if any) for the Service Center premises.

(c) Notice of Independent Contractor. During the Term, you agree to hold yourself out to the public as an independent contractor operating your Service Center under license from us, and you must display in a conspicuous location in or upon the Service Center, or in a manner that we specify, a sign containing the following notice or an alternative notice that we specify: "This business is owned and operated independently by [name of franchisee] who is an authorized licensed user of the trademark Rad Air and its affiliated trademarks, which are owned by Rad Air Franchise Systems, Inc." You must include this notice or other similar language that we specify on all forms, advertising, promotional materials, business cards, receipts, letterhead, contracts, stationary, and other written materials we designate.

(d) Upkeep of the Service Center. You must keep the exterior (including parking lot) and interior of your Service Center and all fixtures, furnishings, signs, and equipment (the "**Operating Assets**") in the highest degree of cleanliness, orderliness, sanitation, and repair in accordance with the Manuals. You must place or display at the Site (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos and display and advertising materials that we periodically require or authorize. You may not make any material alteration, addition, replacement, or improvement to your Service Center, including its Operating Assets, without our prior written consent.

6.4 Refurbishing and Renovations. You agree to take, without limitation, the following actions during the Term at your expense: (i) thorough cleaning, repainting and redecorating of the interior and exterior of the Service Center at intervals that we may periodically designate and at our direction; (ii) interior and exterior repair of the Service Center as needed; and (iii) repair or replacement, at our direction, of damaged, worn-out or obsolete Operating Assets at intervals that we may periodically specify (or, if we do not specify an interval for replacing any item, as that item needs to be repaired or replaced). Upon our written request, you must refurbish the Service Center at your expense to conform the decor, Trade Dress, color schemes, signage, and presentation of the Marks to our then-current image. Such refurbishing may include, as we deem necessary, remodeling, redecoration, and other modifications to existing improvements and updating or replacing any Operating Assets. You acknowledge that this obligation could result in your making extensive structural changes to, and significantly remodeling and renovating, the Service Center, and/or in your spending substantial amounts for new Operating Assets, and you agree to incur, without limitation, any capital expenditures required in order to comply with this obligation and our requirements (even if those expenditures cannot be amortized over the remaining Term). Within 60 days after receiving written notice from us, you must have plans prepared according to the System Standards we prescribe and, if we require, using architects and contractors we approve, and you must submit those plans to us for our approval. You must complete all work according to the plans we approve within the time period that we reasonably specify. Notwithstanding anything to the contrary in this Section, we will not require you to complete a substantial refurbishment or renovation of your Service Center more than two (2) times during the initial 15-year Term.

6.5 Pricing. If we determine that we may lawfully require you to charge certain prices for goods or services, certain minimum prices for goods or services, or certain maximum prices for goods or services, you must adhere to our pricing policies as set forth in the Manuals or otherwise in writing from time to time. Currently, we require you to charge customers rates equal to or in excess of our minimum pricing schedule, as set forth in the Manuals, which we may change from time to time in writing. Otherwise, you are solely responsible for determining the prices that you will charge customers. You must provide us with your current price list upon our request.

6.6 Products, Supplies, Operating Assets, and Services.

(a) Purchases. We have the right to require that products, supplies, Operating Assets, and services that you purchase for resale or purchase or lease for use in your Service Center: (i) meet specifications that we establish from time to time; (ii) be a specific brand, kind, or model; (iii) be purchased or leased only from suppliers or service providers that we have expressly approved; and/or (iv) be purchased or leased only from a single source that we designate (which may include us or our affiliates or a buying cooperative organized by us or our affiliates). To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals.

(b) Products and Services You May Offer. You may offer in the Service Center to customers only the products and services that we have approved in writing. In addition, you must offer the specific products and services that we require in the Manuals or otherwise in writing. We may change these specifications periodically, and we may designate specific products or services as optional or mandatory. You must offer all products and services that we designate as mandatory. You may sell products and services only in the varieties, forms, and packages that we have approved in accordance with our System Standards. You must maintain a sufficient supply of required products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

(c) Revenue from Purchases. You acknowledge and agree that we and/or our affiliates may derive revenue based on your purchases and leases, including from charging you for products and services we or our affiliates provide to you and from promotional allowances, volume discounts, and other payments made to us by suppliers and/or distributors that we designate or approve for some or all of our franchisees. We and our affiliates may use all amounts received from suppliers and/or distributors, whether or not based on your or other franchisees' actual or prospective dealings with them, without restriction for any purposes we or our affiliates deem appropriate. If you derive any revenue based on payments or promotional allowances received from suppliers and/or distributors, you must report to us the details of the arrangement and such revenue shall be included as part of your Gross Revenue.

(d) Approval Process. If you would like to offer products or services, or use any supplies, Operating Assets, or services that we have not approved or to purchase or lease from a supplier or service provider that we have not approved, you must submit a written request for approval and provide us with any information that we request. We have the right to inspect the proposed supplier's facilities and test samples of the proposed products and to evaluate the proposed service provider and the proposed service offerings. We may require the proposed supplier or service provider to visit our headquarters, currently in North Royalton, Ohio, to evaluate the proposed supplier or service provider in person. You agree to pay us a charge

not to exceed the reasonable cost of the inspection and our actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs, whether or not the item, service, supplier, or service provider is approved. We have the right to grant, deny, or revoke approval of products, services, suppliers, or service providers based solely on our judgment. We will notify you in writing of our decision as soon as practicable following our evaluation. If you do not receive our approval within 90 days after submitting all of the information that we request, our failure to respond will be deemed a disapproval of the request. You acknowledge that the products and services that we approve for you to offer in your Service Center may differ from those that we permit or require to be offered in other Service Centers.

(e) Revocation of Approval. We reserve the right to reinspect the facilities and products of any approved supplier and to reevaluate the services provided by any service provider at and to revoke approval of the item, service, supplier, or service provider if any fail to meet any of our then-current criteria. If you receive a notice of revocation of approval, you agree to cease purchasing or leasing the formerly-approved item or service or any items or services from the formerly-approved supplier or service provider and you must dispose of your remaining inventory of the formerly-approved items and services as we direct. If we revoke approval of a previously-approved product that you have been selling to customers or service that you have been offering to customers, you must immediately discontinue offering the service and may continue to sell the product only from your existing inventory for up to 30 days following our disapproval. We have the right to shorten this period if, in our opinion, the continued sale of the product would prove detrimental to our reputation. After the 30-day period, or such shorter period that we may designate, you must dispose of your remaining formerly-approved inventory as we direct.

6.7 Distribution. You may not make any sales of products or services outside of the Service Center, or use vendor relationships that you establish through your association with us or the Rad Air brand for any other purpose besides the operation of the Service Center, unless we consent in writing. You agree to purchase products solely for resale to retail customers, and not for resale or redistribution to any other party, including other Rad Air franchisees. You may not offer products or services in connection with the Marks on any website on the Internet or any other electronic communication network unless we consent in writing.

6.8 Participation in System-wide Programs, Conferences, and Councils.

(a) Promotional Programs. You must participate in all in-Service Center promotional programs that we offer to franchisees. You will follow our guidelines concerning the acceptance and reimbursement of gift certificates, gift cards, coupons, corporate discounts, and other promotional programs as we set forth from time to time in the Manuals or otherwise in writing. You will not allow use of gift certificates, gift cards, or coupons (including Groupons and similar discounts) unless approved or offered by us or our affiliates.

(b) Conferences. You, your Operating Principal, your Key Managers, or any of your representatives that we designate must attend franchise conventions, meetings, product shows or demonstrations, and teleconferences that we or our Area Representative may require periodically in the Manuals or otherwise in writing. We or our Area Representative, in our or their sole discretion, will designate the time and place of any meetings, which may be held in-person or remotely via teleconference or web seminar. In each year, you and your employees shall not be required to attend in person more than three days of franchisee conventions and meetings that we organize, which shall count towards the five days of additional training programs that we may require your Required Trainees to attend annually. We or your Area Representative

will be responsible for arranging meetings and providing meeting materials. You are responsible for arranging and paying for travel and living expenses that you and/or your representatives incur. We or our Area Representative may require you to pay us or our Area Representative a reasonable registration fee for you and each of your representatives. If you or any of your representatives fail to attend any events that we require you and/or they to attend, regardless of the reason for the absence, you must pay us the registration fee that each absent required attendee would have incurred, unless we have previously excused them in writing in our sole discretion.

(c) Franchisee Advisory Council. We may establish an advisory council of franchisees (“**Franchisee Advisory Council**”) using a form and process set forth in the Manuals to advise us on various issues and strategies. The Franchisee Advisory Council will have an advisory role, but no operational or decision-making power. We may change the structure and process of the Franchisee Advisory Council or dissolve the Franchisee Advisory Council at any time. If we establish a Franchisee Advisory Council, you must participate in all council-related activities and meetings and must pay any dues related to the administration of the Franchisee Advisory Council.

6.9 Business Management and Technology System.

(a) Acquisition and Updates. You must obtain, maintain, and use the hardware, software, other equipment, and network connections that we specify periodically in the Manuals necessary to operate our point of sale system, the customer relationship management system, the online reservation system, and other technology systems that we designate (collectively, the “**Business Management and Technology System**”). You must use the Business Management and Technology System to (i) enter and track purchase orders and receipts, estimates, and customer information, (ii) update inventory, (iii) enter and manage your customers’ contact information, (iv) generate sales reports and analysis relating to the Service Center, and (iv) provide other services relating to the operation of the Service Center. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must execute and pay any fees associated with any software license agreements or any related software maintenance agreements that we or the licensor of the software require. You must replace, upgrade, or update at your expense the Business Management and Technology System as we may require periodically without limitation. We will establish reasonable deadlines for implementation of any changes to our Business Management and Technology System requirements.

(b) Use of the Business Management and Technology System. You agree: (i) that your Business Management and Technology System will be dedicated for business uses relating to the operation of the Service Center; (ii) to use the Business Management and Technology System in accordance with our policies and operational procedures; (iii) to transmit financial and operating data to us as required by the Manuals; (iv) to do all things necessary to give us unrestricted access to the Business Management and Technology System at all times (including users IDs and passwords, if necessary) so that we may independently download and transfer data via a modem or other connection that we specify; (v) to maintain the Business Management and Technology System in good working order at your own expense; (vi) to ensure that your employees are adequately trained in the use of the Business Management and Technology System and our related policies and procedures; and (vii) not to load or permit any unauthorized programs or games on any hardware included in the Business Management and Technology System. You also must comply with all laws and payment card provider standards relating to the security of the Business Management and Technology System, including, without

limitation, the Payment Card Industry Data Security Standards. You are responsible for any and all consequences that may arise if the system is not properly operated, maintained and upgraded or if the Business Management and Technology System (or any of its components) fails to operate on a continuous basis or as we or you expect.

6.10 Compliance with Laws and Good Business Practices. You must comply with all Applicable Laws. You will obtain and maintain in good standing any and all licenses, permits, and consents necessary for you to lawfully operate the Service Center. You have sole responsibility for such compliance despite any information or advice that we or our Area Representatives may provide. You must in all dealings with your customers, prospective customers, suppliers, us and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which might injure our business or the goodwill associated with the Marks or other Service Centers.

6.11 Customer Warranties and Service Standards. You must provide to your customers the forms of warranties with respect to products and services on the terms and conditions that we determine from time to time, and using the product and service warranty forms that we may furnish to you. You must perform warranty work on vehicles that were originally serviced at your Service Center, or at other Rad Air service centers in accordance with our warranty programs. All warranty services you perform on any vehicle are performed by you as an independent contractor and not as our agent, or as an agent of any other Rad Air Franchisee. If you perform warranty work under a valid warranty claim for a vehicle that was originally serviced at another Rad Air service center, you may invoice that service center for the parts and labor costs associated with the warranty work, but you may not apply any “upcharge” or additional margins unless approved by us in writing. Similarly, if another service center provides warranty work under a valid warranty claim for a vehicle that was originally serviced at your Service Center, you must pay that service center any amounts of parts and labor costs invoiced to you for performing such warranty work within ten (10) days of completion. . In the event of a dispute that cannot be resolved between the service center and the client or between multiple service centers, we will make a determination as to the validity of the warranty, the services to be performed, and the allocation of costs for the performance of the warranty services. Our determination will be made in our reasonable, good faith business judgment, and will be binding on you and the other service center(s) in question. You have no authority to make any kind of warranty or representation to others on our behalf. You agree not to make or give to any customer any warranty or representation as to the quality or fitness for use for any purpose, either express or implied, with respect to any products or services, unless we have approved the warranty or representation.

6.12 Notice of Proceedings. You will notify us in writing within five days after the commencement of any action, suit or proceeding, or of the issuance of any inquiry, subpoena, order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality in connection with the operation or financial condition of the Service Center, including without limitation any criminal action or proceeding brought by you against any employee, customer, or other person, but excluding civil proceedings against customers to collect monies owed.

6.13 Insurance. During the Term you must maintain in force at your sole expense the insurance coverage for the Service Center in the amounts, covering the risks, and containing only the exceptions and exclusions that we periodically specify in the Manuals for all similarly situated Service Centers. All of your insurance carriers must be rated A or higher by A.M. Best and Company, Inc. (or such similar criteria as we periodically specify). These insurance

policies must be in effect on or before the deadlines we specify. All coverage must be on an “occurrence” basis, except for the employment practices liability insurance coverage, which is on a “claims made” basis. All policies shall apply on a primary and non-contributory basis to any other insurance or self-insurance that we or our affiliates maintain. All general liability and workers’ compensation coverage must provide for waiver of subrogation in favor of us and our affiliates. We may, upon at least 60 days’ notice to you, periodically increase the amounts of coverage required and/or require different or additional insurance coverage at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. All insurance policies must name us, our Area Representative, and any affiliates we designate as an additional insured and provide for 30 days’ prior written notice to us of a policy’s material modification or cancellation. You agree periodically to send us a valid certificate of insurance or duplicate insurance policy evidencing that you have maintained the required coverage and paid the applicable premiums. If you fail to obtain or maintain (or to prove that you have obtained or maintained) the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and the Service Center on your behalf, in which event you shall cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance and pay us a reasonable fee for such service.

6.14 Taxes. You will pay when due all taxes, assessments, and governmental charges upon or against you or your real or personal properties, income, and revenue; provided that no such tax, assessment, or governmental charge need be paid so long as the validity, applicability, or amount thereof is being contested in good faith by appropriate proceedings and appropriate reserves are maintained to pay the disputed amount, if necessary.

Section 7 Marketing

7.1 Our Advertising Materials. We may periodically formulate, develop, produce, and conduct, at our sole discretion, advertising or promotional programs in such form and media as we determine to be most effective. We may make available to you for you to purchase approved advertising and promotional materials, including signs, posters, collaterals, etc. that we have prepared. We or our affiliates will retain all copyrights relating to such advertising materials.

7.2 Brand Fund.

(a) Fund Management. We may, but are not obligated to, establish the Brand Fund, a segregated or independent fund into which all Brand Fund Contributions will be paid. In no event will we be deemed a fiduciary with respect to any Brand Fund Contributions we receive or administer. We are not required to have an independent audit of the Brand Fund completed. We will prepare an unaudited statement of contributions and expenditures for the Brand Fund and make it available within 60 days after the close of our fiscal year to franchisees that make a written request for a copy. If any monies in the Brand Fund remain at the end of a fiscal year, they will carry-over in the Brand Fund into the next fiscal year. We or one of our affiliates may make or otherwise arrange loans to the Brand Fund in any year in which the balance of the Brand Fund is negative and charge a reasonable rate of interest. The amounts loaned to the Brand Fund will be repaid from future contributions to the Brand Fund in the year the loan is made or in subsequent years.

(b) Use of Brand Fund. We may use monies in the Brand Fund and any earnings on the Brand Fund account for any costs associated with advertising (media and

production), branding, marketing, public relations and/or promotional programs and materials, and any other activities we believe would benefit the Rad Air brand or the Service Centers generally, including advertising campaigns in various media; creation, maintenance, and optimization of the System Website or other websites; keyword or adword purchasing programs; conducting and managing social media activities; direct mail advertising; market research, including, without limitation, secret shoppers and customer satisfaction surveys; branding studies; employing advertising and/or public relations agencies; purchasing promotional items; conducting and administering promotions, contests, giveaways, public relations events, and community involvement activities; and providing promotional and other marketing materials and services to our franchisees. We will not use the Brand Fund for anything whose sole purpose is the marketing of franchises, however, you acknowledge that the System Website, public relations activities, community involvement activities, and other activities supported by the Brand Fund may contain information about franchising opportunities. We will not use any contributions to the Brand Fund to defray our general operating expenses, except for reasonable administrative costs and overhead we incur in activities reasonably related to the administration of the Brand Fund or the management of Brand Fund-supported programs (including the pro-rata amount of salaries of our personnel who devote time to Brand Fund activities and retainers and fees for outside agencies). We may use monies in the Brand Fund to pay for an independent audit of the Brand Fund, if we elect to have it audited. We do not guarantee that you will benefit from the Brand Fund in proportion to your contributions to the Brand Fund.

(c) Control Over Brand Fund. We may consult with, in our sole discretion, a franchisee advisory council selected by franchisees or a committee of franchisees that we appoint regarding marketing programs. However, we have the right to direct all marketing programs and uses of the Brand Fund, with the final decision over creative concepts, materials, and media used in the programs and their placement.

(d) Materials Produced. Any sales and other materials produced with Brand Fund monies will be made available to you without charge or at a reasonable cost. The proceeds of such sales will also be deposited into the Brand Fund.

(e) Other Contributions. If we or our affiliates operate any Service Centers, we or our affiliates will contribute to the Brand Fund a percentage of the receipts of those Service Centers, on the same basis as required for franchisees. If we reduce the Brand Fund contribution rate for franchisees, we will reduce the contribution rate for company or affiliate-owned Service Centers by the same amount. You acknowledge that our other franchisees may not be required to contribute to the Brand Fund, may be required to contribute to the Brand Fund at a different rate than you, or may be required to contribute to a different Brand Fund.

7.3 Local Marketing.

(a) Local Marketing Requirements. You must participate in such advertising, promotional, and community outreach programs that we may specify from time to time, at your own expense. You must use your best efforts to promote the use of the Marks in your Territory. You must ensure that all of your advertising, marketing, promotional, customer relationship management, public relations and other brand related programs and materials that you or your agents or representatives develop or implement relating to the Service Center is completely clear, factual and not misleading, complies with all Applicable Laws, and conforms to the highest ethical standards and the advertising and marketing policies that we periodically specify. Any media advertising or direct mail marketing that you conduct must be predominantly focused within your Territory, unless we agree otherwise. There are no territorial restrictions

from accepting business from retail customers that reside or work or are otherwise based outside of your Territory if these customers contact you, but we reserve the right to implement rules and restrictions regarding soliciting such customers in the future in our Manuals or otherwise in writing.

(b) Approval of Advertising Materials. You must obtain our advance written approval prior to using or producing any advertising or marketing materials using any of the Marks, in whole or in part. You agree to conduct all advertising in a dignified manner and to conform to the standards and requirements we specify in the Manuals. We will have the final decision on all creative development of advertising and promotional messages. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. We reserve the right to require you to discontinue the use of any advertising or marketing materials.

(c) Minimum Marketing Expenditure. You must spend at least five percent (5%) of your Gross Revenue per month on local advertising and promotional activities (the “**Marketing Spending Requirement**”). Your Marketing Spending Requirement is in addition to your Brand Fund Contribution. We have the right to designate in the Manuals the types of expenditures that will or will not count toward the Marketing Spending Requirement. At our request, you must submit appropriate documentation to verify compliance with the Marketing Spending Requirement. If you fail to spend (or prove that you spent) the Marketing Spending Requirement in any month, then we may, in addition to and without limiting our other rights and remedies, require you to pay us the shortfall as an additional Brand Fund Contribution or to pay us the shortfall for us to spend on local marketing for your Service Center.

(d) Grand Opening Advertising. In connection with the opening of the Service Center, you must spend a minimum of \$35,000 for grand opening advertising and promotion beginning 90 to 120 days before, and ending 30 days after, the opening of your Service Center in accordance with a plan that you must submit to us. This amount includes your Grand Opening Management Fee that must be paid to us. We have the right to modify your grand opening plan, in our sole discretion, and may require you to use a public relations firm to assist with your grand opening. The wages and other payroll-related expenses of your employees shall not be credited towards this spending requirement. No amount paid by you for your grand opening will be credited toward the Marketing Spending Requirement. You must provide us with supporting documentation evidencing these expenditures upon request.

7.4 Advertising Cooperatives. You agree to join and actively participate in any organizations or associations of franchisees or advertising cooperatives that we establish or approve for the purpose of promoting, coordinating, and purchasing advertising in local, regional, or national areas where there are multiple Service Centers (“**Advertising Cooperatives**”) and to abide by the bylaws, rules, and regulations duly required by the Advertising Cooperative, which we have the right to mandate or approve. If you join an Advertising Cooperative, the Advertising Cooperative may require you to spend additional funds on marketing programs conducted by the Advertising Cooperative, which may be in addition to your Brand Fund Contribution or Marketing Spending Requirement. We shall have the right to approve any marketing materials or marketing programs developed by any Advertising Cooperative in the same manner as specified in Section 7.3(b) (Approval of Advertising Materials).

7.5 Digital Marketing.

(a) Restrictions. We or our affiliates may, in our sole discretion, establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, “**Digital Marketing**”) that are intended to promote the Marks, your Service Center, and the entire network of Service Centers. We will have the sole right to control all aspects of any Digital Marketing, including those related to your Service Center. Unless we consent otherwise in writing, you and your employees may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to the Service Center or the network. If we do permit you or your employees to conduct any Digital Marketing, you or your employees must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. If we permit you or your employees to conduct any Digital Marketing, we will have the right to retain full control over all websites, social media accounts, mobile applications or other means of digital advertising that we have permitted you to use. We may withdraw our approval for any Digital Marketing or suspend or terminate your use of any Digital Marketing platforms at any time.

