

FRANCHISE DISCLOSURE DOCUMENT



Christian Brothers Automotive Corporation
a Texas Corporation
17725 Katy Freeway
Houston, Texas 77094
(281) 675-6100
(281) 675-6214
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www.ChristianBrothersAutomotive.com

As a Christian Brothers Automotive franchisee, you will operate a business for repairing and servicing automotive vehicles.

The initial investment necessary to begin operation of a Christian Brothers Automotive franchised business ranges from \$530,250 to \$645,400. This includes \$392,500 to \$419,000 that must be paid to the franchisor or its affiliate(s).

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 disclosure in different formats, contact Brad Fink at 17725 Katy Freeway, Houston, Texas 77094, (281) 675-6100, Brad.Fink@cbac.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, DC 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 15, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit D and Exhibit G.
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?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Christian Brothers Automotive 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 Christian Brothers Automotive franchisee?	Item 20 or Exhibit D and Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Texas. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Texas than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
4. **Inventory/Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
5. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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

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

EACH OF THE FOLLOWING PROVISIONS IS VOID AND UNENFORCEABLE IF CONTAINED IN ANY DOCUMENTS RELATING TO A FRANCHISE:

(A) 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, 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 FRANCHISEE 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.

* * * *

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000.00, 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 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.

* * * *

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

* * * *

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

STATE OF MICHIGAN DEPARTMENT OF THE ATTORNEY GENERAL
G. MENNEN WILLIAMS BUILDING, 7TH FLOOR
525 W. OTTAWA STREET
LANSING, MICHIGAN 48909
TELEPHONE NUMBER: (517) 373-7117

TABLE OF CONTENTS

	Page
ITEM 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES	1
ITEM 2. BUSINESS EXPERIENCE	3
ITEM 3. LITIGATION.....	5
ITEM 4. BANKRUPTCY	6
ITEM 5. INITIAL FEES.....	6
ITEM 6. OTHER FEES.....	8
ITEM 7. INITIAL INVESTMENT	15
ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	22
ITEM 9. FRANCHISEE’S OBLIGATIONS	25
ITEM 10. FINANCING.....	28
ITEM 11. FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING.....	29
ITEM 12. TERRITORY	40
ITEM 13. TRADEMARKS.....	42
ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	43
ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	44
ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	46
ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....	46
ITEM 18. PUBLIC FIGURES.....	49
ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS	49
ITEM 20. OUTLETS AND FRANCHISEE INFORMATION	62
ITEM 21. FINANCIAL STATEMENTS	69
ITEM 22. CONTRACTS.....	69
ITEM 23. RECEIPTS	69

EXHIBITS

Exhibit A	Financial Statements
Exhibit B	Franchise Agreement
Exhibit A to FA	Description of Territory
Exhibit B to FA	Description of Marks
Exhibit C to FA	Commercial Sublease Agreement
Exhibit D to FA	Store In Distress Support Program Agreement
Exhibit E to FA	Assignment and Assumption Agreement
Exhibit F to FA	Transaction Fee Agreement
Exhibit G to FA	Franchisee Disclosure Acknowledgment Statement
Exhibit C	Table of Contents of Confidential Operations Manual
Exhibit D	Current Franchisees Contact Information
Exhibit E	State Administrators/Agents for Service of Process
Exhibit F	Nonuse, Nondisclosure and Non-Competition Agreement
Exhibit G	Former Franchisee Contact Information
Exhibit H	State Specific Addendum
Exhibit I	Receipt and Acknowledgement Agreement
Exhibit J	General Release Agreement
Exhibit K	State Registration Effective Dates
Exhibit K-1	Franchisee's Copy of Detachable Receipt
Exhibit K-2	CBAC's Copy of Detachable Receipt

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

To simplify the language in this Disclosure Document the words “Franchisor,” “CBAC,” “CBA,” “Christian Brothers,” “we,” “our” and “us” refer to Christian Brothers Automotive Corporation, the franchisor. “You”, “Your”, “Principal Operator” and “Franchisee” refer to the person or entity who is licensed to operate the franchise. To fully understand all of your and our rights and obligations to each other, you must still carefully review the actual agreements that you will sign. In the event there is any dispute between us, these agreements will control.

The Franchisor, and any Parents, Predecessors, and Affiliates

CBAC was incorporated in the state of Texas on March 25, 1982, under the name Christian Brothers Automotive Corporation. Our principal place of business and business address is 17725 Katy Freeway, Houston, Texas 77094. We do business under our corporate name and under the name CBAC.

CBAC does not have any predecessors or affiliates that offer franchises in this or any other line of business. CBAC does not have any predecessors or affiliates that have been engaged in the business in which CBAC is engaged. CBAC does not have any parent entity.

CBAC does not currently have any predecessors or affiliates that provide products or services to CBA franchisees.

The Business

We have established, and continue to develop and operate, a system of “Christian Brothers Automotive” (“CBA”) franchises which offer automotive repair and maintenance services to customers. CBA is used to refer to the franchise system. CBAC refers to the franchisor. We currently offer the following two separate franchise programs:

1. A franchisee may acquire a license to operate a single CBA franchise.
2. A franchisee may acquire a license to operate more than one CBA franchise. CBAC has a separate Franchise Disclosure Document for its multi-facility program. The multi-facility program may only be offered in a franchise registration state if CBAC has first obtained an effective franchise registration to offer this program in the respective state. This program is not available to new franchisees.

CBAC examines each franchisee applicant on a case-by-case basis, and CBAC reserves the right to determine in its sole discretion whether to approve or disapprove an applicant for both a single CBA franchise and the CBA multi-facility program.

The Competition

The market for automotive repair and maintenance services is well developed and intensely competitive. Your CBAC automotive repair and service facility will compete with other similar

automotive repair and service facilities. The types and numbers of competitors vary from location to location and from time to time.

The Market

The market for your services will be the general public. The need for automotive repair and service varies from time to time due to a large number of factors which include things such as the condition of the local, regional or national economy, seasonal changes, the cost of regulatory compliance, the cost of fuel and the cost of new automotive vehicles. Other factors that may have a significant impact on the market in the future include technological advances that impact the construction of automotive vehicles, powering of motor vehicles, and the basic methods of travel used in the United States. Significant changes in the laws, rules and regulations that govern the automotive industry may have a dramatic impact on the market for your services.

Our Prior Business Experience

CBAC began providing automotive repair and maintenance services to its customers in August 1982, and CBAC continued to conduct its business at the same location until December 31, 1998. At that time, CBAC sold its original location to a franchisee. On January 1, 2012, CBAC reacquired the original location and then refranchised it in 2013. CBAC has offered franchises in the automotive repair and service business since January of 1996. We have not offered franchises in any other line of business.

Special Industry Regulation

Texas and other states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your automotive repair and service facility, including those which (a) establish general standards, specifications and requirements for the construction, design and maintenance of the premises; (b) set standards pertaining to employee health and safety; (c) set standards and requirements for fire safety and general emergency preparedness; and (d) regulate the proper use, storage and disposal of waste, petroleum products, batteries, fluids and other hazardous materials. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your franchise, determine the impact any such regulations and requirements could have on a franchise in that location and should consider both their effect and cost of compliance in determining whether you want to pursue having a franchise in that location.

In California, you will be required to obtain a license from the California Bureau of Automotive Repair (Licensing Unit). To obtain that license, you will pay a \$200.00 fee and file a completed application with the Bureau. The application requires that you furnish information pertaining to the automotive repair business, such as contact and tax information, a list of all owners, directors, officers, partners, members, trustees, and managers, background information on these designated persons, and the general operation of the business.

Agent for Service of Process

Our agent for service of process is Registered Agent Solutions, Inc. Its principal business address is 5301 Southwest Pkwy, Suite 400, Austin, Texas 78735. If we have an agent in your state for service of process, we disclose that agent in Exhibit E.

ITEM 2. **BUSINESS EXPERIENCE**

Directors

Don Carr

Mr. Carr has been a Director of CBAC since October 1, 2021. Mr. Carr has been President of CBAC since February 2018 and has been the CEO of CBAC since July 2021. Prior to becoming President and CEO, Mr. Carr served as Vice President of Operations for CBAC from December 2016 to February 2018.

Chris Chesney

Mr. Chesney has been a Director of CBAC since October 1, 2021. From November 2021 to the present Mr. Chesney has been Vice President of Training and Organizational Development at Repairify, Inc. in Plano, Texas. From January 2002 to September 2021 Mr. Chesney was the Director of Customer Training for Advanced Auto Parts in Raleigh, North Carolina.

Art Coley

Mr. Coley has been a Director of CBAC since October 1, 2021. From January 2015 to the present he has been the CEO of CGI Franchise in Temple, Texas.

Officers

President and Chief Executive Officer: Don Carr

See biographical information above under the heading “Directors.”

Chief Operating Officer: Michael Allnut

Mr. Allnut has been the Chief Operating Officer for CBAC since December 15, 2022. He served as Vice President of Operations from January 2018 to December 15, 2022. Mr. Allnut successfully operated a CBAC franchise location from October 2007 to December 2017. Location: Houston, Texas.

Chief Financial Officer: Dana Mason

Mr. Mason has been the Chief Financial Officer for CBAC since August 31, 2022. Prior to becoming Chief Financial Officer, Mr. Mason served as Controller for CBAC from February 2021 to August 2022. Location: Houston, Texas.

Chief Growth Officer: Brad Fink, CFE

Mr. Fink has been the Chief Growth Officer for CBAC since December 15, 2022. Prior to becoming Chief Growth Officer, Mr. Fink served as Vice President of Training and Franchise Development for CBAC from February 2018 to December 15, 2022. Prior to becoming Vice President of Training and Franchise Development, Mr. Fink successfully operated a CBAC franchise location from October 2008 to December 2017. Location: Houston, Texas.

General Counsel: Timothy Geiger

Mr. Geiger has been General Counsel for CBAC since January 2023. Prior to becoming General Counsel for CBAC, Mr. Geiger was a partner at the law firm of Bracewell, LLP in its Houston, Texas office from August 2011 to January 2023. Location: Houston, Texas.

Chief Brand Officer: Janis L. Jarosz

Ms. Jarosz has been the Chief Brand Officer for CBAC since December 15, 2022. Prior to becoming Chief Brand Officer, Ms. Jarosz served as Vice President of Marketing for CBAC from June 2018 to December 15, 2022. Prior to becoming Vice President of Marketing, Ms. Jarosz served as Chief Marketing Officer and Talent Acquisition Officer with Sirius Solutions, L.L.P. from March 2016 to May 2018 and as Manager Director, Marketing for Service Corporation International, Inc. from June 2010 until March 2016 in Houston, Texas. Location: Houston, Texas.

Chief Development Officer: Michael B. Suttle

Mr. Suttle has been Chief Development Officer for CBAC since March 2019. From March 2016 to March 2019 he was Vice President of Real Estate for CBAC. Location: Houston, Texas.

Chief Information Officer: David Domine

Mr. Domine has been the Chief Information Officer for CBAC since December 15, 2022. Prior to becoming Chief Information Officer, Mr. Domine served as Vice President of Technology Solutions for CBAC from January 2018 to December 15, 2022. Prior to serving as the Vice President of Technology Solutions, Mr. Domine served as the Director of Training for CBAC from August 2007 to January 2018. Location: Houston, Texas.

Chief Neighborly Officer: Zachery D. Bynum

Mr. Bynum has been Chief Neighborly Officer for CBAC since December 15, 2022. Prior to becoming Chief Neighborly Officer, Mr. Bynum served as Vice President of the Neighborly Department from January 2019 to December 15, 2022. Prior to serving as the Vice President of

the Neighborly Department, Mr. Bynum served as a Franchise Performance Consultant for CBAC from January 2013 to January 2019. Location: Houston, Texas.

ITEM 3. **LITIGATION**

Pending Actions

Evan Domanic v. Christian Brothers Automotive Corporation; Civil Action No. 4:22-cv-00386. On or about February 7, 2022, Evan Domanic filed the above-referenced lawsuit in the United States District Court for the Southern District of Texas, Houston Division, alleging CBAC violated his rights under 42 U.S.C. 1981 and the Texas Deceptive Trade Practices Act by declining to extend him the opportunity to purchase a CBAC franchise. Plaintiff is seeking monetary and punitive damages of a currently undisclosed amount. CBAC has already obtained a dismissal of the Texas Deceptive Trade Practices Act claims. CBAC disputes plaintiff's remaining allegations as a matter of law and fact and intends to vigorously defend itself against the claims asserted. The matter is ongoing.

Material Actions Involving the Franchise Relationship

Christian Brothers Automotive Corporation v. Seek 1st LLC, et al. (collectively, "Respondent"); Case No. 01-22-00005109; American Arbitration Association, Houston Division. To protect the CBA system and brand, on February 3, 2022, CBAC filed the above-referenced arbitration proceeding, asserting various claims arising out of the secret acquisition and operation of a competing business by certain Respondent parties, thus violating the terms of the franchise agreement with Seek 1st LLC. On January 17, 2023, the arbitration panel issued its final decision, finding that CBAC properly terminated the franchise agreement based on Respondent's conduct. The panel's decision also enforced the terms of CBAC's prior offer to settle the dispute before the initiation of legal proceedings and awarded Respondent a portion of its legal expenses under the franchise agreement. Pursuant to the panel's final determination, the franchise agreement was terminated, CBA paid off Seek 1st LLC's business loan in the amount of \$107,705 in return for taking over and transitioning the CBA franchise to new ownership at CBAC's direction on February 1, 2023.

Except as described above, no litigation is required to be disclosed in this Item.

ITEM 4. **BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

ITEM 5. **INITIAL FEES**

Franchise Agreement

You must pay CBAC an initial franchise fee of \$135,000 (the “Franchise Fee”). This Franchise Fee is paid in two installments. The first installment is in the amount of \$85,000 (the “Down Payment”) and is due at the earlier of your signing the Franchise Agreement or your signing the Receipt and Acknowledgement Letter Agreement (the “Letter Agreement”), a copy of which is attached as Exhibit I. The second installment is in the amount of \$50,000 and is due 30 days prior to receiving your Certificate of Occupancy, which is generally assumed to be approximately six weeks prior to store opening. If you are allowed to finance the second installment, depending on your personal circumstances and credit worthiness, it will be paid to CBAC upon the closing of your startup loan, which is typically closed 30 days prior to receiving your Certificate of Occupancy as this coincides with initial working capital needs. \$13,500 of the Down Payment will be fully earned when paid and non-refundable in consideration of administrative and other expenses CBAC incurs and for lost or deferred opportunities to enter into the Franchise Agreement with others.

Within 30 days of you and CBAC’s execution of the Receipt and Acknowledgement Letter Agreement, and before you sign the Franchise Agreement, CBAC will provide you with a Non-Use, Non-Disclosure and Non-Competition Agreement, a copy of which is attached as Exhibit F, for execution. After you have signed the Non-Use, Non-Disclosure and Non-Competition Agreement, CBAC will provide you with credentials to access CBAC’s proprietary and confidential training materials and Confidential Operations Manual.

CBAC is a proud participant of the International Franchise Association’s Veterans Transition Franchise Initiative and has established the following “IFA VetFran Program.” If you are a current or former member of the United States Armed Forces and have been or will be honorably discharged then CBAC offers you a discount of 10% of the Franchise Fee. Upon receipt of your DD Form 214 “Certificate of Release or Discharge from Active Duty,” CBAC will apply the discount to the second installment of the Franchise Fee.

CBAC agrees to identify Land (as defined below) for purchase and begin the process of negotiating a letter of intent for such purchase no later than one year following the date of the Letter Agreement. In the event CBAC fails to meet this deadline, you will have a thirty (30) day option to terminate your relationship with CBAC and have your Down Payment (minus the \$13,500 non-refundable portion) returned. If you choose not to terminate your relationship with CBAC within this thirty (30) day period, your Franchise relationship with CBAC will continue, subject to the terms of the Letter Agreement. “Land” means the land that will be purchased or leased for the construction of a building and other improvements that will be used for the operation of your franchise.

CBAC may not be able to purchase Land that you approve and CBAC has agreed to attempt to acquire. CBAC has the right to decline to purchase any Land for any reason whatsoever. CBAC agrees to notify you in writing if it determines, for any reason, that it will not purchase the Land. CBAC will then give you the option of either (a) choosing another location where CBAC is willing

to attempt to acquire Land where your franchise will operate, or (b) terminating your relationship with CBAC and having your Down Payment (minus the \$13,500 portion which is non-refundable) refunded to you.

In the event a Termination Event (as defined below) occurs prior to CBAC executing a Contract (as defined below) for the acquisition of Land, then CBAC will deduct the \$13,500 non-refundable portion of the Down Payment and also deduct the reasonable costs that it incurs in selecting the site for Land and preparing to enter into the franchise relationship with you, and return any remainder of the Down Payment to you, provided that such deductions will not exceed \$38,500. Any amount not refunded shall be deemed fully earned when paid and non-refundable in consideration of administrative and other expenses CBAC incurs and for lost or deferred opportunities to enter into the Franchise Agreement with others. "Contract" means a contract for (a) the acquisition of land in the general area of the Location, (b) the lease of land in the general area of the location, or (c) a contract for the acquisition of an existing business.

In the event a Termination Event occurs after CBAC has executed a Contract, then CBAC will retain all of your \$85,000 Down Payment, which amount shall be deemed non-refundable in consideration of administrative and other expenses CBAC has incurred.

"Termination Event" means any of the following (i) you do not qualify for the necessary financing to open and operate your CBA franchise, (ii) you choose not to proceed with the decision to open a CBA franchise on the Land, and/or (iii) you are unable to complete any of your other obligations that are conditions to your owning and operating a CBA franchise.

If no Termination Event occurs, you acknowledge that you (or an entity formed and owned by you for the sole purpose of owning and operating the Franchise) will execute the Franchise Agreement and pay the remaining amount of your Franchise Fee as provided in the Franchise Agreement no later than thirty days prior to receiving the Certificate of Occupancy for the building where you will operate the Franchise. The Franchise Fee is non-refundable except as described above.

If at any time prior to the opening date of your CBA franchise, CBAC determines (a) any of your representations or warranties prove to be inaccurate or false, (b) you fail to take, successfully complete and pass any of our required training, (c) you fail to submit to or pass any credit, character or background check performed by or on behalf of CBAC, and/or (d) you fail to timely or diligently perform any duties or obligations during the period prior to opening, then CBAC has the right to immediately terminate the Receipt and Acknowledgement Letter Agreement, the Franchise relationship and the Franchise Agreement, in which event CBAC will refund your Down Payment less the \$13,500 non-refundable portion.

The amount of the initial franchise fees paid previously have been uniform for all parties who became franchisees during the same time period (except for those parties who qualify for the IFA VetFran Program).

Prior to opening, you must purchase certain equipment, furniture and software from CBAC that will be used to operate the franchise. This will include the equipment listed in our Confidential Operations Manual and the software described below, at a current total cost of approximately

\$255,000 to \$280,000. The equipment is purchased by us in order to obtain better pricing than individual purchasers could obtain, mitigate supply chain risk, and coincide with construction timelines. All equipment purchases will be rebilled to you at our cost, including any associated fees from the vendor. The costs for equipment purchases are refundable prior to delivery.

The software that will be provided by CBAC and used to operate your CBA franchise includes the point-of-sale system (Tekmetric), FUSE, cell-based internet failover system, antivirus clients, website hosting and SEO management, phone call tracking and monitoring, automotive animations library, email accounts through Google Workspace, PCI Compliance services, remote support agents, and an accounting package along with necessary licenses for remote access, printing, and security at the approximate upfront cost of \$2,650 and the approximate ongoing cost of \$2,000 to \$2,250 annually, plus data overages. The upfront software costs are included in the above-described total amount. The fees for software purchases are refundable prior to store opening. See Item 5 and Item 8 for more information about the equipment, furniture and software that will be needed to operate the franchise.

If you elect to utilize CBAC’s in-house loan administration services, a \$2,500 loan administration fee will be payable to CBAC upon the closing and funding of your startup loan, which generally occurs upon receiving your Certificate of Occupancy. If you elect to obtain and facilitate your own startup financing, you will be charged a \$4,000 loan administration fee due to the increased administrative burden.

We may add or delete items which must be purchased through CBAC, or vendors from whom they must be purchased at any time, and costs are subject to change.

If you have been referred to CBAC by a current franchisee, CBAC will pay \$5,000 to the referring franchisee if you enter into a franchise agreement with CBAC and complete all required training in a satisfactory manner. This is part of CBAC’s franchisee referral program. CBAC will be glad to discuss the details of this franchisee referral program with you upon request. Existing franchisees who provide references to prospective franchisees are not acting as our agent and do not speak for us, despite the receipt of a referral fee. We do not control what these existing franchisees may say, and cannot guarantee the accuracy of any statement made by them to you.

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by Maryland franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

ITEM 6.
OTHER FEES

Type of Fee (Note 1)	Amount	Due Date	Remarks
Continuing Royalty Fees (Note 2)	50% of monthly “Split Profits” during the initial franchise term and	Estimated monthly amount due on the last day of	The Royalty Fee is based on the “Split Profits” for the previous month.