(b) System Website. As part of our Digital Marketing, we or one of our designees will operate and maintain a System Website, which will include basic information related to the Service Center, the ability for customers to book services appointments at your Service Center, and access to the Service Center’s reservation system. You must promptly provide us with any information that we request regarding your Service Center for inclusion on the System Website.

Section 8 Records, Reports, Audits, and Inspections

8.1 Bookkeeping and Records. You agree to keep complete and accurate books, records, and accounts of all business conducted under this Agreement in accordance with generally accepted accounting principles. You must preserve all of your books and records in hard copy or in a format from which hard copies can be readily generated for at least five years from the date of preparation or such longer period as may be required by law. You must maintain such information and records on the Business Management and Technology System as we may require from time to time in the Manuals and you acknowledge and agree that we will have access to that data remotely via a network connection that we will specify. At our request, you must retain and use, at your expense, the services of an accountant or accounting firm that we approve.

8.2 Reports and Financial Statements. You agree to submit financial and operational reports and records to us at the times and in the manner specified in the Manuals. Upon our written request, by April 15 of each year, you must submit your balance sheet and income statement for the previous calendar year. With respect to your year-end income statement and balance sheet, you or the Operating Principal must certify that the income statement and balance sheet are correct and complete and that they have been prepared in accordance with generally accepted accounting principles. We have the right to demand audited financial statements if an Event of Default has occurred within the last calendar year. In addition, you must provide us within 15 days after our request, exact copies of federal and state income

and other tax returns and any other forms, records, books, reports and other information that we periodically require relating to the Service Center or you.

8.3 Additional Information. You shall respond promptly to requests from us for clarification and/or additional information regarding any matter entrusted to you under this Agreement. We may from time to time require information about your financial condition, earnings, sales, profits, costs, expenses, and performance to provide a basis for providing our prospective franchisees with information concerning actual or potential earnings or to comply with Applicable Laws governing the sale of franchises. You will provide such information promptly upon our request, and you will certify that such information is true and complete in all material respects.

8.4 Inspection. We have the right, through our employees, an Area Representative, and any agents we designate, at any time during business hours and without prior notice to you to: (i) inspect the Site and Service Center for compliance with the Manuals, (ii) videotape, photograph or otherwise record the operation of the Service Center, (iii) interview your employees, landlord, and customers, (iv) examine the records, invoices, payroll records, check stubs, sales tax records and returns, and other supporting records and documents of the Service Center, and (v) examine your income tax records and any other information, records or properties relating to the ownership, management, or operation of the Service Center. We may require you to install and maintain, at your expense, a video surveillance system that we designate which we may access remotely through a connection that we specify to ensure compliance with our standards and the Manuals. Our right to inspect your business records includes records maintained electronically or off-site. You must cooperate with such inspections by giving our representatives unrestricted access and rendering such assistance as our representatives may reasonably request. If we notify you of any deficiencies after the inspection, you must promptly take steps to correct them. If you fail to correct any deficiencies within a reasonable time, not to exceed 30 days, we have the right to correct such deficiencies and charge you a reasonable fee plus our costs and expenses incurred in such inspection. Any inspections will be made at our expense, unless the inspection is necessitated by your repeated or continuing failure to comply with any provision of this Agreement, in which case we may charge you the costs of making such inspection, including without limitation the wages and cost of travel and living expenses for our representatives.

8.5 Auditing. Without limiting the foregoing, we may audit or cause to be audited any statement you are required to submit pursuant to Section 8.2 (Reports and Financial Statements) and we may review, or cause to be reviewed, the records maintained by any bank or other financial institution used by you in connection with the Service Center. If any such audit or review discloses an understatement of the Gross Revenue for any period or periods, you will pay to us, within 10 days after demand for payment is made, all additional Royalty Fees, Brand Fund Contributions, or other amounts required to be paid based upon the results of such audit or review. In addition, if such understatement for any period or periods is 2% or more of the Gross Revenue for such period or periods, you will reimburse us for the cost of such audit or review, including without limitation the charges of any independent accountant and any related attorneys' fees and the cost of travel and living expenses and wages for such accountant and employees or other agents of us. You will pay to us, upon demand, on any delinquent fees interest at the lesser of 18% per annum or the maximum rate allowed by law calculated from the date when the fees should have been paid to the date of actual payment. These remedies are in addition to our other remedies and rights under this Agreement and Applicable Laws.

8.6 Mystery Shopper Program. We may require you to participate in a mystery shopper service in order to ensure your compliance with the System and our customer service standards. We may specify mystery shopper services that you must engage at your expense, or we may engage the mystery shopper service on your behalf. If we engage the mystery shopper service on your behalf, you must pay us a reasonable fee or a third-party managing such service that we will specify in the Manuals upon demand. You must share the results of any mystery shopper program with us and must promptly address any deficiencies identified in any such report. You must follow any evaluation process, and use such evaluation forms, as we may from time to time require.

Section 9 Intellectual Property.

9.1 Marks and Trade Dress.

(a) Acknowledgements. You acknowledge that we or our affiliates are the owner of the Marks and the Trade Dress, that you have no interest in the Marks and the Trade Dress beyond the nonexclusive License granted herein, and that, as between we and you, we have the exclusive right and interest in and to the Marks and the Trade Dress and the goodwill associated with and symbolized by them. Upon the expiration or termination of this Agreement, no monetary amount will be attributable to goodwill associated with your activities as a franchisee under this Agreement.

(b) Rights. Your right to use the Marks and the Trade Dress applies only to the Service Center operated at the Site as expressly provided in this Agreement, including advertising related to the Service Center. You may only use in your Service Center the Marks and the Trade Dress we designate, and only in compliance with written rules that we prescribe from time to time. You may not use any Mark (i) as part of any corporate or legal business name, (ii) with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we have licensed to you), (iii) in selling any unauthorized services or products, (iv) as part of any domain name, electronic address, metatag, social media account, or otherwise in connection with any website or other electronic medium without our consent, or (v) in any other manner we have not expressly authorized in writing. No materials on which any of the Marks or the Trade Dress appears will be used by you without our prior written approval, which may be revoked at any time upon reasonable notice to you. You must display the Marks in a manner that we specify on signage at the Service Center and on all written materials, forms, advertising, promotional materials, supplies, employee uniforms, business cards, receipts, letterhead, contracts, stationary, and other materials we designate.

9.2 Copyrights. You acknowledge that as between you and us, any and all present or future copyrights relating to the System or the Rad Air concept, including, but not limited to, the Manuals and marketing materials, (collectively, the **"Copyrights"**) belong solely and exclusively to us. You have no interest in the Copyrights beyond the non-exclusive License granted in this Agreement.

9.3 No Contesting Our Rights. During the Term of this Agreement and after its expiration or termination, you agree not to directly or indirectly contest our ownership, title, right or interest in or to, or our license to use, or the validity of, (i) the Marks, (ii) the Trade Dress, (iii) the Copyrights, or (iv) any trade secrets, methods, or procedures that are part of the System (collectively, the **"Intellectual Property"**), or contest our sole right to register, use, or license others to use the Intellectual Property.

9.4 Changes to the Intellectual Property. We have the right, upon reasonable notice, to change, discontinue, or substitute for any of the Intellectual Property and to adopt entirely different or new Intellectual Property for use with the System without any liability to you, in our sole discretion. You agree to implement any such change at your own expense within the time we reasonably specify.

9.5 Third-Party Challenges. You agree to notify us promptly of any unauthorized use of the Intellectual Property of which you have knowledge. You also agree to inform us promptly of any challenge by any person or Entity to the validity of our ownership of or our right to license others to use any of the Intellectual Property. We have the right, but no obligation, to initiate, direct, and control any litigation or administrative proceeding relating to the Intellectual Property, including, but not limited to, any settlement. We will be entitled to retain any and all proceeds, damages, and other sums, including attorneys' fees, recovered or owed to us or our affiliates in connection with any such action. You agree to execute all documents and, render any other assistance we may deem necessary to any such proceeding or any effort to maintain the continued validity and enforceability of the Intellectual Property. We will defend you against any third-party claim, suit, or demand arising out of your authorized and proper use of the Marks in accordance with this Agreement. If we, in our sole discretion, determine that you have used the Marks in accordance with this Agreement, we will bear the cost of defense, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Marks in accordance with this Agreement, you must bear the cost of defense, including the cost of any judgment or settlement.

9.6 Post-Termination or Expiration. Upon the expiration or termination of this Agreement for any reason, all of your rights to use the Intellectual Property will automatically revert to us without cost and without the execution or delivery of any document. Upon our request, you will execute all documents that we require to confirm such reversion.

9.7 Innovations. All ideas, concepts, techniques or materials relating to a Service Center or the System (collectively, **"Innovations"**), whether or not protectable intellectual property and whether created by or for you or your Owners, employees, or contractors, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System and the Intellectual Property, and works made-for-hire for us. To the extent any Innovation does not qualify as a work made-for-hire for us, by this Section you assign ownership of that Innovation, and all related rights to that Innovation, to us and agree to sign (and to cause your Owners, employees, and contractors to sign) whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the Innovation. We and our affiliates have no obligation to make any payments to you or any other person with respect to any Innovations. You may not use any Innovation in operating the Service Center or otherwise without our prior approval.

Section 10 Proprietary Information.

10.1 Receipt of Proprietary Information. You acknowledge that prior to or during the Term, we may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how, and other confidential information relating to the System, our business, our vendor relationships, or the construction, management, operation, or promotion of the Service Center (collectively, **"Proprietary Information"**), including (i) site selection criteria and methodologies; (ii) methods, formats, systems, System Standards, sales and marketing techniques, knowledge and experience used in developing and operating Service Centers, including information in the Manuals; (iii) marketing research and promotional, marketing, advertising, public relations,

customer relationship management and other brand-related materials and programs for Service Centers; (iv) knowledge of specifications for and suppliers of, and methods of ordering, certain items that Service Centers use and/or sell; (v) knowledge of the operating results and financial performance of other Service Centers; (vi) customer communication and retention programs, along with data used or generated in connection with those programs; and (vii) any other information we reasonably designate from time to time as confidential or proprietary. "Proprietary Information" does not include (i) information that is part of the public domain or becomes part of the public domain through no fault of you, (ii) information disclosed to you by a third party having legitimate and unrestricted possession of such information, or (iii) information that you can demonstrate by clear and convincing evidence was within your legitimate and unrestricted possession when the parties began discussing the sale of the franchise.

10.2 Nondisclosure of Proprietary Information. We and our affiliates own all right, title, and interest in and to the Proprietary Information. You will not, nor will you permit any person to, use or disclose any Proprietary Information (including without limitation all or any portion of the Manuals) to any other person, except to the extent necessary for your professional advisors and your employees to perform their functions in the operation of the Service Center. You acknowledge that your use of the Proprietary Information in any other business would constitute an unfair method of competition with us and our franchisees. You will be liable to us for any unauthorized use or disclosure of Proprietary Information by any employee or other person to whom you disclose Proprietary Information. You will take reasonable precautions to protect the Proprietary Information from unauthorized use or disclosure and will implement any systems, procedures, or training programs that we require. At our request, you will require anyone who may have access to the Proprietary Information to execute non-disclosure agreements in a form satisfactory to us that identifies us as a third party beneficiary of such covenants with the independent right to enforce the agreement.

10.3 Customer Information.

(a) Protection of Customer Information. You must comply with our System Standards, other directions from us, and all Applicable Laws regarding the organizational, physical, administrative and technical measures and security procedures to safeguard the confidentiality and security of Customer Information on your Business Management and Technology System or otherwise in your possession or control and, in any event, employ reasonable means to safeguard the confidentiality and security of Customer Information. "**Customer Information**" means names, contact information, financial information and other personal information of or relating to the Service Center's customers and prospective customers. If there is a suspected or actual breach of security or unauthorized access involving your Customer Information, you must notify us immediately after becoming aware of such actual or suspected occurrence and specify the extent to which Customer Information was compromised or disclosed. You are responsible for any financial losses you incur or remedial actions that you must take as a result of a breach of security or unauthorized access to Customer Information in your control or possession.

(b) Ownership of Customer Information. You agree that all Customer Information that you collect in connection with your Service Center is deemed to be owned by us, and must be furnished to us at any time that we request it. In addition, we and our affiliates may, through the Business Management and Technology System or otherwise, have independent access to Customer Information.

(c) Use of Customer Information. You have the right to use Customer Information while this Agreement or a successor franchise agreement is in effect, but only to market Rad Air products and services to customers in accordance with the policies that we establish periodically and Applicable Laws. You may not sell, transfer, or use Customer Information for any purpose other than marketing Rad Air products and services. We and our affiliates may use Customer Information in any manner or for any purpose. You must secure from your actual and prospective customers and others all consents and authorizations, and provide them all disclosures, that Applicable Law requires to transmit Customer Information to us and our affiliates, and for us and our affiliates to use that Customer Information, in the manner that this Agreement contemplates.

Section 11 Indemnification.

11.1 Indemnification By You. You agree to indemnify and hold harmless us, our Area Representative, and our affiliates, and our and their respective owners, directors, officers, employees, agents, representatives, successors, and assignees (the “**Indemnified Parties**”) against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) directly or indirectly arising out of or relating to: (i) the Service Center’s operation; (ii) the business you conduct under this Agreement; (iii) your breach of this Agreement; or (iv) your noncompliance or alleged noncompliance with any law, ordinance, rule or regulation, including those concerning the Service Center’s construction, design or operation, and including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees. “**Losses**” means any and all losses, expenses, obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that an Indemnified Party incurs, including accountants’, arbitrators’, mediators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

11.2 Indemnification Procedure. You agree to defend the Indemnified Parties against any and all claims asserted or inquiries made (formally or informally), or legal actions, investigations, or other proceedings brought, by a third party and directly or indirectly arising out of or relating to any matter described in Subsection 11.1(i) through (iv) above (collectively, “**Proceedings**”), including those alleging the Indemnified Party’s negligence, gross negligence, willful misconduct and/or willful wrongful omissions. Each Indemnified Party may at your expense defend and otherwise respond to and address any claim asserted or inquiry made, or Proceeding brought, that is subject to this Section 11 (instead of having you defend it as required above), and agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are solely responsible, subject to Section 11.3. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you, and you agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 11. Your obligations in this Section 11 will survive the expiration or termination of this Agreement.

11.3 Willful Misconduct or Gross Negligence. Despite Section 11.1, you have no obligation to indemnify or hold harmless an Indemnified Party for, and we will reimburse you for, any Losses (including costs of defending any Proceeding under Section 11.2) to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party’s willful misconduct or gross negligence, so long as the claim to which those Losses relate is not asserted on the

basis of theories of vicarious liability (including agency, apparent agency, or employment) or our failure to compel you to comply with this Agreement. However, nothing in this Section 11.3 limits your obligation to defend us and the other Indemnified Parties under Section 11.2.

Section 12 Your Covenant Not to Compete.

12.1 During Term. You acknowledge that you will receive valuable, specialized training and confidential information regarding the manufacturing, operational, sales, promotional, and marketing methods of the Rad Air concept. During the Term, you and your Owners will not, without our prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or Entity:

(a) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in (i) any business that is the same or similar to your Service Center, including but not limited to a business that provides automotive maintenance and repair services and/or sells, installs, and services automobile radiator systems, exhaust systems, brakes, front end, steering, suspension, alignment, air conditioning, engine diagnostics, batteries, or tires at retail, or any other approved products and services that we authorize you to provide at your Service Center now or in the future; and (ii) any entity that grants franchises or licenses for any of these types of businesses (collectively, each, a “**Competitive Business**”) at any location in the United States;

(b) divert or attempt to divert any business or customer or potential business or customer of the Service Center to any Competitive Business, by direct or indirect inducement or otherwise;

(c) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System;

(d) use any vendor relationship established through your association with us for any purpose other than to purchase products or equipment for use or retail sale in the Service Center; or

(e) directly or indirectly solicit for employment any person who at any time within the immediate past 12 months has been employed by us, or our affiliates, or by any of our franchisees.

12.2 After Termination, Expiration, or Transfer. For two years after the expiration or termination of this Agreement or an approved Transfer to a new franchisee, you and your Owners may not, without our prior written consent, (i) directly or indirectly own, manage, engage in, be employed in a managerial position by, advise, make loans to, or have any other interest in any Competitive Business that is (or is intended to be) located within a 25-mile radius of your former Service Center or any other Service Center that is operating or under development at the time of such expiration, termination, or Transfer, or (ii) solicit for employment any person who at any time within the immediate past 12 months has been employed by us, or our affiliates, or by any of our franchisees. With respect to the Owners, the time period in this Section 12.2 will run from the expiration, termination, or Transfer of this Agreement or from the termination of the Owner’s relationship with you, whichever occurs first.

12.3 Publicly Traded Corporations. Ownership of less than five percent of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this Section 12.

12.4 Covenants of Owners and Employees. The Owners personally bind themselves to this Section 12 by signing this Agreement or the attached Guarantee. We may, in our sole discretion, require you to obtain from your officers, directors, Key Managers, Owners' spouses, and other individuals that we may designate executed agreements containing nondisclosure and noncompete covenants similar in substance to those contained in this Section 12 as we prescribe in the Manuals and otherwise. The agreements must be in a form acceptable to us and specifically identify us as having the independent right to enforce them.

12.5 Enforcement of Covenants. You acknowledge and agree that (i) the time, territory, and scope of the covenants provided in this Section 12 are reasonable and necessary for the protection of our legitimate business interests; (ii) you have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; and (iv) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this Section 12 is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time, but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants contained in this Section 12. You acknowledge that any breach or threatened breach of this Section 12 will cause us irreparable injury for which no adequate remedy at law is available, and you consent to the issuance of an injunction prohibiting any conduct violating the terms of this Section 12. Such injunctive relief will be in addition to any other remedies that we may have.

Section 13 Transfer and Assignment.

13.1 Transfer by Us. We may assign this Agreement and all of our rights, duties, and obligations under this Agreement to any person or Entity that we choose in our sole discretion. Upon any such assignment, we will be released from all of our duties and obligations hereunder, and you will look solely to our assignee for the performance of such duties and obligations.

13.2 Definition of Transfer. For purposes of this Agreement, “**Transfer**” as a verb means to sell, assign, give away, transfer, pledge, mortgage, or encumber, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings), any interest in this Agreement, the Service Center, substantially all the assets of the Service Center, or in the ownership of the franchisee (if you are an Entity). “**Transfer**” as a noun means any such sale, assignment, gift, transfer, pledge, mortgage, or encumbrance. A “**Control Transfer**” means any Transfer of (i) this Agreement or any interest in this Agreement; (ii) the Service Center or all or substantially all of the Service Center's assets; or (iii) any Controlling Ownership Interest (defined below) in you (if you are an Entity), whether directly or indirectly through a transfer of legal or beneficial ownership interests in any Owner that is an Entity, and whether in one transaction or a series of related transactions, regardless of the time period over which these transactions take place. References to a “**Controlling Ownership Interest**” in you mean either (i) 20% or more of your direct or indirect legal or beneficial ownership interests in your Entity or (ii) an interest the acquisition of which grants the power (whether directly or indirectly) to direct or cause the direction

of management and policies of you or the Service Center to any individual or Entity, or group of individuals or Entities, that did not have that power before that acquisition.

13.3 No Transfer Without Our Consent. This Agreement and the License are personal to you, and we have granted the License in reliance on your (and, if you are an Entity, your Owners') business skill, financial capacity, and personal character. Accordingly, neither you nor any of the Owners or any successors to any part of your interest in this Agreement or the License may make any Transfer or permit any Transfer to occur without obtaining our prior written consent, except as provided in Section 13.7 (Permitted Transfers). If you or any of your Owners desire to make a Transfer, you must promptly provide us with written notice. Any purported Transfer, without our prior written consent, will be null and void and will constitute an Event of Default (as herein defined), for which we may terminate this Agreement without opportunity to cure. We have sole and absolute discretion to withhold our consent, except as otherwise provided in Sections 13.4 through 13.8. We have the right to communicate with both you, your counsel, and the proposed transferee on any aspect of a proposed Transfer. You agree to provide any information and documentation relating to the proposed Transfer that we reasonably require. No Transfer that requires our consent may be completed until at least 60 days after we receive written notice of the proposed Transfer. Our consent to a Transfer does not constitute a waiver of any claims that we have against the transferor, nor is it a waiver of our right to demand exact compliance with the terms of this Agreement. If your Service Center is not open and operating, we will not consent to your Transfer of this Agreement, and we are under no obligation to do so.

13.4 Control Transfer. For a proposed Control Transfer, the following conditions apply (unless waived by us):

(a) When you provide written notice of the proposed Transfer, you must pay to us a non-refundable deposit of \$3,000 to cover our administrative costs incurred in reviewing the proposal. The deposit will be applied towards your Transfer Fee in the event that the Transfer is completed.

(b) You or your transferee must pay to us a Transfer Fee equal to: (i) \$15,000 for any Control Transfer resulting in a change of control to a third party; or (ii) \$2,500 plus our administrative costs in processing such Transfer, including any attorneys' fees and other third party costs that we incur, for any Control Transfer resulting in a change of control to any immediate family member. You must make such payment by wire transfer from the proceeds of the sale at the closing if we so request.

(c) You must satisfy all of your accrued monetary obligations to us and must be in compliance with all obligations to us under this Agreement and any other agreement that you have with us and our affiliates as of the date of the request for our approval of the Transfer or you must make arrangements satisfactorily to us to come into compliance by the date of the Transfer.

(d) You and your Owners must execute a general release, in a form that we prescribe, in favor of us, our Area Representatives, our affiliates, and our and their affiliates' past, present, and future officers, directors, managers, members, equity holders, agents, and employees, releasing them from all claims, including claims arising under federal, state, and local laws, rules, and regulations.

(e) You and your Owners must agree to remain liable for all of the obligations to us in connection with the Service Center arising before the effective date of the

Transfer, and execute any and all instruments that we reasonably request to evidence such liability.