Type of Fee (Note 1)	Amount	Due Date	Remarks
	during all extensions and renewals.	each succeeding month.	“Split Profits” are defined below in Note 2.
Additional Training and Support Fees (Note 3)	Established by CBAC. Fees will be uniform for all franchisees.	Upon Provision of Services.	Additional training may be offered off-site, and you will be responsible for all expenses related to attendance.
Administrative and Accounting Fees (Note 4)	Established by CBAC. See Note 4.	Monthly service is provided.	CBAC provides certain administrative services. See Note 4.
Operating Systems & Internet Failover (Note 5)	Approximately \$475 per month plus data overages, and subject to change.	Due monthly as billed.	This includes our point-of-sale software, accounting software, and internet failover software
Marketing Fee – National Program (Note 6)	Established by CBAC. You must pay CBAC your prorated portion of the costs of the national marketing program, subject to a “Maximum Annual Cost” equal to 3% of the average total annual revenue for the previous calendar year (January 1 through December 31) of all franchisees whose franchised businesses have been in operation for at least 12 months as of December 31 of the previous year.	Last business day of each month.	CBAC manages and approves all advertising, initiatives, and promotions for the national marketing program (“National Program”). The Maximum Annual Cost shall apply to the National Program and any applicable Regional Program combined. You will begin paying the Marketing Fee – National Program after six months in operation.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Marketing Fee – Regional Programs (Note 6)	Established by CBAC. You must pay CBAC your prorated portion of the costs of any regional marketing programs, subject to a Maximum Annual Cost.	Last business day of each month.	As of the date of this Disclosure Document, CBAC has established regional marketing programs. You must participate in the regional marketing programs for the region in which your automotive repair facility is located (each a “Regional Program”). If we operate an automotive repair facility located in a region in which a Regional Program has been established, we will participate in any applicable Regional Program on the same basis as franchisees. CBAC manages and approves all advertising, initiatives and promotions for any Regional Program. The Maximum Annual Cost shall apply to the National Program and any applicable Regional Program combined. You will begin paying the Marketing Fee – Regional Program after six months in operation.
Transfer Fee \$30,000 (Note 7)	\$30,000	\$10,000 is due upon our approval of the term sheet or letter of intent signed by you and the buyer, and the \$20,000 balance is due upon the	Transfer fees are imposed by and payable to CBAC and are non-refundable. The first and second installments are non-refundable.

Type of Fee (Note 1)	Amount	Due Date	Remarks
		closing of the sale.	
Transaction Fee (Note 8)	The greater of 7% of the gross value of the business transaction or \$50,000, payable as follows: (i) a non-refundable deposit equal to the greater of \$10,000 or 1% of the listed price of the Franchised Business paid when you sign our Transaction Fee Agreement, and (ii) the balance of the transaction fee is payable upon the closing of the transaction between you and the buyer.	Due upon closing of your selling transaction, except for the initial payment of \$10,000 or 1% of the listed price of the Franchised Business.	If you authorize CBAC to find you a buyer or CBAC provides you a buyer from its interested candidates. This transaction fee is in addition to the above-described transfer fees. The transaction fee is non-refundable. The transaction fee deposit is to cover costs associated with financial due diligence, marketing and lead generation, among other items.
Lease Payments (Note 9)	Approximately \$22,000 to \$36,000 base rent per month, plus triple net costs. This will vary as described in Note 9.	Base rent due on the 1st day of each month. Triple net costs are due as costs arise.	You will lease or sublease the premises (land and building) from CBAC or one of its affiliates. See Note 9 for the lease term.
IT Support Fee (Note 4)	As determined from time to time by CBAC and set forth in our Confidential Operations Manual, currently, \$200 per month for IT support services.	1st day of each month.	This may include web hosting and software/hardware technical support. CBAC reserves the right to increase this fee, in its sole discretion.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Software and related annual maintenance/ license fees	Annual maintenance or license fees may apply to any currently required software programs and for additional required software programs. Currently, annual maintenance or license fees for software programs are approximately \$14,600, plus data overages and will vary depending on the underlying vendors' current prices and are subject to change.	Maintenance/ license fees are billed each calendar year in the first quarter and due in 10 days.	Paid to CBAC because CBAC negotiates and purchases in bulk under more favorable terms in order to lower the cost to you. Currently all software, with the exception of FUSE, is purchased from outside vendors.
Loan Administrative Fee	\$2,500 to \$4,000	Upon demand.	If you elect to utilize CBAC's in-house loan administration services, a \$2,500 loan administration fee will be payable to CBAC upon the closing of your startup loan, which generally occurs 30 days prior to receiving your Certificate of Occupancy. If you elect to obtain and facilitate your own startup financing, you will be charged a \$4,000 loan administration fee due to the increased administrative burden.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Liquidated Damages	An amount equal to the average of the monthly Royalty Fees paid (or payable) over the past 12 months times the lesser of 48 months or the number of full calendar months remaining in the term of the Franchise Agreement at the time of termination.	Upon demand at time of termination of your Franchise Agreement.	Payable if we terminate your Franchise Agreement for violation of your confidentiality or non-compete obligations. See Section 15.09 of the Franchise Agreement.
Step-In Rights Management Fee	\$5,000 per month, plus reasonable compensation and expenses for our representatives (including an Interim Manager), plus other reasonable costs and expenses incurred in return for managing the Franchised Business.	Upon demand.	See Note 10.
Renewal Fee	10% of the initial franchise fee paid for the most recently sold franchise at the time of renewal.	Upon renewal.	The Franchise Agreement may be renewed after an initial term of 15 years for 3 consecutive terms of 5 years each. You will only need to pay this fee if you renew the Franchise Agreement.

Notes:

1. All fees are imposed by and payable to CBAC. Except as specifically described in this Item 6, all fees are non-refundable.

2. You will pay a “Royalty Fee” of 50% of monthly “Split Profits” (as defined below) to CBAC each month during the initial term of your Franchise Agreement and during the remainder of all terms of your Franchise Agreement, including all extension and renewal periods. This payment is due on the last day of each succeeding month, and is based on the “Split Profits” estimated for the preceding month. Estimated payments will be due monthly and a final reconciliation will be calculated at each year end for a “true up” on the annual “Split Profits”. “Split Profits” shall mean all monies, revenues and items of value from all sources generated in connection with and/or in any way related to the Franchised Business minus the Approved Expense Items. “Approved Expense Items” shall mean (i) those expense items calculated under Generally

Accepted Accounting Principles (GAAP) and approved by us as set forth in the Confidential Operations Manual, (ii) all subsequent written budget adjustments that are approved in writing by us, and (iii) all adjustments defined in the Confidential Operations Manual. Amendments to the Confidential Operations Manual that impact the Approved Expense Items will be effective upon the later of (i) receipt by you, or (ii) the effective date that is designated in writing from us. Approved Expense Items include approved expenses, debt service and/or other capital expenditures, which are approved in advance. Any salary or wage that your business pays to you and/or your spouse, as an employee of the franchise, is contingent upon the business making enough profit to pay such salary or wage and is not a guarantee of payment by CBAC. CBAC agrees to allow up to \$60,000 combined salary or wage to you or split between you and your spouse to be an Approved Expense Item. Any expense that is not an Approved Expense Item (each an “Unapproved Expense Item”), will require an equal amount of royalty fee to CBAC, regardless of the Split Profits calculation, payable at the same time as the payment of the Unapproved Expense Item.

3. Other training sessions offered by CBAC will be mandatory or optional at CBAC’s sole discretion, and the fees will be established by CBAC at the time it offers the training. These fees will be uniform for all franchisees. You will be required to pay all travel and living expenses incurred by you and any of your employees who attend any additional training sessions. As of the date of this Disclosure Document, CBAC has not yet charged any fees for this type of additional training. The franchisees have been required to pay travel and living expenses incurred by them and/or their employees in connection with attending additional training sessions.

4. For accounting and administrative services you may select any vendor you would like so long as the vendor provides CBAC a written agreement stating the specific services provided and acknowledges that the timeliness of the service will match requirements outlined in the Confidential Operations Manual. To give you a lower cost alternative, CBAC can provide each store with accounting and administrative services which will include preparation of monthly financial reports, a reconciliation of all bank statements, all payroll processing, posting of sales activity to the general ledger, posting of payroll activity to the general ledger, hosting the financial management software, obtaining and filing of bank statements, calculation and posting of depreciation, booking monthly accruals, reconciliation of credit card payments and allocations, reconciliation of all debt balances, analysis of all general ledger accounts for proper category postings, weekly sales reports of all franchises, quarterly profit and loss statements and Gross Profit Margin reports for all franchises, year-end adjustments to inventory, analysis of gross profit margin between the point of sale software and the financial software, and general tax information and filings. The fee for these services is currently \$550 per month. CBAC offers additional tax filing services for monthly sales and use tax filings and annual personal property tax renditions; and the fees for these services are \$25.00 per month and \$75.00 per year respectively. Additionally, as indicated above, CBAC provides IT support services for a fee of \$200 per month. The fees for all of these services may be increased in the future, in the sole discretion of CBAC.

5. Each franchise location will be required to utilize our point-of-sale system (Tekmetric), our accounting software (QuickBooks Enterprise), and our middleware that links the point-of-sale system to our accounting software (FUSE), and maintain a cell-based internet failover system. Initial and ongoing training and support will be provided by CBAC.

6. Each franchise location will do all of its own local advertising, and the cost of advertising is an operating expense to the franchisee. All marketing must be done according to the Marketing section within the Confidential Operations Manual and in conjunction with and approved by the CBAC Marketing Department. CBAC has established a National Program and Regional Programs. Each franchisee will be required to pay its prorated share of the National Program and any applicable Regional Program, subject to the Maximum Annual Cost. CBAC will deposit those payments into a marketing fund for that particular program (the “Marketing Funds”). As of December 31, 2023, we were charging \$12,500 in total marketing payments into the Marketing Funds for the National Program and Regional Programs (which was approximately 0.46% of average total annual revenue among CBAC franchises). See also Item 11 under the subheading “Marketing Funds.”

7. If you sell your operating company, the purchaser must be approved by CBAC prior to any transfer of the franchise license being allowed. You must submit a written request to CBAC to transfer your franchise license. You must pay us a non-refundable amount of \$10,000 when we approve in writing a term sheet or letter of intent signed by you and the buyer. You must pay an additional non-refundable sum of \$20,000 at the closing of the sale. All fees described in this note are Unapproved Expense Items, meaning these fees do not fall into the category of Approved Expense Items.

8. If you authorize CBAC to find an outside buyer – one who does not currently own and operate a Christian Brothers Automotive franchise, you will be responsible for paying CBAC a transaction fee, which is the greater of 7% of the gross value of the business transaction or \$50,000. Upon authorizing CBAC to find an outside buyer for you, you must sign a Transaction Fee Agreement (Exhibit F to the Franchise Agreement) and pay CBAC a non-refundable deposit equal to the greater of \$10,000.00 or 1% of the listed price of the Franchised Business. The remainder of the transaction fee is earned and payable upon the closing of the transaction between you and the buyer and is in addition to the transfer fee due and payable to CBAC, which is currently \$30,000 per business. The transaction fee described in this note is an Unapproved Expense Item, meaning this fee does not fall into the category of an Approved Expense Item.