(f) You and your Owners must continue to be bound by the provisions of Sections 9 (Intellectual Property), 10 (Proprietary Information), 11 (Indemnification), and 12 (Your Covenant Not to Compete) as if they were the Franchisee and this Agreement had expired or terminated as of the effective date of the Transfer.

(g) You must provide us with written notice from your landlord indicating that your landlord has agreed to transfer the Site Lease to your transferee.

(h) Your proposed transferee (or, if the transferee is not an individual, all owners of any legal or beneficial interest in the transferee) must demonstrate to our satisfaction that he or she meets all of our then-current qualifications to become a Rad Air franchisee, including not having any involvement with a Competing Business, or if he or she is already a Rad Air® franchisee, he or she must not be in default under any of their agreements with us and must have a good record of customer service and compliance with our System Standards.

(i) Your proposed transferee and their representatives must successfully complete our then-current training requirements at their expense.

(j) Your proposed transferee (and, if the transferee is not an individual, such owners of a legal or beneficial interest in the transferee as we may request) must (i) enter into a written assignment, in a form satisfactory to us, assuming and agreeing to discharge and guarantee all of your obligations under this Agreement and (ii) must execute our then-current form of personal guarantee.

(k) Your proposed transferee (and, if the transferee is not an individual, such owners of a legal or beneficial interest in the transferee as we may request) must execute, for a term ending on the last day of the Term and with such Renewal Term as is provided by this Agreement, our then-current franchise agreement for new franchisees and such other agreements as we may require, which agreements will supersede this Agreement in all respects. The terms of the new franchise agreement may differ significantly from the terms of this Agreement. The prospective transferee will not be required to pay any initial Franchise Fee.

(l) Your proposed transferee must make arrangements to modernize, renovate, or upgrade the Service Center, at its expense, to conform to our then-current System Standards for new Rad Air® Service Centers.

(m) Your proposed transferee must covenant that it will continue to operate the Service Center under the Marks and using the System.

(n) We must determine, in our sole discretion, that the purchase price and payment terms will not adversely affect the operation of the Service Center, and if you or your Owners finance any part of the purchase price, you and they must agree that all obligations under promissory notes, agreements, or security interests reserved in the Service Center are subordinate to the transferee's obligation to pay all amounts due to us and our affiliates and otherwise to comply with this Agreement.

13.5 Non-Control Transfers. For any Transfer that does not result in a Control Transfer, you must give us advance notice and submit a copy of all proposed contracts and other

information concerning the Transfer and transferee that we may request. We will have the right to require you to pay a Transfer Fee that is equal to \$2,500 plus our administrative costs in processing such Transfer, including any attorneys' fees and other third party costs that we incur. We will have a reasonable time (not less than 30 days) after we have received all requested information to evaluate the proposed Transfer. You and/or your transferee must satisfy, in addition to others that we may specify, the conditions in Sections 13.4(c) (comply with obligations), 13.4(d) (sign general release), 13.4(e) (remain liable for pre-Transfer obligations), 13.4(f) (remain bound to certain provisions), 13.4(h) (transferee meets qualifications), and 13.4(j) (sign assignment and guaranty). You and your Owners must sign the form of agreement and related documents that we then specify to reflect your new ownership structure. We may withhold our consent on any reasonable grounds or give our consent subject to reasonable conditions.

13.6 Transfer To An Entity. We will consent to the assignment of this Agreement to an Entity that you form for the convenience of ownership, provided that: (i) the Entity has and will have no other business besides operating Rad Air Service Centers; (ii) you satisfy the conditions in Sections 13.4(c) (comply with obligations), 13.4(d) (sign general release), 13.4(e) (remain liable for pre-Transfer obligations), 13.4(f) (remain bound to certain provisions), and 13.4(j) (sign assignment and guaranty); (iii) the Owners hold equity interests in the new Entity in the same proportion shown on Appendix A; and (iv) you pay a Transfer Fee that is equal to \$2,500 plus our administrative costs in processing such Transfer, including any attorneys' fees and other third party costs that we incur.

13.7 Permitted Transfers. The other provisions in this Section do not apply, including our right of first refusal and right of approval, to the following Transfers:

(a) Security Interests. You may grant a security interest in the Site (if you own the Site), the Service Center, any Operating Assets, this Agreement, or any direct or indirect legal and/or beneficial interest in you to a financial institution or other party that provided or provides any financing your acquisition, development, and/or operation of the Service Center, but only if that party signs our then current form of lender consent to protect our rights under this Agreement. Any foreclosures or other exercise of the rights granted under that security interest are subject to all applicable terms and conditions of this Section 13.

(b) Transfer to a Trust. Any Owner who is an individual may Transfer his or her ownership interest in you (or any of your Owners that is an Entity) to a trust that he or she establishes for estate planning purposes, as long as he or she is a trustee of the trust and otherwise controls the exercise of the rights in you (or your Owner) held by the trust and you notify us in writing of the Transfer at least ten days before its anticipated effective date. Dissolution of or transfers from any trust described in this Section 13.7(b) are subject to all applicable terms and conditions of this Section 13.

13.8 Transfer Upon Death Or Incapacity. If you or any Owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must apply to us in writing within three months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to Transfer the person's interest. The Transfer will be subject to the provisions of this Section 13, as applicable, except there shall be no Transfer Fee due. In addition, if the deceased or incapacitated person is you or the Operating Principal, we will have the right (but not the obligation) to take over operation of the Service Center until the Transfer is completed and to charge a reasonable management fee for our services. For purposes of this Section, "incapacity" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement (i) for a

period of 30 or more consecutive days or (ii) for 60 or more total days during a calendar year. In the case of Transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 13.4(h) (transferee meets qualifications), the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for Transfers contained in this Agreement. If an interest is not disposed of under this Section 13.8 within 120 days after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 14.2 (Our Remedies After An Event of Default).

13.9 Our Right Of First Refusal.

(a) Our Right. We have the right, exercisable within 30 days after receipt of the notice of your intent to Transfer and such documentation and information that we require, to send written notice to you that we intend to purchase the interest proposed to be Transferred on the same economic terms and conditions offered by the third-party or, at our option, the cash equivalent thereof. If you and we cannot agree on the reasonable equivalent in cash or if the Transfer is proposed to be made by gift, we will designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser or may elect at that time to not exercise our rights. We must receive, and you and your Owners agree to make, all customary representations, warranties and indemnities given by the seller of the assets of a business or ownership interests in an Entity, as applicable, including representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests, liens and encumbrances on assets, validity of contracts and agreements, and the liabilities, contingent or otherwise, relating to the assets or ownership interests being purchased, and indemnities for all actions, events and conditions that existed or occurred in connection with the Service Center or your business prior to the closing of our purchase. Closing on our purchase must occur within 90 days after the date of our notice to the seller electing to purchase the interest. We may assign our right of first refusal to another Entity or person either before or after we exercise it. However, our right of first refusal will not apply with regard to Transfers to an Entity under Section 13.7 (Permitted Transfers) or 13.8 (Transfer Upon Death or Incapacity) or Transfers to your spouse, son, or daughter.

(b) Declining Our Right. If we elect not to exercise our rights under this Section, the transferor may complete the Transfer after complying with the applicable provisions in Section 13. Closing of the Transfer must occur within 90 days of our election (or such longer period as Applicable Laws may require); otherwise, the third-party's offer will be treated as a new offer subject to our right of first refusal. Any material change in the terms of the offer from a third-party after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer. The Transfer is conditional upon our determination that the Transfer was on terms substantially the same as those offered to us.

Section 14 Termination and Default.

14.1 Events of Default. Any one or more of the following constitutes an “**Event of Default**” under this Agreement:

(a) You or any Owner make any material misrepresentations or omissions in connection with your application to us for the franchise, this Agreement, or any related documents, or you submit to us any report or statement that you know or should know to be false or misleading;

(b) Your Required Trainees fail to successfully complete initial training to our satisfaction at least ten days before the Opening Deadline;

(c) You fail to sign a Site Lease or purchase agreement that we have approved for a site that we have accepted by the Site Acquisition Deadline;

(d) You fail to open for business by the Opening Deadline;

(e) You fail to make changes to the Site and the Service Center as required in Section 6.5 (Refurbishing and Renovations) within the applicable time periods;

(f) You fail to maintain possession of the Site and fail to secure our approval of and enter into a lease for a new, accepted Site within 90 days after the expiration or termination of the Site Lease;

(g) You voluntarily suspend operation of the Service Center without our prior written consent for five or more consecutive business days on which you were required to operate, unless we determine, in our sole discretion, that the failure was beyond your control;

(h) After multiple attempts to reach you via telephone, e-mail, or other written correspondence, you fail to communicate with us within seven days after we send you a written communication in accordance with Section 17.11 (Notices) notifying you of our attempts to reach you and our need to receive a response from you.

(i) You, your Operating Principal, your Key Managers, or any of your representatives that we designate fail to attend or participate in two or more required franchise conventions, meetings, and teleconferences during any 12-month period, without our prior written consent;

(j) You, any Owner, or any of your officers or directors are convicted of or plead nolo contendere to a felony, a crime involving moral turpitude or consumer fraud, or any other crime or offense that we believe is likely to have an adverse effect on our franchise system, the Marks and any associated goodwill, or the Rad Air concept (an “**Adverse Effect**”) or you, any Owner, or any of your officers or directors has engaged in or engages in activities that, in our reasonable opinion, have an Adverse Effect;

(k) You use any of the Marks or any other identifying characteristic of us other than in the operation or promotion of the Service Center;

(l) You or any of your Owners, directors, or officers disclose or divulge the contents of the Manuals or other Proprietary Information contrary to Section 10 (Proprietary Information);

(m) Any Transfer occurs that does not comply with Section 13 (Transfer and Assignment), including a failure to transfer to a qualified successor after death or disability within the time allowed by Section 13.8 (Transfer Upon Death or Incapacity);

(n) You or any Owner violates the noncompete covenants in Section 12 (Your Covenant Not to Compete);

(o) You breach or fail to comply with any law, regulation, or ordinance which results in a threat to the public's health or safety and fail to cure the non-compliance within 24 hours following receipt of notice thereof from us or applicable public officials, whichever occurs first;

(p) You become insolvent or make an assignment for the benefit of your creditors, execution is levied against your business assets, or a suit to foreclose any lien or mortgage is instituted against you and not dismissed within 30 days;

(q) (i) You fail, refuse, or neglect to pay any monies owing to us or our affiliates or fail to make sufficient funds available to us as provided in Section 3.12 (Methods of Payment) within ten days after receiving written notice of your default or 30 days after due date of the payment, whichever is the shorter period, or (ii) you have previously been given at least two notices of nonpayment for any reason within the last 24 months and you subsequently fail to timely pay when due any monies; or (iii) you fail to do all things necessary to give us access to the information contained in your Business Management and Technology System pursuant to Section 6.11 (Business Management and Technology System) within 10 days after receiving notice;

(r) You are more than 60 days past due on your obligations to suppliers and trade creditors in an amount exceeding \$2,000, unless you have given us prior notice that the failure to pay is a result of a bona fide dispute with such supplier or trade creditor that you are diligently trying to resolve in good faith;

(s) You fail to pay when due any federal, state or local income, service, sales or other taxes due on the Service Center's operation, unless you are in good faith contesting your liability for these taxes;

(t) You underreport Gross Revenue by more than 2% two times or more in any two-year period or by 5% or more for any period of one week or greater;

(u) You refuse to permit, or try to hinder, an examination, inspection, or audit of your books and records, the Service Center, or the Site as required by this Agreement;

(v) You fail to timely file any periodic report required in this Agreement or the Manuals three or more times in a 12-month period, whether or not you subsequently cure the default;

(w) You default under any other franchise agreement or other agreement between you and us or our affiliates, provided that the default would permit us or our affiliate to terminate that agreement;

(x) You breach or fail to comply with any other covenant, agreement, standard, procedure, practice, or rule prescribed by us, whether contained in this Agreement, in the Manuals, or otherwise in writing and fail to cure such breach or failure to our satisfaction within 30 days (or such longer period as Applicable Laws may require) after we provide you with written notice of the default; or

(y) You are in default three or more times within any 18-month period, whether or not the defaults are similar and whether or not they are cured.

14.2 Our Remedies After An Event of Default.

(a) Right to Terminate. If an Event of Default occurs, we may, at our sole election and without notice or demand of any kind, declare this Agreement and any and all other rights granted under this Agreement to be immediately terminated and, except as otherwise provided herein, of no further force or effect. Upon termination, you will not be relieved of any of your obligations, debts, or liabilities under this Agreement, including without limitation any debts, obligations, or liabilities that you accrued prior to such termination.

(b) Other Remedies. If an Event of Default occurs, we may, at our sole election and upon delivery of written notice to you, take any or all of the following actions without terminating this Agreement:

(i) temporarily or permanently reduce the size of the Territory, in which event the restrictions on us and our affiliates under Section 1.3 (Limited Territorial Protection) will not apply in the geographic area that was removed from the Territory;

(ii) temporarily remove information concerning the Service Center from the System Website and/or stop your or the Service Center's participation in any other programs or benefits offered on or through the System Website;

(iii) suspend your right to participate in one or more programs or benefits that the Brand Fund provides;

(iv) suspend any other services that we or our affiliate provides to you under this Agreement or any other agreement, including any services relating to the Business Management and Technology System;

(v) suspend or terminate any temporary or permanent fee reductions to which we might have agreed (whether as a policy, in an amendment to this Agreement, or otherwise);

(vi) suspend our performance of, or compliance with, any of our obligations to you under this Agreement or other agreements;

(vii) undertake or perform on your behalf any obligation or duty that you are required to, but fail to, perform under this Agreement. You will reimburse us upon demand for all costs and expenses that we reasonably incur in performing any such obligation or duty; and/or

(viii) enter the Service Center's premises and assume the management of the Service Center ourselves or appoint a third party (who may be our affiliate) to manage the Service Center. All funds from the operation of the Service Center while we or our appointee assumes its management will be kept in a separate account, and all of the expenses of the Service Center will be charged to that account. We or our appointee may charge you (in addition to the amounts due under this Agreement) a management fee equal to 7% of the Service Center's Gross Revenue during the period of management, plus any direct out-of-pocket costs and expenses. We or our appointee has a duty to utilize only reasonable efforts and will not be liable to you for any debts, losses, or obligations the Service Center incurs, or to any of your creditors for any products or services the Service Center purchases, while managing it. You shall not take any action or fail to take any action that would interfere with our or our appointee's

exclusive right to manage the Service Center and may, in our sole discretion, be prohibited from visiting the Service Center so as to not interfere with its operations. Our (or our appointee's) management of the Service Center will continue for intervals lasting up to 90 days each (and, in any event, for no more than a total of one year), and we will during each interval periodically evaluate whether you are capable of resuming the Service Center's operation and periodically discuss the Service Center's status with you.

(c) Exercise of Other Remedies. Our exercise of our rights under Section 14.2(b) (Other Remedies) will not (i) be a defense for you to our enforcement of any other provision of this Agreement or waive or release you from any of your other obligations under this Agreement, (ii) constitute an actual or constructive termination of this Agreement, or (iii) be our sole or exclusive remedy for your default. You must continue to pay all fees and otherwise comply with all of your obligations under this Agreement (except as set forth in Section 14.2(viii) (our assumption of management)) following our exercise of any of these rights. If we exercise any of our rights under Section 14.2(b), we may thereafter terminate this Agreement without providing you any additional corrective or cure period, unless the default giving rise to our right to terminate this Agreement has been cured to our reasonable satisfaction.

14.3 Termination By You. You may terminate this Agreement only if: (i) we commit a material breach of this Agreement; (ii) you give us written notice of the breach; (iii) we fail to cure the breach, or to take reasonable steps to begin curing the breach, within 60 days after receipt of your notice; and (iv) you are in full compliance with your obligations under this Agreement. If we cannot reasonably correct the breach within this 60-day period but provide you, within this 60-day period, with reasonable evidence of our effort to correct the breach within a reasonable time period, then the cure period shall run through the end of such reasonable time period. Termination will be effective no less than ten days after you deliver to us written notice of termination for failure to cure within the allowed period. Any attempt to terminate this Agreement without complying with this Section 14.3 (including by taking steps to de-identify the Service Center or otherwise cease operations under this Agreement) will constitute an Event of Default by you.

Section 15 Your Obligations Upon Expiration or Termination.

You covenant and agree that upon expiration or termination of this Agreement for any reason, unless we direct you otherwise:

15.1 Payment of Costs and Amounts Due. You will pay upon demand all sums owing to us and our affiliates. If this Agreement is terminated due to an Event of Default, you will promptly pay all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us as a result of your default. These payment obligations will give rise to and remain, until paid in full, a lien in favor of us against the Service Center premises and any and all of the personal property, fixtures, equipment, and inventory that you own at the time of the occurrence of the Event of Default. We are hereby authorized at any time after the Effective Date to make any filings and to execute such documents on your behalf of to perfect the lien created hereby. You also will pay to us all damages, costs, and expenses, including reasonable attorneys' fees, that we incur after the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provision of this Section 15 (Your Obligations Upon Expiration or Termination).

15.2 Discontinue Use of the System and the Intellectual Property. You must immediately cease using, by advertising or in any other manner, (i) the Intellectual Property

(including, without limitation, the Marks and the Trade Dress), (ii) the System and all other elements associated with the System, and (iii) any colorable imitation of any of the Intellectual Property or any trademark, service mark, trade dress, or commercial symbol that is confusingly similar to any of the Marks or the Trade Dress.

15.3 Return of Proprietary Information. You must immediately return to us, at your expense, all copies of the Manuals, all of your Customer Information, and all other Proprietary Information (and all copies thereof). You may not use any Proprietary Information or sell, trade or otherwise profit in any way from any Proprietary Information at any time following the expiration or termination of this Agreement.

15.4 Cease Identification with Us. You must immediately take all action required (i) to cancel all assumed name or equivalent registrations relating to your use of the Marks and (ii) to cancel or transfer to us or our designee all authorized and unauthorized domain names, social media accounts, telephone numbers, post office boxes, and classified and other directory listings relating to, or used in connection with, the Service Center or the Marks (collectively, “**Identifiers**”). You acknowledge that as between you and us, we have the sole rights to and interest in all Identifiers. If you fail to comply with this Section 15.4, you hereby authorize us and irrevocably appoint us or our designee as your attorney-in-fact to direct the telephone company, postal service, registrar, Internet Service Provider and all listing agencies to transfer such Identifiers to us. The telephone company, the postal service, registrars, Internet Service Providers and each listing agency may accept such direction by us pursuant to this Agreement as conclusive evidence of our exclusive rights in such Identifiers and our authority to direct their transfer.

15.5 Our Right to Purchase Service Center Assets.

(a) Exercise of Option. Upon termination of this Agreement for any reason (other than your termination in accordance with Section 14.3 (Termination By You)) or expiration of this Agreement without our and your signing a successor franchise agreement, we have the option, exercisable by giving you written notice within fifteen (15) days after the date of termination or expiration (the “**Exercise Notice**”), to purchase the inventory, supplies, Operating Assets, and other assets used in the operation of the Service Center that we designate (the “**Purchased Assets**”). We have the unrestricted right to exclude any assets we specify relating to the Service Center from the Purchased Assets and not acquire them. You agree to provide us the financial statements and other information we reasonably require, and to allow us to inspect the Service Center and its assets, to determine whether to exercise our option under this Section 15.5. If you or one of your affiliates owns the Site, we may elect to include a fee simple interest in the Site as part of the Purchased Assets or, at our option, lease the Site from you or that affiliate for an initial five-year term with one renewal term of five years (at our option) on commercially reasonable terms. You (and your Owners) agree to cause your affiliate to comply with these requirements. If you lease the Site from an unaffiliated lessor, you agree (at our option) to assign the Lease to us or to enter into a sublease for the remainder of the Lease term on the same terms (including renewal options) as the Lease.

(b) Operations Pending Purchase. While we are deciding whether to exercise our option under this Section 15.5 (Our Right to Purchase Service Center Assets), and, if we do exercise that option, during the period beginning with our delivery of the Exercise Notice and continuing through the closing of our purchase or our decision not to complete the purchase, you must continue to operate the Service Center in accordance with this Agreement. However, we may, at any time during that period, assume the management of the Service Center ourselves

or appoint a third party (who may be our affiliate or our Area Representative) to manage the Service Center pursuant to the terms of Section 14.2(b)(viii).

(c) Purchase Price. The purchase price for the Purchased Assets will be their fair market value for use in the operation of a Competitive Business (but not a Rad Air Service Center). However, the purchase price will not include any value for any rights granted by this Agreement, goodwill attributable to the Marks, our brand image, any Proprietary Information or our other intellectual property rights, or participation in the network of Service Centers. For purposes of determining the fair market value of all equipment (including the exercise equipment and Business Management and Technology System) used in operating the Service Center, the equipment's useful life shall be determined to be no more than three years. If we and you cannot agree on fair market value for the Purchased Assets, we will select an independent appraiser after consultation with you, and his or her determination of fair market value will be the final and binding purchase price.

(d) Closing. We will pay the purchase price at the closing, which will take place within 60 days after the purchase price is determined, although we may decide after the purchase price is determined not to complete the purchase. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you owe us or our affiliates. We are entitled to all customary representations, warranties and indemnities in our asset purchase, including representations and warranties as to ownership and condition of, and title to, assets, liens and encumbrances on assets, validity of contracts and agreements, and liabilities affecting the assets, contingent or otherwise, and indemnities for all actions, events and conditions that existed or occurred in connection with the Service Center or your business prior to the closing of our purchase. At the closing, you agree to deliver instruments transferring to us: (a) good and merchantable title to the Purchased Assets, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and transfer taxes paid by you; and (b) all of the Service Center's licenses and permits which may be assigned or transferred. If you cannot deliver clear title to all of the Purchased Assets, or if there are other unresolved issues, the sale will be closed through an escrow. You and your Owners further agree to sign general releases, in a form satisfactory to us, of any and all claims against us, our Area Representatives, and our affiliates and our and their respective owners, officers, directors, employees, agents, representatives, successors and assigns.

(e) Assignment. We may assign our rights under this Section 15.5 (Our Right to Purchase Service Center Assets) to any Entity (who may be our affiliate), and that Entity will have all of the rights and obligations under this Section 15.5.

15.6 De-identification of the Site. If we do not exercise our option to acquire the Site Lease or the Site, you will make such modifications or alterations to the Site immediately upon termination or expiration of this Agreement that we deem necessary to distinguish the appearance of the Site from a Rad Air® Service Center, including, but not limited to, removing the signs, the Marks, and any Trade Dress so as to indicate to the public that you are no longer associated with us. If you do not comply with the requirements of this Section 15.6, we may enter the Service Center without being guilty of trespass or any other tort, for the purpose of making or causing to be made any required changes. You agree to reimburse us on demand for our expenses in making such changes.

15.7 Promote Separate Identity. You will not, directly or indirectly, in any manner, identify yourself, or any individual connected with you, as a former Rad Air® franchisee

or as otherwise having been associated with us, or use in any manner or for any purpose any of the Marks.

15.8 Comply with Noncompete. You and your Owners must comply with the covenant not to compete in Section 12 (Your Covenant Not to Compete).

15.9 Injunctive and Other Relief. You acknowledge that your failure to abide by the provisions of this Section 15 (Your Obligations Upon Expiration or Termination) will result in irreparable harm to us, and that our remedy at law for damages will be inadequate. Accordingly, you agree that if you breach any provisions of this Section 15, we are entitled to injunctive relief (including the remedy of specific performance) in addition to any other remedies available at law or in equity.

Section 16 Dispute Resolution and Governing Law.

16.1 Mandatory Pre-Litigation Mediation. Except as otherwise provided in this Section, prior to filing any proceeding to resolve any dispute based upon, arising out of, or in any way connected with this Agreement, a party must submit the dispute for mediation. The mediation will be held before one mediator selected by the parties, and if the parties cannot agree upon the mediator, then a mediator selected by the American Arbitration Association (“AAA”). All parties must attend and participate in the mediation. The mediation shall not last more than one day and shall be held in North Royalton, Ohio, unless we no longer have an office there, in which case it will be held in the metropolitan area of our then-current principal place of business. If we and you do not resolve our dispute, then thereafter any party may file for litigation, as applicable in accordance with the terms of this Agreement. The mediation shall be governed by the rules of the AAA. It is the intent of the parties that mediation shall be held not later than 14 days after a written request for mediation shall have been served on the other parties. The obligation to mediate shall not be binding upon either party with respect to claims relating to the Marks, the non-payment or underpayment of any monies due under this Agreement, the noncompetition covenants, or requests by either party for temporary restraining orders, preliminary injunctions or other procedures in a court of competent jurisdiction to obtain interim relief when deemed necessary by such court to preserve the status quo or prevent irreparable injury pending resolution of the actual dispute.

16.2 Forum for Litigation. You and the Owners must file any suit against us, and we may file any suit against you, in federal or state courts located in North Royalton, Ohio, unless we no longer have an office there, in which case, you must file any suit against us, and we may file against you, in federal or state courts located in the metropolitan area of our then-current principal place of business. The parties waive all questions of personal jurisdiction and venue for the purpose of carrying out this provision.

16.3 Governing Law. This Agreement will be governed by, construed, and enforced in accordance with the laws of the State of Ohio. In the event of any conflict-of-law question, the laws of Ohio shall prevail, without regard to the application of conflict-of-law rules.

16.4 Mutual Waiver of Jury Trial. You and we each irrevocably waive trial by jury in any litigation.

16.5 Mutual Waiver of Punitive Damages. Each of us waives any right to or claim of punitive, exemplary, multiple, or consequential damages against the other in litigation and agrees to be limited to the recovery of actual damages sustained.

16.6 Remedies Not Exclusive. Except as provided in Section 16.5 (Mutual Waiver of Punitive Damages), no right or remedy that the parties have under this Agreement is exclusive of any other right or remedy under this Agreement or under Applicable Laws. Each and every such remedy will be in addition to, and not in limitation of or substitution for, every other remedy available at law or in equity or by statute or otherwise.

16.7 Limitations of Claims. Except for:

(a) claims against you by us concerning the underreporting of Gross Revenue and corresponding underpayment of any fees specified in Section 3 (Fees);

(b) claims against you by us relating to third-party claims or suits brought against us as a result of your operation of the Service Center;

(c) claims against you by us for injunctive relief to enforce the provisions of this Agreement relating to your use of the Marks;

(d) claims against you by us relating to your financial obligations upon the termination or expiration of the Agreement;

(e) claims against you by us or concerning your obligations under Section 10 (Proprietary Information) or Section 12 (Your Covenant Not to Compete) of this Agreement; and

(f) claims against you by us regarding an assignment of this Agreement or any ownership interest therein,

any and all claims arising out of or relating to this agreement or our relationship with you will be barred unless a judicial proceeding is commenced in the proper forum within one year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claim.

16.8 Our Right to Injunctive Relief. Nothing in this Agreement bars our right to obtain injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause us loss or damage. You agree that we will not be required to prove actual damages or post a bond in excess of \$1,000 or other security in seeking or obtaining injunctive relief (both preliminary and permanent) and/or specific performance with respect to this Agreement.

16.9 Attorneys' Fees and Costs. You agree to reimburse us for all expenses we reasonably incur (including attorneys' fees): (i) to enforce the terms of this Agreement or any obligation owed to us by you and/or the Owners (whether or not we initiate a legal proceeding, unless we initiate and fail to substantially prevail in such court or formal legal proceeding); and (ii) in the defense of any claim you and/or the Owners assert against us on which we substantially prevail in court or other formal legal proceedings. We agree to reimburse you for all expenses you reasonably incur (including attorneys' fees): (i) to enforce the terms of this Agreement or any obligation owed to you by us (whether or not you initiate a legal proceeding, unless you initiate and fail to substantially prevail in such court or formal legal proceeding); and (ii) in the defense of any claim we assert against you on which you substantially prevail in court or other formal legal proceedings.

Section 17 Miscellaneous.

17.1 Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement between you and us with respect to the Service Center and supersede all prior discussions, understandings, representations, and agreements concerning the same subject matter. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representations that we made in the most recent Franchise Disclosure Document (the “**FDD**”) that we delivered to you or your representatives. This Agreement includes the terms and conditions on Appendix A, which are incorporated into this Agreement by this reference.

17.2 Amendments and Modifications. This Agreement may be amended or modified only by a written document signed by each party to this Agreement. The Manuals and any policies that we adopt and implement may be changed by us from time to time.

17.3 Waiver. Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit of the term or condition, but such waiver must be in writing. No course of dealing or performance by any party, and no failure, omission, delay, or forbearance by any party, in whole or in part, in exercising any right, power, benefit, or remedy, will constitute a waiver of such right, power, benefit, or remedy. Our waiver of any particular default does not affect or impair our rights with respect to any subsequent default you may commit. Our waiver of a default by another franchisee does not affect or impair our right to demand your strict compliance with the terms of this Agreement. We have no obligation to deal with similarly situated franchisees in the same manner. Our acceptance of any payments due from you does not waive any prior defaults.

17.4 Importance of Timely Performance. Time is of the essence in this Agreement.

17.5 Construction. The headings in this Agreement are for convenience of reference and are not a part of this Agreement and will not affect the meaning or construction of any of its provisions. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days. The words “**include**,” “**including**,” and words of similar import shall be interpreted to mean “including, but not limited to” and the terms following such words shall be interpreted as examples of, and not an exhaustive list of, the appropriate subject matter.

17.6 Severability. Each provision of this Agreement is severable from the others. If any provision of this Agreement or any of the documents executed in conjunction with this Agreement is for any reason determined by a court to be invalid, illegal, or unenforceable, the invalidity, illegality, or unenforceability will not affect any other remaining provisions of this Agreement or any other document. The remaining provisions will continue to be given full force and effect and bind us and you.

17.7 Applicable State Law Controlling. If the termination, renewal, or other provisions set forth in this Agreement are inconsistent with any applicable state statute, in effect as of the Effective Date, governing the relationship of us and franchisees, the provisions of such statute will apply to this Agreement, but only to the extent of such inconsistency.

17.8 Survival. Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or Transfer of

this Agreement will survive such expiration, termination, or Transfer, including, but not limited to, Sections 9 (Intellectual Property), 10 (Proprietary Information), 11 (Indemnification), 12 (Your Covenant Not to Compete), and 15 (Your Obligations Upon Expiration or Termination).

17.9 Consent. Whenever our prior written approval or consent is required under this Agreement, you agree to make a timely written request to us for such consent. Our approval or consent must be in writing and signed by an authorized officer to be effective.

17.10 Independent Contractor Relationship. This Agreement does not create, nor does any conduct by us create, a fiduciary or other special relationship or make you or us an agent, legal representative, joint venturer, partner, employee or servant of each other for any purpose. You are not authorized to make any contract, agreement, warranty, or representation on our behalf, or to create any obligation, express or implied, on our behalf. You are, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, the Service Center and its business, including any personal property, Operating Assets, or real property and for all claims or demands based on damage or destruction of property or based on injury, illness or death of any person or persons, directly or indirectly, resulting from the operation of the Service Center. Further, we and you are not and do not intend to be partners, associates, or joint employers in any way, and we shall not be construed to be jointly liable for any of your acts or omissions under any circumstances. We have no relationship with your employees and you have no relationship with our employees.

17.11 Notices. All notices and other communications required or permitted under this Agreement will be in writing and will be given by one of the following methods of delivery: (i) personally; (ii) by certified or registered mail, postage prepaid; or (iii) by overnight delivery service. Notices to you will be sent to the address set forth on Appendix A. Notices to us must be sent to:

Rad Air Franchising, LLC
17601 West 130th St., Suite 4A
North Royalton, OH 44133
Attn: Corporate Counsel

Either party may change its mailing address by giving notice to the other party. Notices will be deemed received the same day when delivered personally, upon attempted delivery when sent by registered or certified mail or overnight delivery service, or the next business day when sent by facsimile.

17.12 Execution. This Agreement shall not be binding on either party until it is executed by both parties. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, and all of which will constitute one and the same instrument.

17.13 Successors and Assigns. Except as expressly otherwise provided herein, this Agreement is binding upon and will inure to the benefit of the parties and their respective heirs, executors, legal representatives, successors, and permitted assigns.

17.14 No Third Party Beneficiaries. Except as expressly otherwise provided herein, no third party shall have the right to claim any of the benefits conferred under this Agreement.

17.15 Additional Terms; Inconsistent Terms. The parties may provide additional terms by including the terms on Appendix A. To the extent that any provisions of Appendix A are in direct conflict with the provisions of this Agreement, the provisions of Appendix A shall control.

17.16 Area Representative and Delegation. We may delegate the performance of any or all of our obligations under this Agreement to an “**Area Representative**”, affiliate, agent, independent contractor, or other third party. You acknowledge that if we appoint an Area Representative in the area that includes your Territory, the Area Representative will provide training, support, marketing, and other services to you on our behalf and will have the authority to exercise many of our rights and perform many of our obligations under this Agreement. We may, without your consent, appoint an Area Representative or a substitute for the Area Representative at any time.

Section 18 Your Representations and Acknowledgments.

You (on behalf of yourself and your Owners) represent, warrant, and acknowledge as follows:

18.1 Truth of Information. The information (including without limitation all personal and financial information) that you and your Owners have furnished or will furnish to us relating to the subject of this Agreement is true and correct in all material respects and includes all material facts necessary to make such information not misleading in light of the circumstances when made.

18.2 Due Authority. This Agreement has been duly authorized and executed by you or on your behalf and constitutes your valid and binding obligation, enforceable in accordance with its terms, subject to applicable bankruptcy, moratorium, insolvency, receivership, and other similar laws affecting the rights of creditors generally.

18.3 Terrorist Acts. You acknowledge that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (the “**Order**”), we are prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, you represent and warrant to us that, as of the date of this Agreement, neither you nor any person holding any ownership interest in you, controlled by you, or under common control with you is designated under the Order as a person with whom business may not be transacted by us, and that you: (i) do not, and hereafter will not, engage in any terrorist activity; (ii) are not affiliated with and do not support any individual or Entity engaged in, contemplating, or supporting terrorist activity; and (iii) are not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or Entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

18.4 Independent Investigation. You have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that it involves business risks and that your results will be largely dependent upon your own efforts and ability. You have been accorded ample time to consult with your own legal counsel and other advisors about the potential risks and benefits of entering into this Agreement, and we have advised you to do so.

18.5 Timely Receipt and Review of Agreement and Disclosure Document. You have received an execution ready copy of this Agreement at least seven calendar days before

you executed this Agreement or any related agreements or paid any consideration to us. You have also received a FDD required by applicable state and/or federal laws, including a form of this Agreement, at least 14 calendar days (or such longer time period as required by applicable state law) before you executed this Agreement or any related agreements or paid any consideration to us. You have reviewed this Agreement and the FDD and have been given ample opportunity to consult with, and ask questions of, our representatives regarding the documents. You have no knowledge of any representations made about the Rad Air® franchise opportunity by us, our affiliates, or any of our or their officers, directors, owners, or agents that are contrary to the statements made in our FDD or to the terms and conditions of this Agreement. You have read this Agreement and our FDD and understand and accept that the terms and covenants in this Agreement are reasonable and necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards at each Service Center, and to protect and preserve the goodwill of the Marks.

18.6 Financial Performance Representations. Except as may be stated in the FDD, neither we, nor any of our affiliates, nor any of our or our affiliates' officers, agents, employees, or representatives have made any representation to you, express or implied, as to the historical revenues, earnings, or profitability of any Rad Air Service Center or the anticipated revenues, earnings, or profitability of the business subject to the License or any other business operated by us, our licensees, our franchisees, or our affiliates. In entering into this Agreement, you are not relying upon any information furnished by us or our representatives other than the information contained in this Agreement and the FDD. Any information you have acquired from other Rad Air® franchisees regarding their sales, profits or cash flows is not information obtained from us, and we make no representation about that information's accuracy.

[Signature page follows.]

IN WITNESS WHEREOF, upon signing below, each of the undersigned has executed this Agreement under seal as of the Effective Date.

FRANCHISOR

RAD AIR FRANCHISE SYSTEMS, INC.

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**APPENDIX A
TO THE
FRANCHISE AGREEMENT**

FRANCHISEE-SPECIFIC TERMS

1. Effective Date: _____

2. Franchisee's Name: _____

3. Franchisee's State of Organization *(if applicable)*: _____

4. Ownership of Franchisee (Recital C):

If the franchisee is an Entity (as defined in the Agreement), the following persons constitute all of the owners of a legal and/or beneficial interest in the franchisee:

<u>Name</u>	<u>Percentage Ownership</u>
_____	_____ %
_____	_____ %
_____	_____ %

6. Site Selection Area (Section 1.1): _____

7. Operating Principal (Section 1.4): _____

8. Key Manager (Section 1.4): _____

9. Franchise Fee (Section 3.1): [Forty-Nine Thousand Five-Hundred U.S. Dollars (\$49,500)]

11. Franchisee's Address for Notices (Section 17.11): _____

12. Additional Terms; Inconsistent Terms *(if any)* **(Section 17.15):** _____

Signature Page for Appendix A (Franchisee-Specific Terms)

FRANCHISOR

RAD AIR FRANCHISE SYSTEMS, INC.

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

Schedule 1 to Appendix A of the Franchise Agreement

Franchisee-Specific Terms

(to be completed after site selection and acceptance)

1. Site (Section 4.2): _____

2. Territory (Section 4.3): _____

Rad Air Franchise Systems, Inc. agrees that, effective on the date specified below, **(i)** the address listed above is hereby accepted by us as the Site pursuant to Section 4.2 (Site Selection) of this Agreement; and **(ii)** the area listed above shall be the Territory of this Agreement pursuant to Section 4.3 (Definition of the Territory) of this Agreement.

RAD AIR FRANCHISE SYSTEMS, INC.:

By: _____

Name: _____

Title: _____

Date: _____

Acknowledged and Agreed:

[Franchisee]

By: _____

Name: _____


Title: _____

Date: _____

**APPENDIX B
TO THE
FRANCHISE AGREEMENT**

Marks

We have registered the following Marks with the Principal Register of the United States Patent and Trademark Office (“**USPTO**”) and we have filed all required affidavits with respect to each of the Marks:

Mark	Registration No.	Registration Date
RADAIR COMPLETE CAR CARE	4,065,794	Dec. 6, 2011
	6,483,104	Sept. 14, 2021

**APPENDIX C
TO THE
FRANCHISE AGREEMENT**

**RAD AIR FRANCHISE SYSTEMS, INC.
PAYMENT AND PERFORMANCE GUARANTEE**

In order to induce Rad Air Franchise Systems, Inc. (“**Franchisor**”) to enter into a Rad Air Franchise Agreement (the “**Franchise Agreement**”) by and between Franchisor and the Franchisee named in the Franchise Agreement dated _____ to which this Payment and Performance Guarantee (the “**Guarantee**”) is attached (“**Franchisee**”), the undersigned (collectively referred to as the “**Guarantors**” and individually referred to as a “**Guarantor**”) hereby covenant and agree as follows:

1. Guarantee of Payment and Performance. The Guarantors jointly and severally unconditionally guarantee to Franchisor and its affiliates the payment and performance when due, whether by acceleration or otherwise, of all obligations, indebtedness, and liabilities of Franchisee to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Franchise Agreement or otherwise, together with any extension, renewal, or modification thereof in whole or in part (the “**Guaranteed Liabilities**”). The Guarantors agree that if any of the Guaranteed Liabilities are not so paid or performed by Franchisee when due, the Guarantors will immediately do so. The Guarantors further agree to pay all expenses (including reasonable attorneys’ fees) paid or incurred in endeavoring to enforce this Guarantee or the payment of any Guaranteed Liabilities. The Guarantors represent and agree that they have each reviewed a copy of the Franchise Agreement and have had the opportunity to consult with counsel to understand the meaning and import of the Franchise Agreement and this Guarantee.

2. Waivers by Guarantors. The Guarantors waive presentment, demand, notice of dishonor, protest, and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Liabilities, of the amounts and terms thereof, of all defaults, disputes, or controversies between Franchisor and Franchisee and of the settlement, compromise, or adjustment thereof. This Guarantee is primary and not secondary, and will be enforceable without Franchisor having to proceed first against Franchisee or against any or all of the Guarantors or against any other security for the Guaranteed Liabilities. This Guarantee will be effective regardless of the insolvency of Franchisee by operation of law, any reorganization, merger, or consolidation of Franchisee, or any change in the ownership of Franchisee.

3. Term: No Waiver. This Guarantee will be irrevocable, absolute, and unconditional and will remain in full force and effect as to each of the Guarantors until the later of (i) such time as all Guaranteed Liabilities of Franchisee to Franchisor and its affiliates have been paid and satisfied in full, or (ii) the Franchise Agreement and all obligations of Franchisee thereunder expire. No delay or failure on the part of Franchisor in the exercise of any right or remedy will operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy will preclude other further exercise of such right or any other right or remedy.

4. Other Covenants. Each of the Guarantors agrees to comply with the provisions of Sections 8 (Records, Reports, Audits, and Inspections), 9 (Intellectual Property), 10 (Proprietary Information), 11 (Indemnification), and 12 (Your Covenant Not to Compete) of the Franchise Agreement as though each such Guarantor were the “Franchisee” named in the

Franchise Agreement and agrees that the undersigned will take any and all actions as may be necessary or appropriate to cause Franchisee to comply with the Franchise Agreement and will not take any action that would cause Franchisee to be in breach of the Franchise Agreement.

5. Dispute Resolution. Section 16 (Dispute Resolution and Governing Law) of the Franchise Agreement is hereby incorporated herein by reference and will be applicable to any all disputes between Franchisor and any of the Guarantors, as though Guarantor were the “Franchisee” referred to in the Franchise Agreement.

6. Miscellaneous. This Agreement will be binding upon the Guarantors and their respective heirs, executors, successors, and assigns, and will inure to the benefit of Franchisor and its successors and assigns.

IN WITNESS WHEREOF, the undersigned Guarantors have caused this Guarantee to be duly executed as of the day and year first above written.

Print Name: _____

Print Name: _____

Print Name: _____

Print Name: _____

**APPENDIX D
TO THE
FRANCHISE AGREEMENT**

LEASE RIDER

THIS LEASE RIDER is entered into this ____ day of _____, 20____ by and between Rad Air Franchise Systems, Inc. ("**Company**"), _____ ("**Franchisee**"), and _____ ("**Landlord**").