9. You will be required to make lease payments to CBAC, an affiliate of CBAC, or in some cases a third-party landowner, in an amount set out in a Commercial Lease Agreement or a Commercial Sub-Lease Agreement. For new CBA stores, the initial term of the lease will be 15 years, and the initial monthly lease payment will be approximately \$22,000 to \$36,000 for base rent, plus all triple net costs (insurance, maintenance, property tax, sales tax, property owner association dues and common area maintenance, if applicable). The initial monthly lease payment amount will vary depending on items such as the cost of the construction of improvements. The high end of this range reflects locations where the land, development and construction costs are significantly higher than CBAC’s average costs. If you request a site in an area where the land, development and construction costs result in the rent exceeding the high end of the range disclosed in this note, CBAC will require you to deliver written notice to CBAC stating: you requested this location, you are aware that the rent exceeds the high end of the disclosed rent range, and you agree to pay the rent CBAC determines is appropriate for that location. For transition stores, unless CBAC and the buyer agree otherwise, the initial term will be equal to the remainder of the current term under the seller’s lease agreement and the rent will equal the rent amount under the current term of the seller’s lease agreement. CBAC does not currently require you to give a security

deposit to CBAC or an affiliate, but you will be required to pay all insurance premiums, property taxes, repairs & maintenance, association dues and utilities owed in connection with your use and operation of the leased premises, plus all other costs, if any, specified in the Commercial Lease Agreement or the Commercial Sub-Lease Agreement. Each year the base rent will increase by 1.5% on the anniversary of your lease commencement for new CBA stores, or the existing date for transition stores (unless otherwise agreed by CBAC and the buyer). It will be your responsibility to monitor and appeal property tax assessments for your leased building. CBAC will advise or assist you upon request.

10. In order to prevent any interruption of the operations which would cause harm to the Franchised Business (as defined in the Franchise Agreement), we have the right, but not the obligation, to step-in and designate an individual of our choosing (an "Interim Manager") to temporarily manage the Franchised Business until such time as the Franchised Business is transitioned to a new franchisee or we determine you can resume operation of the Franchised Business (the "Step-In Rights"). We may elect to exercise these Step-In Rights if: (i) you commit a non-curable default; (ii) you commit a default and fail to cure such default within the applicable cure period; (iii) we determine that you have materially failed to operate the Franchised Business in compliance with the standards, procedures and policies set forth in our Confidential Operations Manual or the Franchise Agreement, such that the operational deficiencies require that we assume management of the Franchised Business; (iv) you abandon or fail to actively operate the Franchised Business; or (v) the Principal Operator dies or is temporarily or permanently disabled or incapacitated. If we exercise our Step-In Rights, then: (a) we will keep in a separate account all monies generated by the operation of the Franchised Business, less the expenses of the Franchised Business, including reasonable compensation and expenses for our representatives (including an Interim Manager) as well as our other expenses; (b) you must agree to hold harmless us and our representatives for all actions occurring during the course of such temporary management of the Franchised Business and acknowledge that the Interim Manager and such representatives will have no liability to you except to the extent directly caused by the gross negligence or willful misconduct of us or the Interim Manager; (c) you agree to pay us a monthly management fee of \$5,000.00 per month; (d) you agree to pay us (in addition to the management fee) all of our reasonable costs and expenses, including, but not limited to, attorneys' fees incurred as a consequence of exercising our Step-In Rights; and (e) you must acknowledge that we and our representatives (including an Interim Manager) will have a duty to utilize only commercially reasonable efforts in the operation of the Franchised Business and will not be liable for any debts, losses, damages, or obligations you or the Franchised Business incur, or to any of your or the Franchised Business's suppliers, vendors or creditors for any supplies, products, or other assets or services you or the Franchised Business purchases, while managed by us or an Interim Manager. This remedy is in addition to other remedies available to us.

ITEM 7.
INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type Of Expenditure	Amount (Note 13, 16 and 17)	Method Of Payment (Note 14 And 15)	When Due	To Whom Payment Is To Be Made
INITIAL FRANCHISE FEE	\$135,000 (Note 1) \$121,500 with IFA VetFran Program Discount (Note 1)	a) \$85,000 b) \$50,000 With Discount: a) \$85,000 b) \$36,500 (Note 1)	a) See Note 1 b) See Note 1	CBAC (Note 1)
REAL ESTATE AND IMPROVEMENTS	\$0 at startup, but monthly thereafter (Note 1 and Note 2)	Monthly rent	First day of the month	CBAC
EQUIPMENT, FURNITURE AND SOFTWARE	\$255,000 to \$280,000 (Note 3)	Cash As Purchased	Prior to opening Franchised Business	Equipment Vendors and/or CBAC (Note 3)
SHUTTLE VEHICLE	\$30,000 to \$50,000 (Note 4)	Auto finance/Lease program	Prior to opening Franchised Business	Dealership vendor/individual seller
SHUTTLE VEHICLE WRAP	\$1,750 to \$3,400 (Note 4)	Auto finance/Lease program	Prior to opening Franchised Business	Third party wrap vendor
INVENTORY	\$11,000 to \$12,000 (Note 6)	Cash As Purchased	Prior to opening and then as needed	Suppliers
SECURITY DEPOSITS	\$5,000 (Note 7)	Lump Sum	Prior to opening Franchised Business	Local utility companies
SIGNS	\$0 (Note 5)			Provided through Franchisor and Real Estate Lease

Type Of Expenditure	Amount (Note 13, 16 and 17)	Method Of Payment (Note 14 And 15)	When Due	To Whom Payment Is To Be Made
INSURANCE & BUSINESS LICENSE	\$15,000 to \$45,000 (Note 8)	Per Agreement with Insurance Companies	Can be prior to opening Franchised Business but is usually financed with a monthly payment	Insurance Companies
MARKETING/ ADVERTISING	\$20,000 to \$30,000 incurred during your first year in business (Note 9)	When required by Advertising Suppliers	Start-up, monthly, or otherwise, per agreement with advertisers	Advertisers and Suppliers
NEW STORE OPENING MARKETING/ ADVERTISING	\$15,000 to \$20,000 (Note 10)	By Advertising suppliers	Starting 90 days prior to store opening until 60 days after store opening	Advertisers and Suppliers
PRE-OPENING TRAINING TRAVEL/ SALARY	\$7,500 to \$10,000 (Note 11)	General travel expenses such as flight, rental car, hotel and food costs for approximately 45-60 days.	Starting approximately 90 days prior to store opening and will be needed for a period of approximately 45-60 days.	Airline, car rental agency, hotel, restaurants and your salary if needed
OTHER PAYMENTS	\$5,000 to \$15,000 (Note 12)	Cash at purchase and/or included in business loan	Prior to applying for commercial financing	CBAC, bank of your choosing, Federal Govt and other 3rd party vendors
ADDITIONAL FUNDS DURING INITIAL 3 MONTHS	\$30,000 to \$40,000 (Note 13)	General operational expenses such as office supplies, employees, vendors and utilities	First three months of operations	Vendors, suppliers, employees and utility companies
TOTAL	\$530,250 to \$645,400 (Note 14)			

Notes:

1. As indicated in Item 5, you must pay CBAC the Franchise Fee of \$135,000. This Franchise Fee is paid in two installments. The first installment or Down Payment is in the amount of \$85,000 and is due at the earlier of your signing the Franchise Agreement or your signing the Letter Agreement. The second installment is in the amount of \$50,000 and is due 30 days prior to receiving your Certificate of Occupancy, which is generally assumed to be approximately six weeks prior to store opening. If you are allowed to finance the second installment, depending on your personal circumstances and credit worthiness, it will be paid to CBAC upon the closing of your startup loan, which is typically closed 30 days prior to receiving your Certificate of Occupancy as this coincides with initial working capital needs. \$13,500 of the Down Payment will be fully earned when paid and non-refundable in consideration of administrative and other expenses CBAC incurs and for lost or deferred opportunities to enter into the Franchise Agreement with others.

Within 30 days of you and CBAC's execution of the Letter Agreement, and before you sign the Franchise Agreement, CBAC will provide you with a Non-Use, Non-Disclosure and Non-Competition Agreement for execution. After you have signed the Non-Use, Non-Disclosure and Non-Competition Agreement, CBAC will provide you with credentials to access CBAC's proprietary and confidential training materials and Confidential Operations Manual.

CBAC agrees to identify Land for purchase and begin the process of negotiating a letter of intent for such purchase no later than one year following the date of the Receipt and Acknowledgement Letter Agreement. In the event CBAC fails to meet this deadline, you will have a thirty (30) day option to terminate your relationship with CBAC and have your Down Payment (minus the \$13,500 non-refundable portion) returned. If you choose not to terminate your relationship with CBAC within this thirty (30) day period, your Franchise relationship with CBAC will continue.

CBAC may not be able to purchase Land that you approve and CBAC has agreed to attempt to acquire. CBAC has the right to decline to purchase any Land for any reason whatsoever. CBAC agrees to notify you in writing if it determines, for any reason, that it will not purchase the Land. CBAC will then give you the option of either (a) choosing another location where CBAC is willing to attempt to acquire Land where your franchise will operate, or (b) terminating your relationship with CBAC and having your Down Payment (minus the \$13,500 portion which is non-refundable) refunded to you.

In the event a Termination Event occurs prior to CBAC executing a Contract for the acquisition of Land, then CBAC will deduct the \$13,500 non-refundable portion of the Down Payment and also deduct the reasonable costs that it incurs in selecting the site for Land and preparing to enter into the franchise relationship with you, and return any remainder of the Down Payment to you, provided that such deductions will not exceed \$38,500. Any amount not refunded shall be deemed fully earned when paid and non-refundable in consideration of administrative and other expenses CBAC incurs and for lost or deferred opportunities to enter into the Franchise Agreement with others.

“Termination Event,” as indicated in Item 5, means any of the following (i) you do not qualify for the necessary financing to open and operate your CBA franchise, (ii) you choose not to proceed with the decision to open a CBA franchise on the Land, and/or (iii) you are unable to complete any of your other obligations that are conditions to your owning and operating a CBA franchise.

In the event a Termination Event occurs after CBAC has executed a Contract but prior to CBAC submitting site plans to the appropriate authority for approval in connection with the purchase of the Land, then CBAC will deduct \$38,500 from your \$85,000 Down Payment and refund \$46,500 to you, which deducted amount shall be deemed non-refundable in consideration of administrative and other expenses CBAC has incurred.

In the event a Termination Event occurs after CBAC has executed a Contract and submitted site plans to the appropriate authority for approval in connection with the purchase of the Land, then CBAC will retain all of your \$85,000 Down Payment, which amount shall be deemed non-refundable in consideration of administrative and other expenses CBAC has incurred.

If no Termination Event occurs, you acknowledge that you (or an entity formed and owned by you for the sole purpose of owning and operating the Franchise) will execute the Franchise Agreement and pay the remaining amount of your Franchise Fee as provided in the Franchise Agreement no later than thirty days prior to receiving the Certificate of Occupancy for the building where you will operate the Franchise. The Franchise Fee is non-refundable except as described above.

If at any time prior to the opening date of your CBA franchise, CBAC determines (a) any of your representations or warranties prove to be inaccurate or false, (b) you fail to take, successfully complete and pass any of our required training, (c) you fail to submit to or pass any credit, character or background check performed by or on behalf of CBAC, and/or (d) you fail to timely or diligently perform any duties or obligations during the period prior to opening, then CBAC has the right to immediately terminate the Receipt and Acknowledgement Letter Agreement, the Franchise relationship and the Franchise Agreement, in which event CBAC will refund your Down Payment less the \$13,500 non-refundable portion.

CBAC is a proud participant of the International Franchise Association’s Veterans Transition Franchise Initiative and has established the following “IFA VetFran Program”. If you are a current or former member of the United States Armed Forces and have been or will be honorably discharged, then CBAC offers you a discount of 10% of the initial Franchise Fee. Upon receipt of your DD Form 214 “Certificate of Release or Discharge from Active Duty”, CBAC will apply the discount to the second installment of the initial Franchise Fee. You will pay the \$85,000 Down Payment at the earlier of your signing the Franchise Agreement or your signing the Receipt and Acknowledgement Agreement. Your second installment will be in the amount of \$36,500.00 and will be due on or before three business days after CBAC informs you in writing that building permits have been obtained, the land has been purchased, or the land has been leased for the building where your franchise will operate, unless you are allowed to finance the second installment, in which case it will be paid to CBAC upon the closing of your startup loan. \$13,500 of the Down Payment is non-refundable.

2. Either CBAC or an entity affiliated with CBAC or contracted by CBAC, will purchase real property and construct the building the franchise will operate from, or CBAC will lease the land and building for the franchise from an unaffiliated party. For new CBA stores, you will lease or sublease the building and property from CBAC or an affiliate for a period of fifteen (15) years for rent of approximately \$22,000 to \$36,000 per month for base rents. This amount will vary due to the cost of constructing the improvements and the underlying financing costs. The high end of this range reflects locations where the land, development and construction costs are significantly higher than CBAC's average costs. If you request a site in an area where the land, development and construction costs result in the rent exceeding the high end of the range disclosed in this note, CBAC will require you to deliver a signed written notice to CBAC stating that: you requested this location, you are aware that the rent exceeds the high end of the disclosed rent range, and that you agree to pay the rent CBAC determines is appropriate for that location. For transition CBA stores, unless CBAC and the buyer agree otherwise, the initial term will be equal to the remainder of the current term under the seller's lease agreement and the rent will equal the rent amount under the current term of the seller's lease agreement. On a case-by-case basis, CBAC may, in its sole discretion, decide to sell a site and building to a franchisee or to an unrelated third party. Any such sale to a franchisee will be contingent upon and result in an amendment to the franchise agreement revising the terms that CBAC deems appropriate; provided that such amendment shall not change the percentage of the Split Profits that you will receive or the length of the term of your franchise agreement. Any such sale to a third party will result in CBAC leasing the site and building from such third party and continuing to sub-lease it to you. CBAC may also, in its sole discretion and on a case-by-case basis, decide to contract for an unaffiliated party to acquire land and construct the building for a franchise which CBAC then leases from that unaffiliated party. For new CBA stores, we do not currently anticipate requiring a security deposit at startup and generally attempt to provide up to a six-month rent-free period. Consequently, we do not expect your initial funds to include rent. This is subject to change and will vary depending on the financial terms negotiated on each construction project. When the monthly lease payments do begin, as stated above, for new CBA stores, they will be between approximately \$22,000 to \$36,000 per month for base rents. In addition to the base rent, you will be required to pay other fees and expenses related to the real property such as property taxes, assessments, common area maintenance fees, and property owners' associations' fees.

CBAC will charge project development, construction management, and legal fees of up to 5% of project costs for each project. These fees will be included in the cost of construction of the improvements.

3. Prior to opening, you must purchase certain equipment, furniture and software from CBAC that will be used to operate the franchise. This will include the equipment listed in our Confidential Operations Manual and the software described below, at a current total cost of approximately \$255,000 to \$280,000. We may add or delete items to be purchased from or through us, or vendors from whom they must be purchased at any time. The equipment is purchased by us in order to obtain better pricing than individual purchasers could obtain, mitigate supply chain risk, and coincide with construction timelines. All equipment purchases will be rebilled to you at our cost, including any associated fees from the vendor.

The software that will be provided by CBAC and used to operate your CBA franchise includes the point-of-sale system (Tekmetric), FUSE, cell-based internet failover system, antivirus

clients, website hosting and SEO management, phone call tracking and monitoring, automotive animations library, online training platform, email accounts through Google Workspace, PCI Compliance services, remote support agents, and a QuickBooks Enterprise accounting package along with necessary licenses for remote access, printing, and security at the approximate upfront cost of \$2,650 and the approximate ongoing cost of \$14,600 annually, plus data overages. The upfront software costs are included in the above-described total amount. The fees for software purchases are refundable prior to store opening. See Item 5 and Item 8 for more information about the equipment, furniture and software that will be needed to operate the franchise.

4. You must purchase a CBAC-approved shuttle vehicle. This may either be a Honda Odyssey (2018 and up), Honda Pilot (2023 and up), Toyota Sienna (2021 and up), Toyota Highlander (2020 and up), Ford Mustang Mach E (EV), or Hyundai IONIQ 5. Subject to the model year requirements specified in the preceding sentence, no pre-owned shuttle vehicle may be more than 4 years old at the time of purchase, without written approval from CBAC otherwise, and must be the latest design/body style available. The approved shuttle vehicle must be wrapped with a CBAC-approved graphic wrap by our approved vendor. The cost of the wrap can be financed with the purchase or lease of the shuttle vehicle.

5. You must display and maintain a sign for your franchise. CBAC will select the sign, the location for the sign and the company to build and install the sign. The cost of this sign is included in your project cost or a construction loan. All costs and expenses related to maintaining, repairing and/or replacing the sign will be your obligation on an ongoing basis throughout the term of your lease.

6. You must purchase inventory to begin your business. The types of inventory you will be required to purchase will be determined by CBAC. Inventory prices are subject to change.

7. You must pay security deposits to the local utility companies. You must call them to determine the amounts and methods of payment.

8. We estimate that you will spend between \$15,000 and \$45,000 per year on insurance premiums and licenses. Normally, these premiums can be financed on a monthly payment plan that will reduce the initial cash outlay to approximately \$5,000, depending on your providers and your credit worthiness. You will need to carry any and all forms of insurance that may be required by law, required in the Franchise Agreement, required in your commercial lease or sublease agreement, required by your lender, specified by CBAC from time to time, and/or as are reasonably necessary to carry on a business of this type. The types of insurance will include: workers compensation, property/casualty, renter's coverage(s), errors and omissions, general liability and life insurance (if required by your lender). You are required to maintain at all times general liability business coverage limits of not less than \$2,000,000. The coverage premiums for these policies will vary between insurance companies, and will also vary depending on factors such as projected volume, fees, loss history, and experience rate. If you finance any aspect of your franchise business, your lender may require additional insurance. Group health insurance coverage for employees is an optional expense. Disability, dental, vision, or supplemental insurance for you or your employees is an Unapproved Expense Item for purposes of calculating Split Profits.

9. CBAC requires that if you market/advertise in any local medium that it be done according to the Marketing section within the Confidential Operations Manual and in conjunction with and approved by the CBAC Marketing Department. Starting with your first year in operation, you should budget between \$20,000 to \$30,000 per year for marketing/advertising.

10. In addition to the estimates in Note 9, CBAC estimates you will spend between \$15,000 to \$20,000 for marketing/advertising from about 90 days prior to store opening until about 60 days after store opening. We may require you to spend up to \$20,000 on such marketing/advertising.

11. You will spend about \$7,500 to \$10,000 for pre-opening traveling for training, including general travel expenses such as flight, rental car, hotel and food costs for a period of approximately 30 to 45 days. If you elect to take a salary from your business during this period, CBAC will approve up to \$9,230.77 of your salary (eight weeks' worth) as an Approved Expense Item.

12. You will need to make estimated payments of \$5,000 to \$15,000 at or near startup for miscellaneous expenses which include items such as: financing/administrative or application fees, legal or professional fees, extra office supplies and extra inventory or supplies that are unique to your location which may consist of some of the items described in Notes 3, 6 and 7 above. If you elect to utilize CBAC's in-house loan administration services, a \$2,500 loan administration fee will be payable to CBAC upon the closing and funding of your startup loan, which generally occurs upon receiving your Certificate of Occupancy. If you elect to obtain and facilitate your own startup financing, you will be charged a \$4,000 loan administration fee due to the increased administrative burden. These amounts are included in the above range of estimated payments.

13. CBAC estimates that you will spend between \$30,000 to \$40,000 over the first three months of the operation of the franchise on items such as general office supplies, employees, vendors and utilities. These expenditures are often categorized as expenditures made from working capital. These amounts are estimates. They will, to a considerable degree, represent discretionary expenses that you may or may not choose to incur. You can choose to spend more than this, but it will increase your total up-front investment and may require you to increase your down payment if you are financing.

14. CBAC estimates that your total estimated initial investment will be between \$520,250 and \$645,400. These figures are estimates only, and CBAC does not warrant, represent or guarantee that you will not incur additional expenses as you start your business. Some of these additional expenses may be optional to you, but others may be necessitated by circumstances that are particular to the location or other aspects of your business.

15. CBAC relied on the experience of its management to compile these estimates. You must review these figures carefully with a business advisor before making any decision to apply to become a CBAC franchisee.

16. Except as set out in this Item 7, no fee or payment to CBAC or to equipment vendors is refundable.

17. CBAC does not offer direct or indirect financing to you for any items in connection with your initial investment.

ITEM 8.

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Lease Relationship

You are required to lease or sublease the land and building for the franchise from CBAC. CBAC will either own the land and building or lease the land and building from an affiliate or from a third party. The terms of the lease are contained in the Commercial Lease or Sublease Agreement that is attached as Exhibit C to the Franchise Agreement which is attached as Exhibit B to this Disclosure Document.

Approval of Suppliers

We specify certain furniture, fixtures, equipment, inventory, supplies and other materials and items that you must have before opening and must maintain for as long as you own your franchise, including automotive repair/service equipment, tools and supplies, as well as office supplies. We also specify certain services that must be used in the development and operation of your franchise. All services, furniture, fixtures, equipment, inventory, supplies and other materials required to develop and operate your automotive repair facility must be procured from us, or from suppliers that we designate or approve. We may designate ourself or an affiliate as an exclusive supplier of any product or service. We will provide you with our Confidential Operations Manual and various bulletins and notices that will contain the specifications, standards and restrictions for your purchase of such products, materials and services. As we determine consumer preferences and trends in the marketplace, or develop new marketing techniques, technologies, products and services, we anticipate that we will formulate new policies and modify our existing standards and specifications. We will notify you of these changes through amendments to the Confidential Operations Manual, articles, newsletters or other bulletins.

We and our affiliates may derive revenue as a result of the sale of any product or service to our franchisees.

We may negotiate volume purchase agreements with some vendors for the purchase of services, products, equipment, fixtures and inventory needed to operate your automotive repair facility. We have negotiated purchase agreements with certain vendors to supply equipment, parts, insurance, software and start-up supplies, if geographically feasible, to our franchisees at competitive prices.