WHEREAS, Company and Franchisee are parties to a Franchise Agreement dated _____, 20____ (the "**Franchise Agreement**"); and

WHEREAS, the Franchise Agreement provides that Franchisee will operate a Rad Air Service Center ("**Service Center**") at a location that Franchisee selects and Company accepts; and

WHEREAS, Franchisee and Landlord propose to enter into the lease to which this Rider is attached (the "**Lease**"), pursuant to which Franchisee will occupy premises located at _____

(the "**Premises**") for the purpose of constructing and operating the Service Center in accordance with the Franchise Agreement; and

WHEREAS, the Franchise Agreement provides that, as a condition to Company's authorizing Franchisee to enter into the Lease, the parties must execute this Lease Rider;

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth in this Rider and in the Franchise Agreement, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

1. During the term of the Franchise Agreement, Franchisee will be permitted to use the Premises for the operation of the Service Center and for no other purpose.
2. Subject to applicable zoning laws and deed restrictions and to prevailing community standards of decency, Landlord consents to Franchisee's installation and use of such trademarks, service marks, signs, decor items, color schemes, and related components of the Rad Air system as Company may from time to time prescribe for the Service Center.
3. Landlord agrees to furnish Company with copies of all letters and notices it sends to Franchisee pertaining to the Lease and the Premises, at the same time it sends such letters and notices to Franchisee. Notice shall be sent to Company by the method(s) as stated in the lease to:

Rad Air Franchising, LLC
ATTN: Corporate Counsel
17601 West 130th St., Suite 4A
North Royalton, OH 44133

4. Company will have the right, without being guilty of trespass or any other crime or tort, to enter the Premises at any time or from time to time (i) to make any modification or alteration it considers necessary to protect the Rad Air system and marks, (ii) to cure any default under the Franchise Agreement or under the Lease, or (iii) to remove the distinctive elements of the Rad Air trade dress upon the Franchise Agreement's expiration or termination. Neither Company nor Landlord will be responsible to Franchisee for any damages Franchisee might sustain as a result of action Company takes in accordance with this provision. Company will repair or reimburse Landlord for the cost of any damage to the Premises' walls, floor or ceiling that result from Company's removal of trade dress items and other property from the Premises.
5. Franchisee will be permitted to assign the Lease to Company or its designee upon the expiration or termination of the Franchise Agreement. Landlord consents to such an assignment and agrees not to impose any assignment fee or similar charge, or to increase or accelerate rent under the Lease, in connection with such an assignment.
6. If Franchisee assigns the Lease to Company or its designee in accordance with the preceding paragraph, the assignee must assume all obligations of Franchisee under the Lease from and after the date of assignment, but will have no obligation to pay any delinquent rent or to cure any other default under the Lease that occurred or existed prior to the date of the assignment.
7. Franchisee may not assign the Lease or sublet the Premises without Company's prior written consent, and Landlord will not consent to an assignment or subletting by Franchisee without first verifying that Company has given its written consent to Franchisee's proposed assignment or subletting.
8. Landlord and Franchisee will not amend or modify the Lease in any manner that could materially affect any of the provisions or requirements of this Lease Rider without Company's prior written consent.
9. The provisions of this Lease Rider will supersede and control any conflicting provisions of the Lease.
10. Landlord acknowledges that Company is not a party to the Lease and will have no liability or responsibility under the Lease unless and until the Lease is assigned to, and assumed by, Company.

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed this Lease Rider of the date first above written:

COMPANY:

FRANCHISEE:

RAD AIR FRANCHISE SYSTEMS, INC.

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

LANDLORD:

By: _____

Name: _____

Title: _____

**EXHIBIT B
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

Development Agreement

(attached)



AREA DEVELOPMENT AGREEMENT

between

Rad Air Franchise Systems, Inc.

and

Developer: _____

Development Area: _____

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Appendices

- A. Franchisee-Specific Terms
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AREA DEVELOPMENT AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into as of the date set forth on Appendix A to this Agreement (the "Effective Date") (Appendix A and all appendices and/or schedules attached to this Agreement are hereby incorporated by this reference) between Rad Air Franchise Systems, Inc., an Ohio corporation doing business as Rad Air Complete Car Care and Tire Centers® ("Rad Air," "Franchisor," "we," "us," or "our") and the person or entity identified in Appendix A as the franchisee ("Franchisee" or "you") with its principal place of business as set forth in Appendix A.

RECITALS

A. We and you have entered into a certain Franchise Agreement dated the same date as this Agreement (the "Initial Franchise Agreement"), in which we have granted you the right to establish and operate one Rad Air franchised business within the protected territory set forth in the Initial Franchise Agreement (a "Business").

B. We desire to grant to you the exclusive right to establish and operate a specified number of Businesses within a specified geographical area in accordance with a development schedule.

C. If you are a corporation, limited liability company, partnership, or other entity (collectively, an "Entity"), all owners of a legal and/or beneficial interest in the Entity (the "Owners") are listed in Appendix A to this Agreement.

D. You desire to establish and operate additional Businesses upon the terms and conditions contained in our then-current standard franchise agreements (a "Franchise Agreement").

NOW, THEREFORE, for and in consideration of the foregoing premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Grant of Development Rights and Development Area

Subject to the terms and conditions of this Agreement, we grant to you the right, and you undertake the obligation, to establish and operate in the area designated in Appendix A to this Agreement (the "Development Area") the number of Businesses specified in the development schedule in Appendix A (the "Development Schedule"). This Agreement does not grant you any right to use the Marks (as defined in your Initial Franchise Agreement) or the System (as defined in your Initial Franchise Agreement). Rights to use the Marks and the System are granted only by the Franchise Agreements.

2. Fees

Upon execution of this Agreement, you must pay us a development fee in the amount specified in Appendix A (the "Development Fee"), which is based on the initial franchise fee you must pay for each Business that you develop (the "Franchise Fee", which is also specified in Appendix A). The Development Fee will be credited towards 100% of the Franchise Fee due under the Franchise Agreement for each Business that you develop pursuant to this Agreement, including the Initial Franchise Agreement. The Development Fee is fully earned by us when we and you sign this Agreement and is non-refundable, even if you do not comply with the Development Schedule.

3. Development Schedule and Deadlines

3.1 Development Schedule. You must enter into Franchise Agreements, and open and operate Businesses in accordance with the deadlines set forth in the Development Schedule. By each "Opening Deadline" specified in the Development Schedule, you must have the specified number of Businesses open and operating. Prior to opening additional Businesses in your Development Area, you must: (i) possess sufficient financial and organizational capacity to develop, open, operate, and manage each additional Business in our reasonable judgment; (ii) be in full compliance with all brand requirements at any existing Businesses you operate; and (iii) be in compliance with any Franchise Agreement or any other agreement entered into with us.

3.2 Damaged Operating Assets. If the equipment or facilities ("Operating Assets") used in the operation of any Business in your Development Schedule are destroyed or damaged by any cause beyond your control such that they may no longer continue to be utilized for the operation of a particular Business, you must immediately give us notice of such destruction or damage ("Destruction Event"). You must diligently work to repair and restore the Operating Assets as soon as possible to resume operation of your Business. If a Business is closed due to a Destruction Event, the Business will continue to be deemed "in operation" for the purpose of this Agreement for up to 90 days after the Destruction Event occurs. If a Business (i) is closed in a manner other than those described in this Section 3.2 or as otherwise agreed by us in writing or (ii) fails to reopen within 90 days after a Destruction Event, then we may exercise our rights under Section 6.2 (Our Remedies). In the event the Operating Assets are completely destroyed or otherwise incapable of being repaired following a Destruction Event, we will not exercise the remedies set forth under Section 6.2 provided, that (a) within the 30 days after the Destruction Event you have made arrangements with us or our designated supplier to obtain new Operating Assets for use in your Business; and (b) you are open and operating your Business in the protected territory within one-hundred eighty (180) days of the Destruction Event.

4. Development Area

4.1 Development Area. Except as provided in this Section 4.1, while this Agreement is in effect, provided that you open and operate the Businesses in accordance with the Development Schedule and the minimum number of Businesses that you have open and operating in the Development Area at any given time is not less than the minimum required pursuant to the Development Schedule, we will not operate, or license any person other than you to operate, a Business under the Marks (as defined in your Initial Franchise Agreement) and the System (as defined in your Initial Franchise Agreement) within the Development Area. Each Business you open will be granted a protected territory as set forth in the individual Franchise Agreement for that Business. This Agreement does not give you the right open or operate in any portions of the Development Area until you have signed a new Franchise Agreement which includes that portion of the Development Area as your protected territory.

4.2 No Other Restriction On Us. Except as expressly provided in Section 4.1 or any other agreement between the parties, we and our affiliates retain the right, in our sole discretion, to conduct any business activities, under any name, in any geographic area, and at any location, regardless of the proximity to or effect on your Business. For example, we and our affiliates have the right to:

(a) Establish or license franchises and/or company-owned outlets or other facilities or businesses offering similar or identical products, services, and classes and using the System or elements of the System (i) under the Marks anywhere outside of the Development Area or (ii) under names, symbols, or marks other than the Marks anywhere, including inside and outside of the Development Area;

(b) Sell or offer, or license others to sell or offer, any products or services using the Marks or other marks through any alternative distribution channels, including, without

limitation, through e-commerce, in retail stores, via recorded media, via online videos, or via broadcast media, anywhere, including inside and outside of the Development Area;

(c) Advertise, or authorize others to advertise anywhere, using the Marks;

(d) Acquire, be acquired by, or merge with other companies with existing similar businesses, and/or Rad Air Businesses anywhere (including inside or outside of the Development Area) and, even if such businesses are located in the Development Area, (i) convert the other businesses to the Rad Air name, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Businesses to such other name; and

(e) Engage in any other activity, action or undertaking that we are not expressly prohibited from taking under this Agreement.

5. Term

This Agreement expires at midnight on the last Opening Deadline date listed on the Development Schedule unless this Agreement is terminated sooner as provided in other sections of this Agreement.

6. Termination

6.1 Events of Default. Any one or more of the following constitutes an “Event of Default” under this Agreement:

(a) You fail to have open and operating the minimum number of Businesses specified in the Development Schedule by any Opening Deadline specified in the Development Schedule;

(b) An Event of Default occurs under any Franchise Agreement, resulting in the termination of such Franchise Agreement; or

(c) You breach or otherwise fail to comply fully with any other provision contained in this Agreement.

6.2 Our Remedies. If any Event of Default occurs under Section 6.1, we may, at our sole election: (i) declare this Agreement and any and all other rights granted to you under this Agreement to be immediately terminated and of no further force or effect; (ii) terminate any exclusive or territorial rights that you may have within the Development Area or otherwise under this Agreement; and/or (iii) exercise any other remedy we may have in law or equity as a result of an Event of Default hereunder. Upon termination of this Agreement for any other reason whatsoever, we will retain the Development Fee and you will not be relieved of any of your obligations, debts, or liabilities hereunder, including without limitation any debts, obligations, or liabilities which have accrued prior to such termination. All rights and remedies of the parties hereto shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement. The rights and remedies of the parties hereto shall be continuing and shall not be exhausted by any one or more uses thereof and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. Notwithstanding anything to the contrary herein, a termination of this Agreement resulting from your failure to open and thereafter operate Businesses in accordance with the Development Schedule will not in itself

constitute cause for us to terminate any previously executed Franchise Agreement in effect at the time of such termination.

7. Assignment; Our Right of First Refusal

7.1 Rights Personal to You. This Agreement and the rights granted to you under this Agreement are personal to you and neither this Agreement, nor any of the rights granted to you hereunder nor any controlling equity interest in you may be voluntarily or involuntarily, directly, or indirectly, by operation of law or otherwise, assigned or otherwise transferred, given away, or encumbered by you without our prior written approval, which we may grant or withhold for any or no reason.

7.2 Our Right of First Refusal.

(a) If you receive, and desire to accept, from a third party a bona fide offer to transfer any of your rights in this Agreement, you shall promptly notify us in writing and send us an executed copy of the contract of transfer. We shall have the right and option, exercisable within thirty (30) days after actual receipt of such notification or of the executed contract of transfer which shall describe the terms of the offer, to send written notice to you that we intend to purchase your interest on the same terms and conditions offered by the third party.

(b) Closing on the purchase must occur within sixty (60) days from the date of notice by us to you of our election to purchase. If we elect not to accept the offer within the thirty (30) day period, you shall have a period not to exceed sixty (60) days to complete the transfer subject to our approval of the third-party transferee of your rights, which may be withheld in our sole discretion. Any material change(s) in the terms of any offer before closing shall constitute a new offer subject to the same rights of first refusal by us as in the case of an initial offer.

(c) Our failure or refusal to exercise the option afforded by this Section 7 shall not constitute a waiver of any other provision of this Agreement.

(d) If the offer from a third-party provides for payment of consideration other than cash or involves certain intangible benefits, we may elect to purchase the interest proposed to be sold for the reasonable cash equivalent, or any publicly traded securities, including its own, or intangible benefits similar to those being offered. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash part of the offer, then such amount shall be determined by an independent appraiser designated by us, and such appraiser's determination shall be binding.

7.3 Our Rights to Assign Unrestricted. We may assign this Agreement or any ownership interests in us without restriction.

8. Incorporation of Other Terms

Section 10 (Proprietary Information), Section 11 (Indemnification), Section 12 (Your Covenant Not to Compete), Section 16 (Dispute Resolution and Governing Law), Section 17 (Miscellaneous), and Section 18 (Your Representations and Acknowledgements) of the Initial Franchise Agreement are incorporated by reference in this Agreement and will govern all aspects of our relationship and the construction of this Agreement as if fully restated within the text of this Agreement.

9. Miscellaneous

Capitalized terms used and not otherwise defined in this Agreement shall have the meanings set forth in the Initial Franchise Agreement. This Agreement, together with the Initial Franchise Agreement, supersedes all prior agreements and understandings, oral and written, among the parties relating to its subject matter, and there are no oral or other written understandings, representations, or agreements among the parties relating to the subject matter of this Agreement. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representations that we made in the most recent Franchise Disclosure Document that we delivered to you or your representatives. This Agreement shall not be binding on either party until it is executed by both parties. This Agreement may be signed in multiple counterparts, but all such counterparts together shall be considered one and the same instrument. The provisions of this Agreement may be amended or modified only by written agreement signed by the party to be bound.

[Signature page follows]

Signature Page to the Area Development Agreement

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

FRANCHISOR

RAD AIR FRANCHISE SYSTEMS, INC.

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE
(IF ENTITY):

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

Signature: _____

Print Name: _____

Date: _____

Signature: _____

Print Name: _____

Date: _____

Signature: _____

Print Name: _____

Date: _____

Signature: _____

Print Name: _____

Date: _____

Appendix A to the Area Development Agreement

FRANCHISEE SPECIFIC TERMS

1. **Effective Date (First Paragraph):** _____
2. **Franchisee's Name:** _____
3. **Franchisee's State of Organization (if applicable):** _____
4. **Development Area (Section 1):** *[provide list of counties or zip codes which make up the Development Area] [attach map if necessary]*
5. **Total Development Fee (Section 2):** \$ _____
6. **Franchise Fee for each Business enter developed pursuant to this Development Agreement (Section 2):** \$ _____
7. **Development Schedule (Section 3):** You agree to establish and operate a total of _____ Businesses within the Development Area during the term of this Agreement. The Businesses must be open and operating in accordance with the following Development Schedule:

<u>MINIMUM NUMBER OF BUSINESSES</u> The minimum number of Businesses open and operating by each Opening Deadline	<u>OPENING DEADLINE</u> Deadline to have the minimum number of Businesses open and operating (Month Date, Year)
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
	(the Expiration Date of the Agreement)

8. **Ownership of Franchisee (Recital C):** If the franchisee is an Entity, the following persons constitute all of the owners of a legal and/or beneficial interest in the franchisee:

<u>Name</u>	<u>Percentage Ownership</u>
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

9. **Other Terms:**

[Signature page follows]

Signature Page to Appendix A – Franchisee Specific Terms

FRANCHISOR

RAD AIR FRANCHISE SYSTEMS, INC.

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

Signature: _____

Print Name: _____

Date: _____

Signature: _____

Print Name: _____

Date: _____

Signature: _____

Print Name: _____

Date: _____

Signature: _____

Print Name: _____

Date: _____

Appendix B to the Area Development Agreement

PERSONAL GUARANTY OF OWNER/SHAREHOLDER

This Personal Guaranty and Assumption of Obligations (this "**Guaranty**") is given this _____ day of _____, _____, by _____.

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement of even date herewith ("**Agreement**") by Rad Air Franchise Systems, Inc. ("**Franchisor**"), an Ohio corporation, and _____,

a _____ ("**Franchisee**"), the undersigned hereby personally and unconditionally, jointly and severally: guaranties to Franchisor and its successors and assigns, for the Term of the Agreement and, including any renewal thereof, as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant stated in the Agreement and any documents, agreements, and instruments signed with or in connection with the Agreement (collectively, the "**Franchise Documents**"); and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Documents applicable to the owners of Franchisee.

The undersigned waives:

1. acceptance and notice of acceptance by Franchisor of the foregoing undertakings;
2. notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
3. protest and notice of default to any party with respect to the indebtedness of non- performance of any obligations hereby guaranteed;
4. any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability;
5. any and all other notices and legal or equitable defenses to which the undersigned may be entitled;

The undersigned consents and agrees that:

1. the undersigned's direct and immediate liability under this Guaranty shall be joint and several with all signatories to this and similar guaranties of Franchisee's obligations;
2. the undersigned shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;
3. this Guaranty shall apply to any claims Franchisor may have due to return of any payments or property Franchisor may have received from Franchisee as a preference, fraudulent transfer or conveyance or the like in any legal proceeding;

4. such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and
5. such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which in any way modify or amend this Guaranty, which shall be continuing and irrevocable during and after the terms of the Franchise Documents, as the same may be amended or renewed, until Franchisee's duties and obligations to Franchisor are fully discharged and satisfied.

All capitalized terms when used shall have the meanings ascribed to them in the Area Development Agreement or Franchise Agreement.

This Guaranty shall be governed, construed, and interpreted in accordance with the substantive laws of the state where Franchisor has its principal place of business at the time a dispute arises, without giving effect to its conflicts of law principles.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature as dated below.

GUARANTOR(S)

Signature: _____

Name: _____

Date: _____

Signature: _____

Name: _____

Date: _____

**EXHIBIT C
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

State Specific Addenda and Agreement Riders

(Attached)

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

OUR WEBSITE (www.radair.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT dfpi.ca.gov.

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of California:

ITEM 3 – LITIGATION

1. Neither the Franchisor, nor any person identified in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange

ITEM 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

1. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. The Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

2. The Franchise Agreement provides for termination upon bankruptcy, this provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq).

3. The Franchise Agreement and the Development Agreement contain provisions requiring application of the laws of Ohio. This provision may not be enforceable under California law.

4. The Franchise Agreement and the Development Agreement require venue to be limited to Ohio. This provision may not be enforceable under California law.

5. The Franchise Agreement contains a covenant not to compete which extends beyond the termination or non-renewal of the franchise. This provision may not be enforceable under California law.

6. THE FRANCHISE AGREEMENT MAY REQUIRE THE FRANCHISEE TO EXECUTE A GENERAL RELEASE OF CLAIMS UPON EXECUTION OF THE FRANCHISE AGREEMENT. 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).

7. California Corporations Code, Section 31125 requires us to give you a disclosure document, approved by the Department of Corporations before we ask you to consider a material modification of your Franchise Agreement or the Development Agreement.

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

9. The Franchise Agreement and Area Development Agreement require binding arbitration. The

arbitration will occur in Ohio. If we are the substantially prevailing party, we will be entitled to recover reasonable attorney's fees and litigations costs and expenses in connection with the arbitration. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

The following paragraphs are added in the state cover pages:

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

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

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

The name and address of the Franchisor's agent in this state authorized to receive service of process is: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., the Franchise Disclosure Document for Rad Air Franchise Systems, Inc. in connection with the offer and sale of franchises for use in the State of Hawaii shall be amended to include the following:

This proposed registration is effective/exempt from registration or will shortly be on file in California, Hawaii, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington, and Wisconsin. No states have refused, by order or otherwise, to register these franchises. No states have revoked or suspended the right to offer these franchises. The proposed registration of these franchises has not been involuntarily withdrawn in any state.

Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., are met independently without reference to this Addendum to the Disclosure Document.

ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

Illinois law governs the Disclosure Document and Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a disclosure document and franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a disclosure document and franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

INDIANA ADDENDUM TO DISCLOSURE DOCUMENT

Notwithstanding anything to the contrary set forth in the Franchise Agreement or Area Development Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of Indiana:

1. The Franchise Agreement and Development Agreement will be governed by Indiana law, Venue for litigation will not be limited to a venue outside of the State of Indiana, as specified in the Franchise Agreement and Development Agreement.
2. The prohibition by Indiana Code 23-2-2.7-1 (7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as a material breach of the Franchise Agreement, shall supersede any conflicting provisions of the Franchise Agreement and the Development Agreement in the State of Indiana to the extent they may be inconsistent with such prohibition.
3. No release language set forth in the Franchise Agreement or Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana.
4. The post-termination non-competition covenants set forth in the Franchise Agreement and Development Agreement shall be limited in time to a maximum of three (3) years and in geographic scope to the designated territory granted by the Agreement.
5. Nothing in the Franchise Agreement or Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana, and the laws of the State of Indiana supersede any conflicting choice of law provisions set forth herein if such provision is in conflict with Indiana law.
6. You will not be required to indemnify us and the other Indemnities for any liability caused by your proper reliance on or use of procedures or materials provided by us or caused by our negligence.
7. If we receive any payments related to purchases from you that we do not pass on in full to the supplier, we will promptly account for the amount of the payment that we retained and we will transmit the retained amount to you.

MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT

The following provisions will supersede anything to the contrary in the Franchise Disclosure Document, Franchise Agreement or Development Agreement and will apply to all franchises offered and sold under the laws of the State of Maryland:

Item 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

1. No release language in the Franchise Agreement or Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Maryland. Any general release required as a condition of renewal, sale and/or assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. A franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Laws must be brought within three years after the grant of the franchise.
3. The provision in the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO
THE MICHIGAN FRANCHISE INVESTMENT LAW**

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

(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.

(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE, AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISED BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, MARKETING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.¹

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

(i) THE FAILURE OF THE PROPOSED FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.

¹ NOTE: NOTWITHSTANDING PARA. (F) ABOVE, WE INTEND TO FULLY ENFORCE THE PROVISIONS OF THE ARBITRATION SECTION OF OUR AGREEMENTS. WE BELIEVE THAT PARA. (F) IS PREEMPTED BY THE FEDERAL ARBITRATION ACT AND THAT PARA. (F) IS THEREFORE UNCONSTITUTIONAL.

(ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

(iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.

(iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

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

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATION AND SECURITIES BUREAU, 6546 MERCANTILE WAY, P.O. BOX 30222, LANSING, MICHIGAN 48910.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE
CORPORATE OVERSIGHT DIVISION
ATTN: FRANCHISE
670 G. MENNEN WILLIAMS BUILDING
LANSING, MICHIGAN 48913

INFORMATION REQUIRED BY THE STATE OF MINNESOTA

Notwithstanding anything to the contrary set forth in the Disclosure Document, the Franchise Agreement, or the Development Agreement, the following provisions will supersede and apply:

1. We will protect your right to use the trademarks, service marks, trade names, logotypes, or other commercial symbols and/or indemnify you from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the same.
2. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit the Franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.
3. No release language set forth in the Franchise Agreement or Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Minnesota.
4. Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Statutes, Section 80C.14, subdivisions 3, 4, and 5 require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement or Development Agreement.
5. Under the terms of the Franchise Agreement and Development Agreement, as modified by the Minnesota Addendum to the Franchise Agreement, you agree that if you engage in any non-compliance with the terms of the Franchise Agreement or unauthorized or improper use of the System Marks, or Proprietary Materials during or after the period of the Agreements, we will be entitled to seek both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law, and you consent to the seeking of these temporary and permanent injunctions.

NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT I OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

- a. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- b. No such party has pending actions, other than routine litigation . incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- c. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- d. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust; trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

Neither the Franchisor, nor its affiliates, officers, or directors during the 10-year period immediately preceding the date of the offering prospectus have (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one (1) year after the officer or general partner of the franchisor held this position in the company or partnership.

4. The following are revisions to Item 5 of the Franchise Disclosure Document

The Initial Franchise Fee is to be used for the purpose of sales development, training, and marketing costs as set forth in Item 7.

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

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

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

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

7. The following is added to the end of the "Summary" section of Item 17(o), titled **"Assignment of contract by franchisor"**

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

8. The following is added to the end of the "Summary" section of Item 17(v), titled **"Choice of forum",** and Item 17(w), titled **"Choice of Law":**

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

9. Any requirements of the Area Representative Agreement that you consent to the entry of an injunction prohibiting any breach by you of your obligations under the Franchise Agreement are modified in the State of New York to provide only that you consent to the seeking of such an injunction.

10. The following sentence is added at the end of the section entitled "Modifications To System" in Item 17 of the Franchise Disclosure Document:

However, any new or different requirement set forth will not unreasonably increase your obligations or place an excessive economic burden on your operations.

NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

In North Dakota, the Disclosure Document is amended as follows to conform to North Dakota law:

1. Item 17(c) “**Requirements for Franchisee to Renew or Extend**” of the Disclosure Document is amended to provide as follows: “Any provision in the Franchise Agreement which requires the franchisee to sign a general release upon renewal of the Franchise Agreement is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.”
2. Item 17(r) “**Non-competition Covenants**” of the Disclosure Document is amended to provide as follows: “Any provision in the Franchise Agreement restricting competition is contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust or inequitable within the intent of Section 51-09-09 of the North Dakota Franchise Investment Law.”
3. Item 17(u) “**Dispute Resolution**” of the Disclosure Document is amended to provide as follows: “Any provision in the Franchise Agreement which provides that the parties agree to an arbitration or mediation of disputes which place at a location that is remote from the site of Franchisee’s business is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.”
4. Item 17(v) “**Venue**” of the Disclosure Document is amended to provide as follows: “Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the Franchisee to agree to jurisdiction or venue in a forum outside of North Dakota is void with respect to any cause of action which is otherwise enforceable in North Dakota.”
5. Item 17(w) “**Governing Law**” is amended to provide as follows: “Any provision in the Franchise Agreement requiring that the Franchise Agreement be construed according to the laws of a state other than North Dakota is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.”

RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all franchises offered and sold in the State of Rhode Island.

ITEM 17 - RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Rad Air Franchise Systems, Inc., for use in the Commonwealth of Virginia shall be amended as follows:

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

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute “reasonable cause” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

INFORMATION REQUIRED BY THE STATE OF WASHINGTON

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

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

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

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

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

INDIANA ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

Notwithstanding anything to the contrary set forth in the Franchise Agreement or Area Development Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of Indiana:

1. The Franchise Agreement and Development Agreement will be governed by Indiana law, Venue for litigation will not be limited to a venue outside of the State of Indiana, as specified in the Franchise Agreement and Development Agreement.
2. The prohibition by Indiana Code 23-2-2.7-1 (7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as a material breach of the Franchise Agreement, shall supersede any conflicting provisions of the Franchise Agreement and the Development Agreement in the State of Indiana to the extent they may be inconsistent with such prohibition.
3. No release language set forth in the Franchise Agreement or Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana.
4. The post-termination non-competition covenants set forth in the Franchise Agreement and Development Agreement shall be limited in time to a maximum of three (3) years and in geographic scope to the designated territory granted by the Agreement.
5. Nothing in the Franchise Agreement or Development Agreement will relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana, and the laws of the State of Indiana supersede any conflicting choice of law provisions set forth herein if such provision is in conflict with Indiana law.
6. You will not be required to indemnify us and the other Indemnities for any liability caused by your proper reliance on or use of procedures or materials provided by us or caused by our negligence.
7. If we receive any payments related to purchases from you that we do not pass on in full to the supplier, we will promptly account for the amount of the payment that we retained and we will transmit the retained amount to you.
8. This Addendum will only have effect if the Franchise Agreement, Development Agreement, and/or the relationship between you and the Franchisor satisfy all of the jurisdictional requirements of the Indiana Franchise Act and the Indiana Deceptive Franchise Practices Act, without considering this Addendum. Except as modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

FRANCHISEE

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

By: _____

Name: _____

Title: _____

Date: _____

**ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT
AGREEMENT**

This Addendum amends the Franchise Agreement and/or Development Agreement dated _____ between Rad Air Franchise Systems, Inc., an Ohio corporation, ("Franchisor") and _____, a _____ ("Franchisee" or "your").

Illinois law governs the Disclosure Document, Franchise Agreement(s), and Development Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a disclosure document and franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a disclosure document and franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

This Addendum will only have effect if the Franchise Agreement, Development Agreement, and/or the relationship between you and the Franchisor satisfy all of the jurisdictional requirements of the Illinois Franchise Disclosure Act, without considering this Addendum. Except as modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

By: _____

Name: _____

Title: _____

Date: _____

**MARYLAND ADDENDUM TO FRANCHISE AGREEMENT AND DEVELOPMENT
AGREEMENT**

With respect to franchisor's right to terminate you upon your bankruptcy as set forth in the Franchise Agreement and the Development Agreement, termination of the Franchise Agreement or Development Agreement for this reason may not be enforceable under federal bankruptcy (11 U.S.C. 101 et. Seq.).

Any general release required by the terms and conditions of the Franchise Agreement as a condition of renewal, assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Notwithstanding anything to the contrary in the Franchise Agreement or Development Agreement, the Maryland Franchise Registration and Disclosure Law prohibits the Franchisor from precluding the Franchisee from initiating litigation against the Franchisor in Maryland. Accordingly, the Franchise Agreement and Development Agreement are hereby modified to provide that the Franchisee may initiate litigation or sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

No representation or disclaimer by the Franchisee in the Franchise Agreement is intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

This Addendum will only have effect if the Franchise Agreement, Development Agreement, and/or the relationship between you and the Franchisor satisfy all of the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, without considering this Addendum. Except as modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISEE:

By:_____

Name:_____

Title:_____

Date:_____

FRANCHISOR:

By:_____

Name:_____

Title:_____

Date:_____

MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

In recognition of the Minnesota Franchise Law, Minn. Stat. §§ 80C.01-80C.22 and the Rule and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, the parties agree to modify the Franchise Agreement and Area Development Agreement as follows:

1. Releases.

Notwithstanding anything to the contrary set forth in this Agreement, the Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01-80C.22, provided that foregoing shall not bar the voluntary settlement of disputes.

2. Term and Successor Franchise Agreement, Default and Termination.

Notwithstanding anything to the contrary set forth in this Agreement, Franchisor will comply with Minnesota Statutes Clause 80C.14 Subdivision 3, 4, and 5, which require, except in certain cases, that Minnesota Franchisees be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

3. Licensed Marks.

Franchisor will protect your right to use the trademarks, service marks, trade names, logotypes, or other commercial symbols and/or indemnify you from any loss, costs or expenses arising out of any claim, suit, or demand regarding the use of the same provided that your use is in accordance with the requirements of the Franchise Agreement and the System..

4. Time Limit on Filing.

Notwithstanding anything to the contrary set forth in this Agreement, any claim or action arising out of or relating to the Minnesota Franchise Law must be commenced within three (3) years from the occurrence of the facts giving rise to the claim or action, or the claim or action is barred.

5. Jurisdiction and Venue.

Nothing in this Agreement will abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, including the right to submit matters to the jurisdiction of the courts in Minnesota. Minnesota Stat. §80C.21 and Minn. Rule 2860.4400J prohibits us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes.

6. Under the terms of the Franchise Agreement and Development Agreement, as modified by this Addendum, you agree that if you engage in any non-compliance with the terms of the Franchise Agreement or unauthorized or improper use of the Franchisor's System Marks, or Proprietary Materials during or after the period of the Agreements, we will be entitled to seek both temporary and permanent injunctive relief against you from any court of competent jurisdiction, in addition to all other remedies which we may have at law, and you consent to the seeking of these temporary and permanent injunctions.

7. This Addendum will only have effect if the Franchise Agreement, Development Agreement, and/or the relationship between you and the Franchisor satisfy all of the jurisdictional requirements of Minnesota

Statutes §§ 80C.01-80C.22 without considering this Addendum. Except as modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

By: _____

Name: _____

Title: _____

Date: _____

NEW YORK ADDENDUM TO THE FRANCHISE AGREEMENT

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties agree to modify the Franchise Agreement as follows:

1. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695 may not be enforceable.
2. Releases. The release of claims set forth in this Agreement does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.
3. Assignment by Franchisor. Notwithstanding anything to the contrary set forth herein, Franchisor will not assign its rights under the Franchise Agreement except to an assignee who in Franchisor's good faith judgment is willing and able to assume Franchisor's obligations under the Franchise Agreement.
4. Termination by Franchisee. Notwithstanding anything to the contrary set forth herein, you may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.
5. Governing Law. Notwithstanding anything to the contrary set forth herein, the New York General Business Law shall govern any claim arising under that law.
6. This Addendum will have effect only if the Franchise Agreement and/or the relationship between Franchisor and you satisfy all of the jurisdictional requirements of New York General Business Law, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

By: _____

Name: _____

Title: _____

Date: _____

NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT

This Addendum amends the Franchise Agreement and/or Development Agreement dated _____ (collectively, "Agreements") between Rad Air Franchise Systems, Inc., an Ohio corporation, ("Franchisor") and _____, a _____ ("Franchisee" or "your").

1. Any provision in the Agreements which requires the franchisee to sign a general release upon renewal of the Franchise Agreement is unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
2. In North Dakota, provisions of the Agreements which unreasonably limit the statute of limitations or remedies under the North Dakota Franchise Investment Law, such as the right to jury trial, may not be enforceable.
3. Provisions of the Agreements requiring the Franchisee to consent to liquidated damages or termination penalties, requiring the Franchisee to consent to a limitation of claims or requiring the Franchisee to pay all of Franchisor's costs and expenses incurred in enforcing the agreement may not be enforceable under North Dakota law.
4. Provisions of the Agreements requiring that the Agreements be construed according to the laws of a state other than North Dakota are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
5. Provisions of the Agreements which provide that the parties agree to arbitration or mediation of disputes at a location that is remote from the site of Franchisee's business is unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
6. Provisions of the Agreements which designate jurisdiction or venue or require the Franchisee to agree to jurisdiction or venue in a forum outside of North Dakota are void with respect to any cause of action which is otherwise enforceable in North Dakota.
7. Provisions of the Agreements requiring a franchisee to sign a general release upon the renewal of the Agreement(s) are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
8. Provisions of the Agreements restricting competition are contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-09-09 of the North Dakota Franchise Investment Law.
9. In the event of any conflict between the terms of this Addendum and the terms of the Franchise Agreement or Development Agreement, the terms of this Addendum shall prevail.
10. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to this Addendum.

Signature Page for North Dakota Addendum to Franchise Agreement

Agreed to by:

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

By: _____

Name: _____

Title: _____

Date: _____

RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

Notwithstanding anything to the contrary set forth in the Franchise Agreement or Area Development Agreement, the following provisions shall supersede and apply to all franchises offered and sold in the State of Rhode Island.

1. Governing Law. The Franchise Agreement and Development Agreement is amended, in relevant part to reflect the following:

Notwithstanding anything to the contrary set forth herein, Rhode Island law governs any claim arising under the Rhode Island Franchise Investment Act.

2. Jurisdiction and Venue. The Franchise Agreement and Development Agreement is amended, in relevant part to reflect the following:

Notwithstanding anything to the contrary set forth herein, you have the right to file any litigation under the Rhode Island Franchise Investment Act in Rhode Island.

3. This Addendum will have effect only if the Franchise Agreement, Development Agreement, and/or the relationship between you and the Franchisor satisfy all of the jurisdictional requirements of the Rhode Island Franchise Investment Act, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement and Development Agreement remain unmodified and in full force and effect.

FRANCHISEE:

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISOR:

By: _____

Name: _____

Title: _____

Date: _____

**WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT, DEVELOPMENT
AGREEMENT AND RELATED AGREEMENTS**

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

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

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

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

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

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____, 20_____.

FRANCHISOR

FRANCHISEE

Name: _____

Name: _____

Title: _____

Title: _____

**EXHIBIT D
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

(Attached)

State Administrators and Agents for Service of Process

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

LIST OF STATE ADMINISTRATORS	
<u>CALIFORNIA</u> Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free (866) 275-2677	<u>CONNECTICUT</u> State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, Connecticut 06103-1800 (860) 240-8230
<u>HAWAII</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	<u>ILLINOIS</u> Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
<u>INDIANA</u> Indiana Secretary of State Franchise Section 302 Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	<u>MARYLAND</u> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
<u>MICHIGAN</u> Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 W. Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, Michigan 48933 (517) 373-7117	<u>MINNESOTA</u> Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600
<u>NEW YORK</u> New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10005 (212) 416-8285	<u>NORTH DAKOTA</u> North Dakota Securities Department State Capitol Department 414 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505 (701) 328-4712
<u>OREGON</u> Department of Business Services Division of Finance and Corporate Securities Labor and Industries Building 350 Winter Street, NE Room 410 Salem, Oregon 97310 (503) 378-4387	<u>RHODE ISLAND</u> Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
<u>SOUTH DAKOTA</u> Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	<u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
<u>WASHINGTON</u> Department of Financial Institutions Securities Division, 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760	<u>WISCONSIN</u> Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

LIST OF STATE AGENT FOR SERVICE OF PROCESS	
<u>CALIFORNIA</u> Commissioner Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free (866) 275-2677	<u>CONNECTICUT</u> Banking Commissioner Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, Connecticut 06103-1800 (860) 240-8230
<u>HAWAII</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	<u>ILLINOIS</u> Illinois Attorney General Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
<u>INDIANA</u> Indiana Secretary of State Franchise Section 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	<u>MARYLAND</u> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
<u>MICHIGAN</u> Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 W. Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, Michigan 48933 (517) 373-7117	<u>MINNESOTA</u> Minnesota Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600
<u>NEW YORK</u> New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231 (518) 472-2492	<u>NORTH DAKOTA</u> North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505 (701) 328-4712
<u>OREGON</u> Secretary of State Corporation Division - Process Service 255 Capitol Street NE, Suite 151 Salem, OR 97310-1327 (503) 986-2200	<u>RHODE ISLAND</u> Director of Department of Business Regulation Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
<u>SOUTH DAKOTA</u> Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	<u>VIRGINIA</u> Clerk of the State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, Virginia 23219 (804) 371-9733
<u>WASHINGTON</u> Director, Department of Financial Institutions Securities Division, 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760	<u>WISCONSIN</u> Administrator, Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

**EXHIBIT E
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

Financial Statements

(attached)

RAD AIR FRANCHISE SYSTEMS, INC.

Audited Financial Statements

**For the Years Ended
December 31, 2021 and 2020**

RAD AIR FRANCHISE SYSTEMS, INC.
December 31, 2021 and 2020

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DONOVAN, KLIMCZAK & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
Rad Air Franchise Systems, Inc.

Opinion

We have audited the accompanying financial statements of Rad Air Franchise Systems, Inc. (an Ohio corporation), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rad Air Franchise Systems, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rad Air Franchise Systems, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rad Air Franchise System's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rad Air Franchise Systems, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rad Air Franchise Systems, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Donovan, Klimezak & Company, Inc.

Fairlawn, Ohio

February 24, 2022

RAD AIR FRANCHISE SYSTEMS, INC.

Balance Sheets

December 31, 2021 and 2020

Assets	2021	2020
Current Assets		
Cash	\$ 183,122	\$ 238,771
Accounts Receivable (Less allowance of \$0 for uncollectible accounts)	64,714	93,220
Advance to Franchisee	9,912	-
Total Current Assets	257,748	331,991
Property and Equipment		
Office Equipment	49,903	28,753
Delivery Vehicle	72,903	72,903
Subtotal	122,806	101,656
Less Accumulated Depreciation	(41,650)	(19,173)
Net Property and Equipment	81,156	82,483
Total Assets	\$ 338,904	\$ 414,474
Liabilities		
Current Liabilities		
Line of Credit	\$ 30,000	\$ -
Accounts Payable	50,714	7,553
Accrued Interest	8,525	3,141
Current Portion of Note Payable	11,959	9,714
Total Current Liabilities	101,198	20,408
Long Term Liabilities		
Notes Payable (less current portion)	171,690	183,657
Total Long Term Liabilities	171,690	183,657
Total Liabilities	272,888	204,065
Shareholders' Equity		
Common Stock - 750 shares of voting stock and 250 of non-voting stock authorized, with 100 shares of voting stock and 50 shares of non-voting stock issued and outstanding with no par value.	500	500
Retained Earnings	65,516	209,909
Total Shareholders' Equity	66,016	210,409
Total Liabilities and Shareholders' Equity	\$ 338,904	\$ 414,474

The accompanying notes are an integral part of these financial statements.

RAD AIR FRANCHISE SYSTEMS, INC.
Statements of Income and Retained Earnings
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Sales Revenue		
Franchise Fees	\$ 646,419	\$ 528,672
Advertising Income	<u>443,757</u>	<u>414,481</u>
Total Sales Revenue	<u>1,090,176</u>	<u>943,153</u>
Operating Expenses		
Wages	354,876	302,391
Advertising	487,874	451,613
Professional Fees	63,507	36,491
Health Insurance	613	-
Pension Expense	3,850	3,307
Office Expense	25,089	9,685
Bank Service Charges	4,375	3,594
Payroll Taxes	23,295	18,583
Truck Expense	8,595	-
Franchise Expense	41,655	-
Repairs & Maintenance	2,406	8,589
Rent	20,901	6,900
Training	17,269	3,843
Meals & Entertainment	7,945	1,935
Dues & Subscriptions	929	702
Telephone	1,270	4,097
Utilities	2,866	5,090
Depreciation Expense	22,477	11,909
Website Development	21,822	-
Insurance	1,604	1,300
Supplies	1,181	564
Customer Refund and Warrantee	2,541	937
Travel	10,080	1,979
Workers Compensation Expense	154	153
State Taxes	(1,018)	797
Uniforms	1,256	-
Contributions	<u>781</u>	<u>200</u>
Total Operating Expenses	<u>1,128,193</u>	<u>874,659</u>
Income (Loss) From Operations	<u>\$ (38,017)</u>	<u>\$ 68,494</u>

The accompanying notes are an integral part of these financial statements.

RAD AIR FRANCHISE SYSTEMS, INC.
Statements of Income and Retained Earnings
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Other Income (Expense)		
Paycheck Protection Loan Forgiveness	\$ -	\$ 47,700
EIDL Advance	-	2,000
Other Income	87,352	20,301
Bad Debt Expense	(21,981)	-
Interest	<u>(8,113)</u>	<u>(4,202)</u>
Total Other Income (Expense)	<u>57,258</u>	<u>65,799</u>
Net Income	19,241	134,293
Retained Earnings - Beginning of Year	209,909	152,872
Distributions to Shareholders	<u>(163,634)</u>	<u>(77,256)</u>
Retained Earnings - End of Year	<u>\$ 65,516</u>	<u>\$ 209,909</u>

The accompanying notes are an integral part of these financial statements.

RAD AIR FRANCHISE SYSTEMS, INC.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Net Income	\$ 19,241	\$ 134,293
Adjustments to reconcile net income to cash provided from operating activities:		
Depreciation	22,477	11,909
PPP Loan forgiveness	-	(47,700)
Decrease (increase) in operating assets:		
Accounts receivable	28,506	64,225
Increase (decrease) in operating liabilities:		
Accounts Payable	43,161	(31,970)
Accrued Interest	5,384	3,141
Net Cash Provided by Operating Activities	<u>118,769</u>	<u>133,898</u>
Cash Flows From Investing Activities		
Advances to Franchisee	(12,000)	-
Collections on Advances to Franchisee	2,088	-
Repayment of Related party Advance	-	-
Proceeds from disposal of assets	-	-
Purchase of Property and Equipment	(21,150)	(20,000)
Net Cash (Used) by Investing Activities	<u>(31,062)</u>	<u>(20,000)</u>
Cash Flows From Financing Activities		
Advance of SBA Economic Disaster Injury Loan	-	143,600
Advances on Line of Credit	30,000	45,000
PPP Loan proceeds received	-	47,700
Payment on Line of Credit	-	(45,000)
Payments on Vehicle Loans	(9,722)	(3,132)
Distributions to Shareholders	(163,634)	(77,256)
Net Cash Provided (Used) by Financing Activities	<u>(143,356)</u>	<u>110,912</u>
Net increase (decrease) in cash and cash equivalents	(55,649)	224,810
Cash and Cash Equivalents at Beginning of Year	<u>238,771</u>	<u>13,961</u>
Cash and Cash Equivalents at End of Year	<u>\$ 183,122</u>	<u>\$ 238,771</u>
Supplemental disclosures of Cash Flow Information:		
Interest paid	<u>\$ 2,729</u>	<u>\$ 2,061</u>
Commercial Activity State Taxes paid	<u>\$ 150</u>	<u>\$ 797</u>

The accompanying notes are an integral part of these financial statements.