We and/or our affiliates may receive payments, such as rebates, or other compensation from suppliers on account of the suppliers' dealings with us, you, or other franchisees. If we do receive such payments from suppliers, we may use the amounts that we receive for any purpose that we deem appropriate.

Prior to opening, you must purchase certain equipment, furniture and software from CBAC that will be used to operate the franchise. This will include the equipment listed in our Confidential Operations Manual and the software described below, at a current total cost of approximately

\$255,000 to \$280,000. The equipment is purchased by us in order to obtain better pricing than individual purchasers could obtain, mitigate supply chain risk, and coincide with construction timelines. All equipment purchases will be rebilled to you at our cost, including any associated fees from the vendor.

The software that will be provided by CBAC and used to operate your CBA franchise includes the point-of-sale system (Tekmetric), FUSE, cell-based internet failover system, antivirus clients, website hosting and SEO management, phone call tracking and monitoring, automotive animations library, email accounts through Google Workspace, PCI Compliance services, remote support agents, and a QuickBooks Enterprise accounting package along with necessary licenses for remote access, printing, and security at the approximate upfront cost of \$2,650 and the approximate ongoing cost of \$14,600 annually, plus data overages. The upfront software costs are included in the above-described total amount. The fees for software purchases are refundable prior to store opening. See Item 5 and Item 8 for more information about the equipment, furniture and software that will be needed to operate the franchise.

If you elect to utilize CBAC's in-house loan administration services, a \$2,500 loan administration fee will be payable to CBAC upon the closing and funding of your startup loan, which generally occurs upon receiving your Certificate of Occupancy. If you elect to obtain and facilitate your own startup financing, you will be charged a \$4,000 loan administration fee due to the increased administrative burden.

We may add or delete items which must be purchased through us, or vendors from whom they must be purchased at any time, including once the site for your CBA franchise has been selected, and all costs are subject to change.

For the year ended December 31, 2023 our total revenue was \$140,989,434, of which \$2,631,952 or approximately 1.9% was received from franchisees in payment to us for accounting and IT-related services, and of which \$51,459,685 or approximately 36.5% was received from franchisees as a result of real estate sublease and lease payments to us. We also received a total \$347,745 from franchisees or required vendors as a result of purchases of equipment and related products directly from us.

CBAC received rebates from approved vendors in the amount of \$1,341,308 during the year ending December 31, 2023. These rebates are generally used to fund the costs of the Annual Franchise Convention/Meeting for franchisees, "Mastering the Difference" workshop for service managers and technicians, meetings of the Franchise Exchange Committee (including costs incurred in connection with cancelling, postponing or holding any of the foregoing), and the costs to administer the purchasing program.

We do not currently have any affiliates selling or leasing required products or services to franchisees.

If you wish to procure any items from a supplier other than us or a supplier we designate, you must obtain our approval in the manner set forth in Section 9.07 of the Franchise Agreement which basically requires that you identify the proposed supplier, its name and address, and the items you desire to purchase from that supplier. If product specifications for the item are not in

the Confidential Operations Manual, we will furnish the specifications to you at your request. We may condition our approval on the supplier agreeing in writing: (a) not to disclose any confidential information regarding us or our operations, (b) to comply faithfully with our specifications for the items it sells, (c) to sell any materials bearing our marks only to our franchisees, (d) on the supplier demonstrating to our reasonable satisfaction that it is able to supply equipment, fixtures and/or inventory meeting our specifications on a continuing basis, and (e) that the supplier is, and will continue to be, of good standing in the business community with respect to its financial soundness and the reliability of its product and service. Within 60 days after our receipt of a written request to approve a supplier and our receipt of all other information which we request in order to evaluate that supplier, we will attempt to notify you in writing whether or not such supplier is deemed approved by CBAC. No supplier will be approved unless and until CBAC has notified you in writing that such supplier is approved. We have the right to disapprove or withdraw our approval of any supplier at any time by providing you with written notice of our disapproval or withdrawal of approval. We do not charge any fees to secure our approval of suppliers. We do not negotiate purchaser arrangements with suppliers for the benefit of franchisees. However, from time to time, we negotiate with suppliers for the franchisees with the option but not the obligation to enter into these agreements. There are currently no purchasing or distribution cooperatives in our franchise system.

We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional automotive repair facilities) based on whether or not you purchase through the sources we designate or approve. However, purchases of unapproved products or from unapproved vendors in violation of the Franchise Agreement will entitle us, among other things, to terminate your Franchise Agreement.

We estimate that approximately 95% of your expenditures for leases and purchases of equipment and supplies in establishing your automotive repair facility and approximately 2% of your expenditures for leases and purchases of supplies on an ongoing basis will be for goods and services which are subject to sourcing restrictions (that is, for which suppliers must be approved by us, or which must meet our standards or specifications).

No officer or director of CBAC owns an interest in an approved supplier of equipment, fixtures and/or inventory.

Advertising

You may not use any advertising material and/or channels for local marketing unless the CBAC Marketing Department has expressly approved it in writing before publication or use, and it complies with our requirements concerning format, content and media.

Records

All of your bookkeeping and accounting records, financial statements, and all reports you submit to us must conform to our requirements.

Computer Equipment

We presently require you to purchase or lease the computer hardware or software that is described in Item 11. The Franchise Agreement allows CBAC, from time to time in its discretion, to establish such sales or financial data reporting systems as CBAC considers appropriate for the accurate and expeditious reporting of financial data. You must fully cooperate with us in implementing any such system at each automotive repair facility you own. You must equip the automotive repair facility (or facilities) with such sales or financial recording devices as we may require. These requirements may include sales recording cash registers or devices that will telecommunicate gross sales or financial data directly to us on a daily or other frequent basis.

Insurance

To standardize insurance coverage and to afford you and CBAC protection against insurable risks, we may prescribe minimum standards and limits for insurance coverage to be purchased by you. Such standards and limits may be set forth in the Confidential Operations Manual, the Commercial Lease Agreement or Commercial Sub-Lease Agreement, or by other written notice. You must promptly provide us with certificates of insurance evidencing such coverage and copies of the underlying policies, including all endorsements, no later than ten (10) days prior to the Opening Date, and you must again furnish us with those certificates and policies whenever any coverage is renewed and/or replaced. All costs for such insurance will be borne by you. All insurance purchased by you must name CBAC (and where requested, its lenders and/or landlords) as an additional insured, and must provide that CBAC will be given at least thirty (30) days' prior written notice of any termination, amendment, cancellation, or modification thereof.

Presently we require you to maintain the following minimum insurance amounts: (1) worker's compensation and employer's liability insurance, as well as any other insurance required by law; (2) comprehensive general liability insurance with limits of at least \$1,000,000 per occurrence, and \$2,000,000 general aggregate, including the following coverages: personal injury, employment practices, employee dishonesty, products/completed operation, and terrorism, among other coverages; (3) property insurance with limits based upon valuation and square footage, including building value, contents value, business income, data protection, valuable papers, equipment breakdown, employee tools, increased cost of construction and wind, hail, flood and earth movement (if required in your area); (4) automobile liability insurance, including owned, non-owned, and hired vehicle coverage, with at least \$1,000,000 combined single limit; (5) excess liability coverage over general liability, property, automobile liability, and employer's liability, with at least \$3,000,000 per occurrence; and (6) garage keepers liability insurance in the amount of at least \$300,000.

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 Agreement	Disclosure Document Item
a. Site selection and acquisition or lease	Sections 2.01 to 2.04, 9.05, 10.22 and Exhibit C of the Franchise Agreement; Commercial Sub-Lease Agreement	Items 7, 8 and 12
b. Pre-opening purchases and leases	Section 8.06, 9.05, 10.02 of the Franchise Agreement; Commercial Sub-Lease Agreement	Items 6, 7 and 8
c. Site development and other pre-opening requirements	Sections 8.06, 9.05 and 10.23 of the Franchise Agreement	Items 6, 7, 8 and 11
d. Initial and ongoing training	Sections 4.03, 9.03, 9.05, 9.06, 10.05, 10.18, 10.24 and 10.25 of the Franchise Agreement; Section 4(a) of the Store In Distress Support Program Agreement	Items 6, 7 and 11
e. Opening	Sections 9.05, 9.06, 10.09, 10.21 of the Franchise Agreement	Item 11
f. Fees	Section 3.04, Section 4. Sections 8.02, 10.01, 13.02 and 14.05, of the Franchise Agreement; Confidential Operations Manual	Items 5, 6, 7, 10 and 11
g. Compliance with standards, policies and operating manual	Sections 10 and 11 of the Franchise Agreement; Confidential Operations Manual	Items 6, 7, 8, 11, 12, 13, 14, 15, 16, and 17
h. Trademarks and proprietary information	Sections 5, 6, and 7 of the Franchise Agreement	Items 13 and 14
i. Restrictions on products and services offered	Sections 2.03 and 10.12 of the Franchise Agreement	Item 16
j. Warranty and customer service requirements	Section 10.07 of the Franchise Agreement;	Items 11 and 15

Obligation	Section in Agreement	Disclosure Document Item
	Confidential Operations Manual	
k. Territorial development and sales quotas	Sections 2.01 - 2.04 and 10.17 of the Franchise Agreement; Section 4(b) of the Store In Distress Support Program Agreement	Items 9 and 12
l. Ongoing product and service purchases	Sections 9.07, 10.02, 10.10 and 10.12 of the Franchise Agreement; Confidential Operations Manual	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 3.05 and 10.26 of the Franchise Agreement; Commercial Sub-Lease Agreement; Confidential Operations Manual	Items 11 and 17
n. Insurance	Section 10.15 of the Franchise Agreement; Commercial Sub-Lease Agreement; Confidential Operations Manual	Item 7
o. Advertising	Section 8 and Sections 9.05 and 10.08 of the Franchise Agreement; Confidential Operations Manual	Items 6 and 7
p. Indemnification	Sections 10.06 and 10.28 of the Franchise Agreement; Commercial Sub-Lease Agreement	Item 17
q. Owner's participation, management and staffing	Sections 10.04, 10.05, 10.16, 10.18, 10.24, 10.25, 14.05, 16.01, 16.02 and 22.01 of the Franchise Agreement; Confidential Operations Manual	Items 11 and 15
r. Records and reports	Sections 10.11, 10.14, 11.01, 11.02 and 11.04 of the Franchise Agreement; Confidential Operations Manual	Items 6 and 8
s. Inspections and audits	Sections 10.13, 10.28 and 11.03 of the Franchise	Items 6 and 11

Obligation	Section in Agreement	Disclosure Document Item
	Agreement; Confidential Operations Manual	
t. Transfer	Sections 13.01 - 13.05, 14.05 and 15.08 of the Franchise Agreement; Confidential Operations Manual	Items 6 and 17
u. Renewal	Sections 3.02 - 3.08 of the Franchise Agreement; Confidential Operations Manual	Item 17
v. Post-termination obligations	Section 15 and Sections 5.01, 5.02, 5.05, 6.04, 7.01, 10.06, 10.28, 16.03, 16.05 of the Franchise Agreement; Section 6 of the Store In Distress Support Program Agreement; Commercial Sub-Lease Agreement	Items 8 and 17
w. Non-competition covenants (in-term and post-term)	Sections 14.02(p) and Section 16 of the Franchise Agreement	Item 17
x. Dispute resolution	Section 24 of the Franchise Agreement; Commercial Sub-Lease Agreement	Item 17
y. Liquidated Damages	Section 15.09 of the Franchise Agreement	Item 6

ITEM 10.
FINANCING

Except for our financing (as described below), we do not offer direct or indirect financing. We do not guarantee your notes, leases or other obligations.

CBAC may offer unsecured financing for loans for remodels and renovations required by the Franchise Agreement. We may determine in our sole discretion whether to approve or disapprove any loan requests. If approved, terms for these loans will be determined based on the principal amount requested and will accrue interest at an agreed upon rate of interest. Terms and conditions, which are subject to change based on a variety of internal and external factors, will be established by CBAC and agreed upon with each borrower. You will be required to sign a promissory note, but we will not take a security interest in any collateral in connection with the loan, nor will we require a personal or third-party guaranty. If any installment payment due under the loan is not timely received, the entire amount of unpaid principal will become immediately due and payable at our option without prior notice to you. A default under the promissory note will

also be considered a default under the franchise agreement. You are not required to waive defenses nor are you barred from asserting defenses under the current form of our promissory note.

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

Except as listed below, CBAC is not required to provide you with any assistance.

The references to “Items” are to Items in this Disclosure Document. The references to “Articles and Sections” are to Articles and Sections in the Franchise Agreement attached as Exhibit B to this Disclosure Document.

Pre-Opening Obligations

We have the following obligations to you before you open your automotive repair facility for business:

1. CBAC will select a site for your franchise business and present it to you for your approval. In selecting the site, CBAC considers such factors as demographics, access, traffic, competition, visibility, natural and man-made boundaries and existing customer base. CBAC or an entity affiliated with CBAC will purchase the site and construct the building to be leased to your franchise. If an affiliate of CBAC purchases the site and constructs the building that will be used for your franchise, CBAC will lease the site and building from that affiliate and will sublease the site and building to you. If CBAC purchases the site and constructs the building, CBAC will lease the building and land to you. You will have options to extend the lease for three consecutive five-year periods subject to the conditions referred to in Item 17 and contained in the Franchise Agreement. If you finance any acquisition or operational aspect of your franchise business you will incur application fees, loan fees, closing costs and other related financing costs. CBAC may alternately lease the facility from an unaffiliated third party instead of purchasing directly, as mentioned in Note 2 to Item 7. (Section 9.05).

2. CBAC will construct the premises and direct you in selecting the decorations for the premises. (Item 7, Note 2 and Section 9.05).

3. Signage will be provided as part of the project cost. You are required to purchase all other fixtures, equipment and office furniture. CBAC will furnish you with specifications for those fixtures, equipment and office furniture. (Item 7, Notes 3 and 4 and Section 9.05).

4. CBAC will assist and consult with you as you recruit and train at least one Service Manager and three technicians. All final hire decisions are made by you, as CBAC will only make recommendations when consulted. CBAC will provide required direct training for your Service Manager. You will be responsible for hiring all your employees. During training you will be provided a template for an Employee Handbook/Manual, which is purely a recommendation and not a mandatory document. You are responsible for the enforcement of your employment policies (Section 9.03). It is strongly recommended that you have a local employment law attorney review any handbook that you intend to utilize, no matter if it is based on the provided template, any other

template, or written entirely by you as employment laws vary greatly from jurisdiction to jurisdiction.

5. CBAC will agree to identify the Land for your CBA franchise for purchase and begin the process of negotiating a letter of intent for such purchase no later than one year following the date of signing the Receipt and Acknowledgement Letter Agreement, as described in Item 5. In the event CBAC fails to meet this deadline, you will have a 30 day option to terminate your relationship with CBAC and have your Down Payment (minus the \$13,500 non-refundable portion) returned. If you choose not to terminate your relationship with CBAC within this 30 day period, your Franchise relationship with CBAC will continue, and CBAC will continue to search for Land for your CBA franchise.

6. Within 30 days of you and CBAC's execution of the Receipt and Acknowledgement Letter Agreement, as described in Item 5, and before you sign the Franchise Agreement, CBAC will provide you with a Non-Use, Non-Disclosure and Non-Competition Agreement for execution. After you have signed the Non-Use, Non-Disclosure and Non-Competition Agreement, CBAC will provide you with credentials to access CBAC's proprietary and confidential training materials and Confidential Operations Manual.

7. We will conduct an initial training program as described in this Item under the heading "Training." (Section 9.03).

Time Before Opening

The time between the first payment of consideration by a franchisee and the opening of the franchise business has ranged from 3 to 48 months, but the average timeframe is typically between 18 to 30 months. The factors that affect this timeline include negotiating acceptable purchase terms, resolving site specific title issues, financing, building permits, zoning and local ordinances, weather conditions, material and/or labor shortages, construction delays and delays in the installation of fixtures, equipment and signs. This time period may be closer to six months in the event there is an available location that is about to commence construction or that has already started construction.

Post-Opening Obligations

We have the following obligations to you during the operation of your business:

1. We will assist you (i) in establishing systems to price services and parts you will offer to customers; (ii) in establishing systems to order parts; and (iii) in establishing and maintaining relationships with suppliers of the parts and services you will need for your customers. (Sections 9.07 and 9.08)

2. We will provide you with on-site training during the early weeks your franchise business is open and provide initial training at CBAC's offices as well as in our Certified Training Locations. If you need to hire a replacement Service Manager, CBAC will assist and consult with you as you recruit and train the Service Manager. During the initial year of operating your franchised business, CBAC performs these services at no additional cost to you. All replacement Service Managers must also be trained as required by CBAC. (Section 9.03).

3. We will continue to attempt to improve CBAC's procedures and systems for operating the automotive repair and maintenance business. As we develop new procedures and systems, CBAC will provide you with information and when appropriate, training concerning these new systems and procedures. (Section 10.18)

4. We will assist you in negotiating the purchase of parts and materials and in establishing prices to charge your customers for the products and services you furnish them. We will not establish maximum, minimum or other pricing requirements with respect to our Franchisees, unless the pricing requirements have been established in a franchise agreement that has been reviewed and approved by the SBA and listed on the Franchise Registry. (Sections 9.07 and 9.08).

5. We will assist you in establishing systems and procedures for administrative, bookkeeping, accounting, payroll and inventory control matters. (Section 9.04).

6. We will have personnel available to assist you in operating problems that arise after you begin to operate the franchise business. (Section 9.06).

7. We will provide regular coaching with a designated Performance Consultant during your first year in business and on an ongoing basis throughout the life of your franchise at our option.

Marketing Funds

CBAC has established a National Program and Regional Programs for marketing purposes, as described in Item 6. Each franchisee will be required to pay its prorated share of the National Program and any applicable Regional Program, subject to the Maximum Annual Cost (equal to 3% of the average total annual revenue for the previous calendar year (January 1 through December 31) of all franchisees whose franchised businesses have been in operation for at least 12 months as of December 31 of the previous year). The Maximum Annual Cost shall apply to the National Program and any applicable Regional Program combined. CBAC will deposit those payments into a marketing fund (the "Marketing Funds"). The purpose of the Marketing Funds is to assist in building brand awareness for Christian Brothers Automotive on a system-wide level, help to drive customer leads to CBA franchises, and aid in increasing guest retention. The sums you and other franchisees contribute to the Marketing Funds will be deposited into a separate operating bank account and will be segregated on our books. We will furnish to you within 120 days after the end of each of our fiscal years, during which we have established and funded Marketing Funds, an unaudited report certified as correct by a CBAC officer showing the Marketing Funds revenue and expenses for the fiscal year just ended. As of December 31, 2023, we were charging \$12,500 in total marketing payments into the Marketing Funds (which was approximately 0.46% of average total annual revenue among CBAC franchises).

During 2023, the Marketing Funds (for the National Program and the Regional Programs) were spent approximately in the following manner: 4.63% for administrative initiatives; 22.55% for brand-level marketing initiatives; 14.04% for local support initiatives 36.50% for marketing-related technology; 22.28% for store-level tech recruitment marketing (which was in response to

feedback from franchisees asking for more recruitment assistance and reviewed by the Marketing Exchange Committee). These percentages are likely to change from year to year.

We will work to spend an amount equal to the Marketing Funds revenue received or allocated by us for: national, regional or local advertising, which includes the production and purchase of media (such as digital, direct mail, print, radio, outdoor, point of sale and television), public relations, and brand awareness promotional campaigns. The advertising/marketing efforts may be developed in-house and/or with the support of a national and/or regional marketing agency. This sum may also be spent for other items such as: marketing-related technology systems, testing new advertising tactics, national discount/offer funding, call performance tracking, online reputation management, online directory listings management, market research, brand strategy ideation, the development of customizable franchisee marketing resources, travel costs for the marketing team to visit with franchisees and attend marketing conferences that provide additional marketing training to keep the CBAC Marketing Department members up-to-date on the latest marketing trends, travel for Marketing Exchange Committee members to attend in-person meetings, performing marketing vendor/solution audits, website and app development, product development, loyalty programs, social media and branded promotional items. Some of the Marketing Funds may also be allocated to reimburse us or our affiliates for the internal expenses of operating a marketing department and administration of our marketing programs, but we may not allocate more than 15% of all Marketing Funds contributions to the internal expenses incurred by us and our affiliates (actual direct costs incurred for the production of advertising is not subject to the 15% limitation). We determine, in our sole discretion, all matters relating to the allocation of the Marketing Funds. We are not required to allocate or expend Marketing Funds contributions for the benefit of any particular franchisee or group of franchisees on a pro rata or proportional basis. The Marketing Funds are not used to solicit new franchise sales. We do not audit the Marketing Funds. We will, within one hundred twenty (120) days following the close of our fiscal year, prepare and distribute to all franchisees an unaudited report, setting forth Marketing Funds revenue and expenses for the fiscal year just ended.