RAD AIR FRANCHISE SYSTEMS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE A - Summary of Significant Accounting Policies

Nature of Operations

Rad Air Franchise Systems, Inc. (the "Company") owns the franchise rights and trademarks for Rad Air Service Centers. It maintains franchise agreements with select retailers in Ohio. Under these agreements the Company receives trademark royalties and advertising support. In return the Company supports the franchisees through advertising campaigns, materials, operational and technical training and consultation.

Revenue and Costs Recognition

The franchise agreement is a multi-faceted performance obligation that is satisfied on a monthly basis during the term of the agreement. As the Company satisfies its obligations the franchisees pay trademark royalties and advertising assessments.

Royalty and advertising revenue is recognized by the Company upon fulfillment of its contractual obligations and determination of a fixed royalty or advertising amount, or in the case of ongoing royalties and advertising based on sales by the licensee. Initial franchise fees collected are recognized as revenue at the time the franchise is granted. Expenses are recognized when incurred.

Accounts Receivable

Accounts receivable are recorded when invoices are issued and are presented in the balance sheet net of allowance for doubtful accounts. A large percentage of the Company's current assets are maintained in accounts receivable. The Company extends credit to licensees in the normal course of business on an unsecured basis. Accounts receivable are written off when they are determined to be uncollectable. The allowance for doubtful accounts is estimated based upon the Company's historical losses and assessed on a franchise by franchise basis. Management has determined no allowance for doubtful accounts was required at December 31, 2021 and 2020, respectively.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates and these differences could be significant.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

RAD AIR FRANCHISE SYSTEMS, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE A - Summary of Significant Accounting Policies (continued)

Property and Equipment and Depreciation

Property and equipment is recorded at cost. Depreciation of property and equipment is provided by use of the straight-line method over the estimated useful lives of the assets. Routine expenditures for repairs and maintenance are expensed as incurred. The amount of depreciation expense was \$22,477 for 2021 and \$11,909 for 2020.

Equity

The equity consists of retained earnings and common stock outstanding from the Company. The maximum number of shares authorized to have outstanding is 750 shares, voting and 250 shares, non-voting, all of which shall be without par value. At December 31, 2021 and 2020 there were 100 shares, voting and 50 shares, non-voting no-par common stock issued and outstanding.

In October 2021, the Company's sole shareholder (Seller), signed a Stock Purchase and Stock Option Agreement and a Close Corporation Agreement with a franchise owner (Buyer). Under these agreements the buyer acquired 10 shares of voting stock in 2021 with options through 2028 to purchase up to 5 shares of voting stock each year for a total of 45 shares of voting stock.

Management's Review of Subsequent Events

Management of the Company has reviewed and evaluated subsequent events through February 24, 2022 for possible inclusion in the financial statements for the year ended December 31, 2021. A subsequent event was identified and is disclosed in Note J. The date of February 24, 2022 is the date at which the financial statements were available for issue.

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$487,874 for 2021 and \$451,613 for 2020.

Income Taxes

The Company has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporate income taxes, the stockholders of an S Corporation are taxed on the company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in the financial statements. The Company is liable for local income taxes.

The Company accounts for uncertainty in income taxes using the provisions of ASC 740, *Income Taxes*. As of December 31, 2021 and 2020, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Companies are subject to routine audits by taxing jurisdictions. The Company's tax returns for the years 2018, 2019, 2020 and 2021 are subject to examination by various taxing agencies.

RAD AIR FRANCHISE SYSTEMS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE A - Summary of Significant Accounting Policies (continued)

FASB ASC 606 New Accounting Guidance Implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also added Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, the Company refers to the new Topic 606 and Subtopic 340-40 as the “new guidance.”

NOTE B - Profit Sharing Plan

The Company maintains a Profit-Sharing 401k plan. The Company provides for a matching contribution of 7.5% of each participating eligible employees compensation. The Company is not required to make contributions or fund the profit-sharing plan. The Company contributions totaled \$3,850 for 2021 and \$3,307 for 2020.

NOTE C – Related Party Transactions

A shareholder of the Company owns and controls franchises that are not represented by these financial statements. Transactions between these entities are incurred in the normal course of business and are recorded at arms-length.

The amount of royalty and advertising revenue from related entities was approximately \$410,681 for 2021 and \$370,178 for 2020. The amount due for royalties and advertising from related entities was \$21,617 for 2021 and \$44,746 for 2020.

In January 2020 the sole shareholder of the Company sold his personal interest in a franchise to a former shareholder. After this transaction, the sole shareholder retains ownership interest in two franchises.

When one or more entities are under common control, that existence could result in operating results or financial position of the entities that are different from those that would have been attained if the entities were autonomous. Since the transactions are recorded at arms-length, management believes that there should be no impact on the financial statements from these relationships.

RAD AIR FRANCHISE SYSTEMS, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE D – Fair Value Measurements

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, are used to measure fair value.

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority. Level 2 consist of inputs other than quoted prices in active markets that are either directly or indirectly observable. Level 3 consist of inputs that are unobservable thus has the lowest priority.

Accounts Receivable carried in the financial statements on December 31, 2021 and 2020 utilize Level 2 inputs for valuation.

NOTE E – Line of Credit

The Company has a \$100,000 Revolving Line of Credit with KeyBank National Association due on demand. The note requires monthly interest only payments. The interest rate on this note is subject to change from time to time based on changes in an independent index which is the "prime rate" as published each business day in the "Money Rates" column of the Wall Street Journal. At December 31, 2021 the interest rate on the facility was 3.75%. The Note is secured by all assets of the Company. Outstanding balances on the Note were \$30,000 and \$-0- as of December 31, 2021 and 2020.

RAD AIR FRANCHISE SYSTEMS, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE F – Notes Payable

Notes payable consist of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Economic Injury Disaster Loan (EIDL) from the Small Business Administration. Payable in monthly installments of \$700 beginning May 2022 at 3.75% and maturing in May 2051	\$ 143,600	\$ 143,600
Note payable to Ford Motor Credit secured by a vehicle. Payable in monthly installments of \$998, bearing interest at 4.99% and maturing in August 2025	<u>40,049</u>	<u>49,771</u>
	183,649	193,371
Less current portion	<u>11,959</u>	<u>9,714</u>
Long-term debt	<u>\$ 171,690</u>	<u>\$ 183,657</u>

For long-term debt with scheduled installments, the amount due is as follows:

For the years ended December 31,	
2022	\$ 11,959
2023	13,438
2024	14,088
2025	10,755
Thereafter	<u>133,409</u>
	<u>\$ 183,649</u>

NOTE G – Leases

The Company entered into a lease agreement for office space. The agreement is on a month to month basis with no expiration date. Rent expense paid for the years ended December 31, 2021 and 2020 were \$20,901 and \$6,900, respectively.

RAD AIR FRANCHISE SYSTEMS, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2021 and 2020

NOTE H – Revenue From Contracts

Significant Judgements

Revenue from contracts includes royalties revenue and advertising revenue. The recognition and measurement of revenue is based on the assessment of individual contract terms. Significant judgement is required to determine whether the performance obligations are satisfied at a point in time or over time; how to allocate transaction prices where multiple obligations are identified; when to recognize revenue based on appropriate measure of the Company's progress under the contract; and whether constraints on variable consideration should be applied due to uncertain future events.

Royalties revenue

The Company has franchise contracts with operations in the greater Cleveland area. Under this contract the franchisee pays royalties to the Company in exchange for operating under the franchise name, advisory services in the setup, organization, management and advertising for the operations location. Revenue is recognized on a monthly basis when the Company believes the performance obligations are satisfied because the underlying benefits of the contract have been transferred to the franchisee.

Advertising revenue

The Company has an advertising contract with franchisees. Under this contract an agreed upon monthly fee is paid to support the Company's advertising efforts on behalf of the franchisee's operations. Revenue is recognized on a monthly basis when the Company believes the performance obligations are satisfied because the underlying benefits of the contract have been transferred to the franchisee.

NOTE I – COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world, including the United States of America. The Company has adjusted certain aspects of its operations to protect employees and customers. While the disruption is currently expected to continue into the 2021 calendar year, there is uncertainty around the pandemic's duration.

The duration of any disruption and any related financial impact cannot be reasonably estimated at this time but may continue to materially affect the Company's operations. The extent to which the coronavirus pandemic may impact the Company's operating results, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted at this time.

On March 27, 2020, the President of the United States of America signed the Coronavirus Aid, Relief and Economic Security Act (the CARES ACT) to provide emergency assistance and health care response for individuals, families and businesses affected by the coronavirus pandemic. The Small Business Administration (SBA) received funding and authority through the CARES ACT to modify existing loan programs and establish a new loan program to assist small businesses nationwide adversely affected by the COVID-19 emergency.

The Company applied for a forgivable loan under the SBA Paycheck Protection Program (PPP loan) and received a \$47,700 on April 27, 2020. The Company submitted an application for PPP loan forgiveness and received notification the loan was forgiven in full in December 2020.

RAD AIR FRANCHISE SYSTEMS, INC.

Audited Financial Statements

**For the Years Ended
December 31, 2020, 2019 and 2018**

RAD AIR FRANCHISE SYSTEMS, INC.
December 31, 2020, 2019 and 2018

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DONOVAN, KLIMCZAK & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Rad Air Franchise Systems, Inc.

We have audited the accompanying financial statements of Rad Air Franchise Systems, Inc. (a Ohio corporation), which comprise the balance sheets as of December 31, 2020, 2019 and 2018, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rad Air Franchise Systems, Inc. as of December 31, 2020, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Donovan, Klimeczak & Company, Inc.

Fairlawn, Ohio

October 25, 2021

RAD AIR FRANCHISE SYSTEMS, INC.

Balance Sheets

December 31, 2020, 2019 and 2018

Assets	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current Assets			
Cash	\$ 238,771	\$ 13,961	\$ 17,141
Accounts Receivable (Less allowance of \$0 for uncollectible accounts)	93,220	157,444	144,111
Accounts Receivable Shareholder	<u>-</u>	<u>-</u>	<u>18,156</u>
Total Current Assets	331,991	171,405	179,408
Property and Equipment			
Office Equipment	28,753	28,753	23,395
Delivery Vehicle	<u>72,903</u>	<u>-</u>	<u>-</u>
Subtotal	101,656	28,753	23,395
Less Accumulated Depreciation	<u>(19,173)</u>	<u>(7,264)</u>	<u>(2,234)</u>
Net Property and Equipment	<u>82,483</u>	<u>21,489</u>	<u>21,161</u>
Total Assets	<u>\$ 414,474</u>	<u>\$ 192,894</u>	<u>\$ 200,569</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ 7,553	\$ 39,522	\$ 29,963
Accrued Interest	3,141	-	-
Current Portion of Note Payable	<u>9,714</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	20,408	39,522	29,963
Long Term Liabilities			
Notes Payable (less current portion)	<u>183,657</u>	<u>-</u>	<u>-</u>
Total Long Term Liabilities	183,657	-	-
Total Liabilities	<u>204,065</u>	<u>39,522</u>	<u>29,963</u>
Shareholder's Equity			
Common Stock - 750 shares of voting stock and 250 of non-voting stock authorized, with 100 shares of voting stock and 50 shares of non-voting stock issued and outstanding with no par value.	500	500	500
Retained Earnings	<u>209,909</u>	<u>152,872</u>	<u>170,106</u>
Total Shareholder's Equity	<u>210,409</u>	<u>153,372</u>	<u>170,606</u>
Total Liabilities and Shareholder's Equity	<u>\$ 414,474</u>	<u>\$ 192,894</u>	<u>\$ 200,569</u>

The accompanying notes are an integral part of these financial statements.

RAD AIR FRANCHISE SYSTEMS, INC.
 Statements of Income and Retained Earnings
 For the Years Ended December 31, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Sales Revenue			
Franchise Fees	\$ 528,672	\$ 540,399	\$ 502,891
Advertising Income	<u>414,481</u>	<u>407,429</u>	<u>356,400</u>
Total Sales Revenue	943,153	947,828	859,291
Operating Expenses			
Wages	302,391	266,741	327,404
Advertising	451,613	394,339	286,224
Professional Fees	36,491	56,377	41,779
Health Insurance	-	27,317	35,913
Pension Expense	3,307	6,380	6,646
Office Expense	9,685	31,226	14,467
Bank Service Charges	3,594	-	-
Payroll Taxes	18,583	17,520	20,571
Repairs & Maintenance	8,589	8,513	13,450
Rent	6,900	3,450	7,089
Training	3,843	3,428	1,926
Meals & Entertainment	1,935	12,810	7,142
Dues & Subscriptions	702	2,668	4,594
Telephone	4,097	4,402	4,590
Utilities	5,090	-	-
Depreciation Expense	11,909	5,031	2,207
Software Expense	-	-	1,909
Insurance	1,300	1,374	866
Supplies	564	1,945	707
Customer Refund and Warrantee	937	-	540
Travel	1,979	2,599	512
Workers Compensation Expense	153	199	345
State Taxes	797	-	153
Uniforms	-	-	722
Contributions	<u>200</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>874,659</u>	<u>846,319</u>	<u>779,756</u>
Income From Operations	\$ 68,494	\$ 101,509	\$ 79,535

The accompanying notes are an integral part of these financial statements.

RAD AIR FRANCHISE SYSTEMS, INC.
Statements of Income and Retained Earnings
For the Years Ended December 31, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Other Income (Expense)			
Paycheck Protection Loan Forgiveness	\$ 47,700	\$ -	\$ -
EIDL Advance	2,000	-	-
Other Income	20,301	-	-
Interest	<u>(4,202)</u>	<u>(2,358)</u>	<u>(2,694)</u>
Total Other Income (Expense)	65,799	(2,358)	(2,694)
Net Income	134,293	99,151	76,841
Retained Earnings - Beginning of Year	152,872	170,106	93,550
Distributions to Shareholders	<u>(77,256)</u>	<u>(116,385)</u>	<u>(285)</u>
Retained Earnings - End of Year	<u>\$ 209,909</u>	<u>\$ 152,872</u>	<u>\$ 170,106</u>

The accompanying notes are an integral part of these financial statements.

RAD AIR FRANCHISE SYSTEMS, INC.
 Statements of Cash Flows
 For the Years Ended December 31, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities			
Net Income	\$ 134,293	\$ 99,151	\$ 76,841
Adjustments to reconcile net income to cash provided from operating activities:			
Depreciation	11,909	5,031	2,207
PPP Loan forgiveness	(47,700)	-	-
Decrease (increase) in operating assets:			
Accounts receivable	64,225	(13,333)	8,191
Increase (decrease) in operating liabilities:			
Accounts Payable	(31,970)	9,559	1,364
Accrued Interest	3,141	-	-
Net Cash Provided by Operating Activities	<u>133,898</u>	<u>100,408</u>	<u>88,603</u>
Cash Flows From Investing Activities			
Advances to Shareholders	-	-	(18,156)
Advances to Related party	-	-	(15,000)
Repayment of Related party Advance	-	-	15,000
Purchase of Property and Equipment	(20,000)	(5,359)	(16,621)
Net Cash Provided (Used) by Investing Activities	<u>(20,000)</u>	<u>(5,359)</u>	<u>(34,777)</u>
Cash Flows From Financing Activities			
Advance of SBA Economic Disaster Injury Loan	143,600	-	-
Advances on Line of Credit	45,000	50,000	30,000
PPP Loan proceeds received	47,700	-	-
Payment on Line of Credit	(45,000)	(50,000)	(85,000)
Payments on Vehicle Loans	(3,132)	-	-
Distributions to Shareholders	(77,256)	(98,229)	(285)
Net Cash Provided (Used) by Financing Activities	<u>110,912</u>	<u>(98,229)</u>	<u>(55,285)</u>
Net increase (decrease) in cash and cash equivalents	224,810	(3,180)	(1,459)
Cash and Cash Equivalents at Beginning of Year	<u>13,961</u>	<u>17,141</u>	<u>18,600</u>
Cash and Cash Equivalents at End of Year	<u>\$ 238,771</u>	<u>\$ 13,961</u>	<u>\$ 17,141</u>
Supplemental disclosures of Cash Flow Information:			
Interest paid	\$ 2,061	\$ 2,358	\$ 2,694
Commercial Activity State Taxes paid	\$ 797	\$ -	\$ 153

The accompanying notes are an integral part of these financial statements.

RAD AIR FRANCHISE SYSTEMS, INC.

Notes to the Financial Statements

For the Years Ended December 31, 2020, 2019 and 2018

NOTE A - Summary of Significant Accounting Policies

Nature of Operations

The Company owns the franchise rights and trademarks for Rad Air Service Centers. It maintains franchise agreements with select retailers in Ohio. Under these agreements the company receives trademark royalties and advertising support. In return the Company supports the franchisees through advertising campaigns, materials, operational and technical training and consultation.

Revenue and Costs Recognition

The franchise agreement is a multi-faceted performance obligation that is satisfied on a monthly basis during the term of the agreement. As the Company satisfies its obligations the franchisees pay trademark royalties and advertising assessments.

Royalty and advertising revenue is recognized by the Company upon fulfillment of its contractual obligations and determination of a fixed royalty or advertising amount, or in the case of ongoing royalties and advertising based on sales by the licensee. Initial franchise fees collected are recognized as revenue at the time the franchise is granted. Expenses are recognized when incurred.

Accounts Receivable

Accounts receivable are recorded when invoices are issued and are presented in the balance sheet net of allowance for doubtful accounts. A large percentage of the company's current assets are maintained in accounts receivable. The company extends credit to licensees in the normal course of business on an unsecured basis. Accounts receivable are written off when they are determined to be uncollectable. The allowance for doubtful accounts is estimated based upon the Company's historical losses and assessed on a franchise by franchise basis.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates and these differences could be significant.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Property and Equipment and Depreciation

Property and equipment is recorded at cost. Depreciation of property and equipment is provided by use of the straight-line method over the estimated useful lives of the assets. Routine expenditures for repairs and maintenance are expensed as incurred. The amount of depreciation expense was \$11,909 for 2020, \$5,031 for 2019 and \$2,207 for 2018.

RAD AIR FRANCHISE SYSTEMS, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2020, 2019 and 2018

NOTE A - Summary of Significant Accounting Policies (continued)

Equity

The equity consists of retained earnings and common stock outstanding from the Company. The maximum number of shares authorized to have outstanding is 750 shares, voting and 250 shares, non-voting, all of which shall be without par value. At December 31, 2020, 2019 and 2018, there were 100 shares, voting and 50 shares, non-voting no-par common stock issued and outstanding.

Management's Review of Subsequent Events

Management of the Company has reviewed and evaluated subsequent events through October 25, 2021 for possible inclusion in the financial statements for the year ended December 31, 2020. Items identified for inclusion are disclosed on Note J. The date of October 25, 2021 is the date at which the financial statements were available for issue.

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$451,613 for 2020, \$394,339 for 2019 and \$286,224 for 2018.

Income Taxes

The Company has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporate income taxes, the stockholders of an S Corporation are taxed on the company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in the financial statements. The Company is liable for local income taxes.

The Company accounts for uncertainty in income taxes using the provisions of ASC 740, *Income Taxes*. As of December 31, 2020, 2019 and 2018, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Companies are subject to routine audits by taxing jurisdictions. The Company's tax returns for the years 2017, 2018, 2019 and 2020 are subject to examination by various taxing agencies.

FASB ASC 606 New Accounting Guidance Implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also added Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, the Company refers to the new Topic 606 and Subtopic 340-40 as the "new guidance."

RAD AIR FRANCHISE SYSTEMS, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2020, 2019 and 2018

NOTE A - Summary of Significant Accounting Policies (continued)

FASB ASC 606 New Accounting Guidance Implementation (continued)

The Company adopted the requirements of the new guidance as of January 1, 2019, utilizing the full retrospective method of transition. Adoption of the new guidance resulted in changes to our accounting policies for revenue and cost recognition, previously described. This adoption did not have a material impact on the Company's financial condition, results of operations or cash flows as the satisfaction of performance obligations under the new guidance is materially consistent with the Company's previous revenue recognition policies.

NOTE B - Profit Sharing Plan

The Company maintains a Profit-Sharing 401k plan. The Company provides for a contribution of 7.5% of each participating eligible employees compensation. The Company is not required to make contributions or fund the profit-sharing plan. The Company contributions totaled \$3,307 for 2020, \$6,380 for 2019 and \$6,646 for 2018.

NOTE C – Related Party Transactions

A shareholder of the company owns and controls franchises that are not represented by these financial statements. Transactions between these entities are incurred in the normal course of business and are recorded at arms-length.

The amount of royalty and advertising revenue from related entities was approximately \$251,000 for 2020, \$340,000 for 2019 and \$285,000 for 2018. The amount due for royalties and advertising from related entities was \$27,046 for 2020, \$70,064 for 2019 and \$54,611 for 2018.

In February 2018 the Company advanced \$15,000 to a related franchisee. This advance was repaid in full by year end December 31, 2018.

At December 31, 2018 \$18,156 carried on the financial statements as Accounts Receivable Shareholder represent advances made on behalf of the majority shareholder of the Company.

In September 2019, a shareholder sold his 50 shares of nonvoting stock to the majority shareholder. With this transaction the majority shareholder became the sole owner of the Company.

In January 2020 the sole shareholder of the Company sold his personal interest in a franchise to a former shareholder. After this transaction, the sole shareholder retains ownership interest in two franchises.

When one or more entities are under common control, that existence could result in operating results or financial position of the entities that are different from those that would have been attained if the entities were autonomous. Since the transactions are recorded at arms-length, management believes that there should be no impact on the financial statements from these relationships.

RAD AIR FRANCHISE SYSTEMS, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2020, 2019 and 2018

NOTE D – Fair Value Measurements

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, are used to measure fair value.

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority. Level 2 consist of inputs other than quoted prices in active markets that are either directly or indirectly observable. Level 3 consist of inputs that are unobservable thus has the lowest priority.

Accounts Receivable carried in the financial statements on December 31, 2020, 2019 and 2018 utilize Level 2 inputs for valuation.

NOTE E – Line of Credit

The Company has a \$100,000 Revolving Line of Credit with KeyBank National Association due on demand. The note requires monthly interest only payments. The interest rate on this note is subject to change from time to time based on changes in an independent index which is the “prime rate” as published each business day in the “Money Rates” column of the Wall Street Journal. At December 31, 2020 the interest rate on the facility was 3.75%. The Note is secured by all assets of the Company There were no outstanding advances as of December 31, 2020, 2019 and 2018.

RAD AIR FRANCHISE SYSTEMS, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2020, 2019 and 2018

NOTE F – Notes Payable

Notes payable consist of the following as of December 31, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Economic Injury Disaster Loan (EIDL) from the Small Business Administration. Payable in monthly installments of \$700 beginning May 2022 at 3.75% and maturing in May 2051	\$ 143,600	\$ -	\$ -
Note payable to Ford Motor Credit secured by a vehicle. Payable in monthly installments of \$998, bearing interest at 4.99% and maturing in August 2025	<u>49,771</u>	<u>-</u>	<u>-</u>
	193,371	-	-
Less current portion	<u>9,714</u>	<u>-</u>	<u>-</u>
Long-term debt	<u>\$ 183,657</u>	<u>\$ -</u>	<u>\$ -</u>

For long-term debt with scheduled installments, the amount due is as follows:

For the years ended December 31,	
2021	\$ 9,714
2022	11,959
2023	13,438
2024	14,088
2025	10,755
Thereafter	<u>133,417</u>
	<u>\$ 193,371</u>

NOTE G – Leases

The Company entered into a lease agreement for office space. The agreement is on a month to month basis with no expiration date. Rent expense paid for the years ended December 31, 2020, 2019 and 2018 were \$6,900, \$3,450 and \$7,089, respectively.

RAD AIR FRANCHISE SYSTEMS, INC.

Notes to the Financial Statements
For the Years Ended December 31, 2020, 2019 and 2018

NOTE H – Revenue From Contracts

Significant Judgements

Revenue from contracts includes royalties revenue and advertising revenue. The recognition and measurement of revenue is based on the assessment of individual contract terms. Significant judgement is required to determine whether the performance obligations are satisfied at a point in time or over time; how to allocate transaction prices where multiple obligations are identified; when to recognize revenue based on appropriate measure of the Company's progress under the contract; and whether constraints on variable consideration should be applied due to uncertain future events.

Royalties revenue

The Company has franchise contracts with operations in the greater Cleveland area. Under this contract the franchisee pays royalties to the Company in exchange for operating under the franchise name, advisory services in the setup, organization, management and advertising for the operations location. Revenue is recognized on a monthly basis when the Company believes the performance obligations are satisfied because the underlying benefits of the contract have been transferred to the franchisee.

Advertising revenue

The Company has an advertising contract with franchisees. Under this contract an agreed upon monthly fee is paid to support the Company's advertising efforts on behalf of the franchisee's operations. Revenue is recognized on a monthly basis when the Company believes the performance obligations are satisfied because the underlying benefits of the contract have been transferred to the franchisee.

NOTE I – COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world, including the United States of America. The Company has adjusted certain aspects to protect employees and customers. While the disruption is currently expected to continue into the 2021 calendar year, there is uncertainty around the pandemic's duration.

The duration of any disruption and any related financial impact cannot be reasonably estimated at this time but may continue to materially affect the Company's operations. The extent to which the coronavirus pandemic may impact the Company's operating results, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted at this time.

On March 27, 2020, the President of the United States of America signed the Coronavirus Aid, Relief and Economic Security Act (the CARES ACT) to provide emergency assistance and health care response for individuals, families and businesses affected by the coronavirus pandemic. The Small Business Administration (SBA) received funding and authority through the CARES ACT to modify existing loan programs and establish a new loan program to assist small businesses nationwide adversely affected by the COVID-19 emergency.

RAD AIR FRANCHISE SYSTEMS, INC.

Notes to the Financial Statements

For the Years Ended December 31, 2020, 2019 and 2018

NOTE I – COVID-19 Pandemic (continued)

The Company applied for a forgivable loan under the SBA Paycheck Protection Program (PPP loan) and received a \$47,700 on April 27, 2020. The Company submitted an application for PPP loan forgiveness and received notification the loan was forgiven in full in December 2020.

The Company also applied for and obtained a loan under the SBA Economic Injury Disaster Loan (EIDL loan) and received \$143,600 on May 17, 2020. In addition, the Company received an EIDL advance of \$2,000 on May 17, 2020. This advance is treated as a grant that will not require repayment. Principal payments on the EIDL loan begin May of 2022 over a period of 30 years at an interest rate of 3.75%.

NOTE J – Subsequent Events

In April 2021, the Company wrote off approximately \$22,000 of past due royalty and co-op advertising fees receivable from a related franchisee. The write off was attributed to the impact the COVID-19 pandemic has had on operational activity in the area surrounding the franchisee's location.

In October 2021, the Company's sole shareholder (Seller), signed a Stock Purchase and Stock Option Agreement and a Close Corporation Agreement with a franchise owner (Buyer). Under these agreements the buyer acquired 10 shares of voting stock in 2021 with options through 2028 to purchase up to 5 shares of voting stock each year to a total of 45 shares of voting stock.

The Close Corporation Agreement outlines corporate and operational aspects of the organization moving forward.

**EXHIBIT F
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

Current and Former Franchisees

Franchisees Who Have Opened Franchised Businesses (as of December 31, 2021):

Legal Entity Name	Company Phone	Email	Company Address Line 1
KATE Automotive LLC	216-344-0145	Karen@radair.com	1277 Hamilton Ave. Cleveland, OH 44114
DACK Automotive Inc.	330-668-1111	Dave@radair.com	3904 Medina Road Fairlawn, OH 44333
Rad Air Service Centers Inc.	216-663-0663	Elissa@radair.com	5266 Turney Road Garfield Heights, OH 44125
Mastertech Auto Care Inc.	330-725-3040	radairmedina@zoominternet.net	767 N Court Street Medina, OH 44256
IQ Car Solutions	330-9269820	Quenton@radair.com	1200 Portage Trail EXT Akron, OH 44313
A/C Specialties, Inc	440-842-5152	Tom@radair.com	6565 Pearl Road Parma Heights, OH 44130
P & M Automotive Inc.	440-740-0700	radairmary6@aol.com	7893 Broadview Road Seven Hills, OH 44131
M & L Auto Speciality LLC	440-238-8302	Linda@radair.com	12922 Pearl Road Strongsville, OH 44136
DRD Auto Specialty Inc	440-871-1133	radairwestlake@sbcglobal.net	27051 Detroit Road Westlake, OH 44145
Atomic Autosports LLC	440-943-9666	Bill@radair.com	29257 Anderson Road Wickliffe, OH 44092

Franchisees Who Have Signed Agreements But Not Yet Opened Franchised Businesses (as of December 31, 2021):

NONE

Former Franchisees Who Were Terminated, Canceled, Not Renewed, or Otherwise Voluntarily or Involuntarily Ceased to Do Business Under the Franchise Agreement During our Prior Fiscal Year (or have not communicated with us within 10 weeks of the issuance date of this Disclosure Document):

NONE

**EXHIBIT G
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

Operations Manuals – Table of Contents

(Attached)

RAD AIR COMPLETE CAR CARE – OPERATIONS MANUAL TABLE OF CONTENTS

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**EXHIBIT H
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

FORM OF GENERAL RELEASE

(Attached)

RAD AIR FRANCHISE SYSTEMS INC.

GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

Rad Air Franchise Systems Inc. ("we," "us," or "our") and the undersigned franchisee, _____ ***[insert name of franchisee entity]*** ("you" or "your"), currently are parties to a Franchise Agreement dated _____ (the "Franchise Agreement") for the operation of a School at _____. You have asked us to _____ ***[insert relevant detail]***. We currently have no obligation under your Franchise Agreement or otherwise to _____ ***[repeat relevant detail]***, or we have the right under the Franchise Agreement to condition our approval on your and your owners signing a release of claims. We are willing to _____ ***[repeat relevant detail]*** if you and your owners give us the release and covenant not to sue provided below in this document. You and your owners are willing to give us the release and covenant not to sue provided below in consideration for our willingness to _____ ***[repeat relevant detail]***.

Consistent with the previous introduction, you, on behalf of yourself and your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, owners, directors, officers, principals, employees, and affiliated entities (collectively, the "Releasing Parties"), hereby forever release and discharge us and our parent and other affiliated entities, and our and their respective current and former officers, directors, owners, principals, employees, agents, representatives, successors, and assigns (collectively, the "Rad Air Parties") from any and all claims, damages, demands, debts, causes of action, suits, duties, liabilities, costs, and expenses of any nature and kind, whether presently known or unknown, vested or contingent, suspected or unsuspected (all such matters, collectively, "Claims"), that you and any other Releasing Party now have, ever had, or, but for this consent, hereafter would or could have against any Rad Air Party: (1) arising out of or related in any way to the Rad Air Parties' performance of or failure to perform their obligations under the Franchise Agreement before the date of your signature below, (2) arising out of or related in any way to our offer and grant to you of your franchise, or (3) otherwise arising out of or related in any way to your and the other Releasing Parties' relationship, from the beginning of time to the date of your signature below, with any of the Rad Air Parties. You, on behalf of yourself and the other Releasing Parties, further covenant not to sue any Rad Air Party on any Claim released by this paragraph and represent that you have not assigned any Claim released by this paragraph to any individual or entity that is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your owners likewise grant to us the release and covenant not to sue provided above.

To the extent applicable, each of the parties granting a release acknowledges a familiarity with Section 1542 of the Civil Code of the State of California, which provides as follows:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

Each of the parties granting a release recognizes that he, she, or it may have some claim, demand, or cause of action against the other parties of which he, she, or it is unaware and

unsuspecting, and which he, she, or it is giving up by signing this Release. Each of the parties granting a release hereby waives and relinquishes every right or benefit which he, she, or it has under Section 1542 of the Civil Code of the State of California, and any similar statute under any other state or federal law, to the fullest extent that such right or benefit may lawfully be waived.

RAD AIR FRANCHISE SYSTEMS INC.

By: _____
Title: _____
Date: _____

[Name of Franchisee]

By: _____
Title: _____
Date: _____

[Name of Owner]

[Signature and Date]

**EXHIBIT I
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

FORM OF NONDISCLOSURE AND NONCOMPETE AGREEMENT

(Attached)

CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT
(for trained employees, officers, directors, general partners, members, Operating Principal(s), Key Manager(s), and any other management personnel of Franchisee)

In consideration of my being a [INSERT TITLE/ROLE WITH FRANCHISEE] of _____ (the "Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and agree that Franchisee has acquired the right from Rad Air Franchise Systems Inc. (the "Company") to: (i) establish and operate a Rad Air franchised business (the "Franchised Business"); and (ii) use in the operation of the Franchised Business the Company's trade names, trademarks and service marks (collectively, the "Marks") and the Company's unique and distinctive format and system relating to the establishment and operation of Rad Air business (the "System"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only at the following authorized and approved location: _____ (the "Premises").

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company's proprietary and confidential Operations Manual and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the "Manual"); Franchisor's proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets; information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business; financial information; any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other Rad Air businesses; any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business; and any techniques, methods and know-how related to the operation of Rad Air business or otherwise used in connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the "Confidential Information").

2. Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.

3. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Manual, and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information, in whole or in part, for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as [INSERT TITLE] of the Franchisee,

and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. I will surrender any material containing some or all of the Confidential Information to the Company, upon request, or upon conclusion of the use for which the information or material may have been furnished.

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business which provides or automobile servicing or repair services (collectively, a "Competing Business"). I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business, or solicit any of the former customers or employees of Franchisee for any competitive business purpose.

7.1 *Post-Term Restrictive Covenant for Controlling Person of Franchised Business or Manager/Officers/Directors of Franchisee.* In the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a personal guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of one year after the expiration or termination of my employment with Franchisee for any reason: (i) at or within a 10-mile radius of the Premises; or (ii) within a 10-mile radius of any other Rad Air business that exists at the time my employment with Franchisee ceases through the date of my involvement with the Competing Business. I also agree that I will not be involved in the franchising or licensing of any Competing Business at any location, or undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose, during this one-year period following the termination or expiration of my employment with the Franchisee.

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

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security. I agree to pay the Franchisee and the Company all the costs it/they incur(s),

including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. I shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

12. Franchisee shall make all commercially reasonable efforts to ensure that I act as required by this Agreement.

13. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by me shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by me.

14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OHIO AND I HEREBY IRREVOCABLY SUBMIT TO THE JURISDICTION OF THE STATE COURT CLOSEST TO FRANCHISOR'S THEN-CURRENT HEADQUARTERS OR, IF APPROPRIATE, THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF OHIO. I HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. I HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ME IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY FLORIDA OR FEDERAL LAW. I FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

15. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, I expressly agree to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

16. This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. This Agreement may be modified only by a duly authorized writing executed by all parties.

17. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail, (provided that the sender confirms the facsimile or electronic mail, by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective

party at the following address unless and until a different address has been designated by written notice.

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

18. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns.

IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.

UNDERSIGNED

Signature: _____

Name: _____

Address: _____

Title: _____

ACKNOWLEDGED BY FRANCHISEE

[FRANCHISEE NAME]

By: _____

Title: _____

**EXHIBIT J
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

Compliance Questionnaire

(Attached)

**QUESTIONNAIRE TO BE COMPLETED BEFORE
YOU SIGN THE FRANCHISE AGREEMENT**

You are preparing to enter into a Rad Air® Franchise Agreement (the "Franchise Agreement") with Rad Air Franchise Systems, Inc. ("we" or "us"). The purpose of this Questionnaire is to confirm that you understand the terms of the contract and that no unauthorized statements or promises have been made to you. Please review each of the following questions and statements carefully and provide honest and complete responses to each. In this Questionnaire, our "representatives" include our officers, directors, employees, agents, sales brokers, and/or any other representatives working on our behalf.

1. When and where did you have your first face-to-face meeting with our representative(s)?

Approximate date of first meeting: _____

Place of meeting: _____

2. Which of our representative(s) have you been dealing with?

Name(s): _____

3. Have you personally read the Rad Air® Disclosure Document ("FDD")?

Yes _____ No _____

4. Did you give us a signed receipt for the copy of the FDD that we furnished to you?

Yes _____ No _____ If yes, on what date? _____

5. Do you understand all of the information contained in the FDD?

Yes _____ No _____

If not, what parts of the FDD do you not understand? (Attach additional pages, if necessary.)

6. Have you personally read the Franchise Agreement?

Yes _____ No _____

7. Do you understand all of the terms of the Franchise Agreement?

Yes _____ No _____

If not, what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

8. Have any of our representatives recommended that you have the FDD and related agreements reviewed by an attorney or other professional advisor?

Yes _____ No _____

9. Have you, in fact, discussed the FDD, the related agreements, and the benefits and risks of operating a Rad Air® franchise with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If yes, name and profession of advisor: _____

If no, do you wish to have more time to do so?

Yes _____ No _____

10. Other than the information presented in Item 19 of the FDD, has any of our employees or any other person speaking on our behalf (this does not include franchisees whom you contact on your own) made any statement or representation (oral, written, or visual) regarding:

a. The amount of money that others have made or that you might make as a Rad Air franchisee?

Yes _____ No _____

b. The revenue or profits that a Rad Air® franchise will generate?

Yes _____ No _____

c. Any other financial performance information about Rad Air® franchises?

Yes _____ No _____

11. If your answer to any part of Question 10 is “yes,” please describe the statement or representation. Please include when, where, and by whom the statement or representation was made. Please provide full details in the following space. (Attach additional pages, if necessary.)

12. Have you contacted any of our existing franchisees about their financial performance?

Yes _____ No _____

13. If your answer to Question 12 is “yes,” please describe the information that they shared with you in the following space. (You do not need to identify the franchisees with whom you spoke.)

14. Please think about the statements or promises made to you by our employees (or by any other person purporting to speak on our behalf) concerning the advertising, marketing, training, support, or assistance that we will furnish to you. Were any such statements or promises contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

15. If you answered “Yes” to Question 14, please provide full details in the following space. (Attach additional pages, if necessary.)

-
-
16. Have you entered into any agreement with us before today concerning our franchise opportunity?

Yes _____ No _____ If Yes, please describe: _____

17. Have you paid any money to us before today in connection with our franchise opportunity?

Yes _____ No _____ If Yes, please describe: _____

18. In entering into the Franchise Agreement, are you relying on any statement, promise, or assurances by us or anyone speaking or purporting to speak on our behalf, other than the terms of the Franchise Agreement itself? If "Yes", please provide full details in the following space. (Attach additional pages, if necessary.)

19. Would you agree that the success or failure of your franchise will depend in large part upon your own skills and abilities, competition from other businesses, the size of your market, and other economic and business factors?

Yes _____ No _____

20. In which state do you reside? _____

21. In which state do you intend to operate the Rad Air franchise?

22. Have you selected a specific site at which you propose to open your Rad Air® Franchised Business?

Yes _____ No _____

If yes, please specify the location: _____

23. Do you have personal knowledge of the market area in which you will operate?
Yes _____ No _____
24. Did you obtain advice from anyone other than our representatives in selecting your site?
Yes _____ No _____ If yes, name of advisor: _____
If not, do you wish to have more time to do so?
Yes _____ No _____
25. Have all of your questions concerning your proposed investment in a Rad Air® franchise been answered to your satisfaction?
Yes _____ No _____

* * *

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

FRANCHISE APPLICANT

Date: _____

NOTE FOR RESIDENTS OF THE STATE OF MARYLAND AND FRANCHISEES WITH FRANCHISED BUSINESSES TO BE LOCATED IN MARYLAND: All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to, nor shall they act as, a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

**EXHIBIT K
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

STATE EFFECTIVE DATES

(attached)

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:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	May 6, 2022
Maryland	
Michigan	Nov. 17, 2021
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	May 6, 2022

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.

EXHIBIT L
ITEM 23 RECEIPTS
(attached)

ITEM 23 RECEIPT – YOUR COPY

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Rad Air Franchise Systems Inc. ("**Rad Air**") offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement with, or make a payment to, Rad Air or one of its affiliates in connection with the proposed franchise sale.

New York requires that Rad Air provide you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign a binding agreement with, or make payment to, Rad Air or one of its affiliates in connection with the proposed sale. Michigan requires that Rad Air provide you with this Disclosure Document ten business days before you sign a binding agreement with, or make payment to, Rad Air or one of its affiliates in connection with the proposed sale.

If Rad Air does not deliver this disclosure statement on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit D.

This franchise is being offered by the following seller(s) at the principal business address and phone number listed below (check all that have been involved in the sales process):

- ☐ Andy Fiffick: or ☐ Bill Snow: 17601 West 130th St., Suite 4A North Royalton, OH 44133 (216) 659-1179
☐ John Moreau or ☐ _____ (FranDevCo) 9820 Northcross Dr. Huntersville, NC 28078 (704) 703-9500

☐ (Name) _____ (Address) _____ (Phone) _____

☐ (Name) _____ (Address) _____ (Phone) _____

Rad Air's registered agents authorized to receive service of process are set forth on Exhibit D.

Issuance Date: April 28, 2022

Exhibit A – Franchise Agreement	Exhibit G – Manuals Table of Contents
Exhibit B – Development Agreement	Exhibit H – Form of General Release
Exhibit C – State Specific Addenda & Agreement Riders	Exhibit I – Form of Nondisclosure and Noncompete Agreement
Exhibit D – State Administrators & Agents for Service of Process	Exhibit J – Compliance Questionnaire
Exhibit E – Financial Statements	Exhibit K – State Effective Dates
Exhibit F – List of Current and Former Franchisees	Exhibit L - Receipts

Date Disclosure Document Received

Print Name: _____

Sign: _____

Address _____

[if legal entity]

City, State, Zip _____

Legal Entity: _____

Officer Signature: _____

Telephone _____

Officer Name: _____

Officer Title: _____

Signed and Date this Receipt and
Keep a Copy for Your Records

ITEM 23 RECEIPT – OUR COPY

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Rad Air Franchise Systems Inc. ("**Rad Air**") offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement with, or make a payment to, Rad Air or one of its affiliates in connection with the proposed franchise sale.

New York requires that Rad Air provide you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign a binding agreement with, or make payment to, Rad Air or one of its affiliates in connection with the proposed sale. Michigan requires that Rad Air provide you with this Disclosure Document ten business days before you sign a binding agreement with, or make payment to, Rad Air or one of its affiliates in connection with the proposed sale.

If Rad Air does not deliver this disclosure statement on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit D.

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- ☐ Andy Fiffick: or ☐ Bill Snow: 17601 West 130th St., Suite 4A North Royalton, OH 44133 (216) 659-1179
☐ John Moreau or ☐ _____ (FranDevCo) 9820 Northcross Dr. Huntersville, NC 28078 (704) 703-9500
☐ (Name) _____ (Address) _____ (Phone) _____
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Exhibit E – Financial Statements	Exhibit K – State Effective Dates
Exhibit F – List of Current and Former Franchisees	Exhibit L - Receipts

Date Disclosure Document Received

Print Name: _____

Sign: _____

[if legal entity]

Legal Entity: _____

Officer Signature: _____

Officer Name: _____

Officer Title: _____

Address _____

City, State, Zip _____

Telephone _____

Signed Receipt can be returned to:
Rad Air Franchise Systems Inc.
17601 West 130th St., Suite 4A
North Royalton, OH 44133
Info@RadAir.com