Local Advertising

As of the date of this Disclosure Document, CBAC utilizes the range of 1% to 2% of gross revenue as a suggested metric for determining the amount you should spend on local advertising after your first two years in operation. In the first two years of operation, we recommend spending \$30,000 - \$50,000 per year for marketing. This percentage range does not include the Marketing Funds contributions (as described above). If CBAC establishes a minimum in the future, you must spend that required minimum on local advertising. However, you must receive written approval from the CBAC Marketing Department before you may use any advertising/marketing material or channel (e.g. event sponsorship, print, digital or broadcast media, etc.) that has not been created and/or approved by the CBAC Marketing Department. Any advertising or marketing materials found to be outside CBAC brand standard guidelines will be deemed out of compliance and considered an unapproved marketing expense. CBAC will furnish you with written suggestions for local advertising, and the CBAC Marketing Department will be glad to discuss any comments or advertising ideas you have. (Sections 8.04 and 8.05)

New Store Opening Advertising

In preparation for the opening of a new CBA franchise, or the transition of an existing CBA franchise to a new franchisee, we will require that you work with the CBAC Marketing Department to develop a new store opening or transition plan for the location. The plan may include both pre- and post-opening/transition activities such as the purchase of local market media, direct mail, digital marketing, collateral and signage printing, promotional giveaway items, community non-profit partnerships and hosting a grand opening event. In this situation, you should be prepared to spend up to \$20,000 on new store or store transition marketing activities recommended and approved by the CBAC Marketing Department. This expenditure is in addition to the suggested amount (\$20,000 - \$30,000) you may spend on local marketing during your first year in operation. We may require you to spend up to \$20,000 on new store opening or store transition advertising/marketing. (Section 8.06)

Market-Wide Marketing Co-ops

Franchisees also have the ability to establish a market-wide marketing co-op (“MMC”) subject to our approval. MMCs will be organized according to written governing documents for the exclusive purpose of administering market-wide advertising programs and developing (subject to our approval) standardized promotional materials for use by the members in market-level advertising and promotions. As of the date of this Disclosure Document, only one MMC is established. Your participation in the MMC will be governed by any governing documents established by the MMC. The MMCs may be required to prepare annual financial statements available for CBAC’s review. All marketing and advertising materials created by the MMC must be approved by CBAC. If we operate an automotive repair facility located in a market in which a MMC has been established we will participate in this MMC on the same basis, with the same voting rights, as franchisees.

Marketing Exchange Committee

We may, at our discretion, form a Marketing Exchange Committee (“MEC”) made up of franchisees and franchisor representatives. As of the date of this Disclosure Document, there is a MEC in place. Franchisees will be voted onto the committee by franchisees in their region. To be nominated, various factors will be considered including performance and length of time operating a CBA franchise. The MEC will act in an advisory capacity only and will not have decision-making authority. Once a MEC has been formed, we reserve the right to change or dissolve it at any time.

Promotional Campaigns

We may periodically conduct promotional campaigns on a national or regional basis to promote products, services and/or general brand awareness. You must participate in all promotional campaigns that we may establish on a national basis or for the region or metropolitan area in which your automotive repair facility is located. (Section 8.02)

Website

CBAC has established and currently maintains a website for the benefit of the CBA organization. The website is designed to build brand awareness for CBA and to drive customer leads to CBA franchises. Your automotive repair facility will be featured within the CBAC website structure and, as of the date of this Disclosure Document, you may promote your location within your protected service area using only CBAC approved vendors to populate the site with local content and to drive traffic to the site. You will not be allowed to establish a unique website outside of the CBAC website structure with any third party nor will you be allowed to use an unapproved vendor for any search engine marketing tactics.

Training

Prior to opening or taking over operations of your franchise business, the Principal Operator of the franchise must have attended and successfully completed our management training courses to our satisfaction. This training will be conducted through an online training portal, at our offices in Houston, Texas, and field-training at a location(s) we designate. In addition, the Principal Operator's Service Manager must attend and successfully complete our management training course held at our offices in Houston, Texas. Training programs are offered periodically as needed to meet the demands of new and existing Principal Operators. We may periodically offer additional training programs to you and your Service Manager, covering such subjects as: new products or procedures, operating techniques, new methods, marketing, bookkeeping, accounting and general operating procedures, the establishment, use, development and improvement of computer systems, and overall skill development. Attendance by you and/or your Service Manager may be mandatory or optional, at our discretion. There is no charge for mandatory training courses, however we may charge for optional training courses. All expenses (such as travel, room, and board) that you and your personnel incur while attending or obtaining all training will be borne entirely by you.

Our training staff is comprised of Home Office-based team members as well as existing and established Christian Brothers Automotive franchisees as part of our Certified Training Locations (CTL) and Certified Field Trainer (CFT) programs. The training staff consists of 35 persons, who have accumulated over 215 years of experience with CBAC in various operational capacities, and over 375 years of related automotive experience or education. Currently, our training programs are led by Brad Fink, CFE. Mr. Fink has over 16 years of experience in the automotive repair and maintenance industry. He has served as a Service Manager, General Manager and multi-unit CBAC franchisee. We may use additional instructors on our training staff to conduct our training programs. Our additional instructors have CBA operations experience and strong training and development skills and abilities.

The CTL program supplements the current training program as follows:

The new Principal Operator will train under a CTL at the retail location operated by a CTL Franchisee for four weeks either before or after completing both the online courses and the two weeks training at our offices in Houston, Texas. The new Principal Operator will gain on-the-job experience by working in an operating CBA facility and learning to perform the duties of a successful CBA team member.

The CFT program supplements the current training program in two ways:

The new Principal Operator will train under a CFT at the retail location operated by the CFT for two weeks either before or after completing both the online courses and the two weeks training at our offices in Houston, Texas. The new Principal Operator will gain on-the-job experience by working in an operating CBA facility and learning to perform the duties of a successful CBA Principal Operator.

The CFT will accompany the new Principal Operator during one week of business operations near the opening of the new repair facility. The CFT will help the new Principal Operator implement the Christian Brothers Automotive systems. All CFTs must complete 24 hours of online courses, a day (12 hour) training program at our offices in Houston, Texas, and a 3-day (24 hour) site visit compliance check at the CFT’s retail location(s).

Instructional materials include our Confidential Operations Manual, Playbook and related online and offline materials. New Principal Operators must complete: 60 hours of online training; a two week (65 hours) training program which will be held at our offices in Houston, Texas or at some other location we designate, including a completely virtual environment; a four week (230 hours) training program under the supervision of and at a franchise location under the supervision of a CTL Trainer; and a two week (115 hours) training program under the supervision of and at a franchise location operated by a CFT. All of this training must be completed before any New Principal Operator will be allowed to serve as a Principal Operator of a franchise. The Service Manager must complete a one-week (33 hours) training program at our office in Houston, Texas, or virtually facilitated by members of the CBAC Training staff. Both the Principal Operator and Service Manager will be on site at the Principal Operator’s location one and a half week prior to the projected business open date. During this time, we will provide training and support programs on location at the place of business and from our offices in Houston, TX (75 hours). The Principal Operator will complete a 3-day (20 hours) course at our office in Houston, Texas between the 8th month and 13th month of business operation. (Approximate hours that a Principal Operator spends in classroom training and on-the-job training are depicted below.)

TRAINING PROGRAM

Principal Operator: Self Paced Pre-Training (Online)

Subject	Hours of Training	Location
Leadership & Business Management	8.0 hour(s)	Franchisee’s home or other place of choice.
Organization & Computer Software	8.0 hour(s)	Franchisee’s home or other place of choice.
Customer Satisfaction & Service	16.0 hour(s)	Franchisee’s home or other place of choice.
Sales	8.0 hour(s)	Franchisee’s home or other place of choice.
Automotive Systems	8.0 hour(s)	Franchisee’s home or other place of choice.

Subject	Hours of Training	Location
Recordkeeping & Human Resources	8.0 hour(s)	Franchisee's home or other place of choice.
Marketing	4.0 hour(s)	Franchisee's home or other place of choice.

Principal Operator: In-Office Training [See Note 1]

Subject	Hours of Training	Location
Leadership & Business Management	29.0 hour(s)	CBAC Headquarters in Houston
Organization & Computer Software	9.0 hour(s)	CBAC Headquarters in Houston
Customer Satisfaction & Service	11.5 hour(s)	CBAC Headquarters in Houston
Sales	8.0 hour(s)	CBAC Headquarters in Houston
Automotive Systems	3.5 hour(s)	CBAC Headquarters in Houston
Recordkeeping & Human Resources	2.0 hour(s)	CBAC Headquarters in Houston
Marketing	2.0 hour(s)	CBAC Headquarters in Houston

Service Manager: In-Office Training

Subject	Hours of Training	Location
Leadership & Business Management	10.0 hour(s)	CBAC Headquarters in Houston
Organization & Computer Software	3.0 hour(s)	CBAC Headquarters in Houston
Customer Satisfaction & Service	10.5 hour(s)	CBAC Headquarters in Houston
Sales	7.0 hour(s)	CBAC Headquarters in Houston
Automotive Systems	1.5 hour(s)	CBAC Headquarters in Houston
Recordkeeping & Human Resources	0.0 hour(s)	CBAC Headquarters in Houston
Marketing	1.0 hour(s)	CBAC Headquarters in Houston

Principal Operator: Hands-On Training [See Note 2]

Subject	Hours of Training	Location
Operations & Workflow	90.0 hour(s)	Certified Training Location
Organization & Computer Software	45.0 hour(s)	Certified Training Location
Customer Satisfaction & Service	50.0 hour(s)	Certified Training Location
Sales	30.0 hour(s)	Certified Training Location
Automotive Systems	15.0 hour(s)	Certified Training Location

Principal Operator: Hands-On Training [See Note 3]

Subject	Hours of Training	Location
Leadership & Business Management	12.0 hour(s)	Certified Field Trainer's franchise location(s)
Organization & Computer Software	12.0 hour(s)	Certified Field Trainer's franchise location(s)
Customer Satisfaction & Service	30.0 hour(s)	Certified Field Trainer's franchise location(s)
Sales	30.0 hour(s)	Certified Field Trainer's franchise location(s)
Automotive Systems	15.0 hour(s)	Certified Field Trainer's franchise location(s)
Recordkeeping & Human Resources	6.0 hour(s)	Certified Field Trainer's franchise location(s)
Marketing	10.0 hour(s)	Certified Field Trainer's franchise location(s)

Principal Operator & Service Manager On-Site Training [See Note 4]

Subject	Hours of Training	Location
Leadership & Business Management	2.0 hour(s)	Designated franchise location.
Organization & Computer Software	6.0 hour(s)	Designated franchise location.
Customer Satisfaction & Service	8.0 hour(s)	Designated franchise location.
Sales	24.0 hour(s)	Designated franchise location.

Subject	Hours of Training	Location
Automotive Systems	2.0 hour(s)	Designated franchise location.
Recordkeeping & Human Resources	16.0 hour(s)	Designated franchise location.
Marketing	2.0 hour(s)	Designated franchise location.
“Pre-Opening Setup & Operations”	15.0 hour(s)	Designated franchise location.

Principal Operator: In-Office Re-Training [See Note 5]

Subject	Hours of Training	Location
Leadership & Business Management	10.0 hour(s)	CBAC Headquarters in Houston
Organization & Computer Software	2.0 hour(s)	CBAC Headquarters in Houston
Customer Satisfaction & Service	4.0 hour(s)	CBAC Headquarters in Houston
Sales	2.0 hour(s)	CBAC Headquarters in Houston
Recordkeeping & Human Resources	2.0 hour(s)	CBAC Headquarters in Houston

Principal Operator: In-Office Re-Training [See Note 6]

Subject	Hours of Training	Location
Leadership & Business Management	8.5 hour(s)	CBAC Headquarters in Houston
Organization & Computer Software	1.5 hour(s)	CBAC Headquarters in Houston
Customer Satisfaction & Service	4.0 hour(s)	CBAC Headquarters in Houston
Sales	3.0 hour(s)	CBAC Headquarters in Houston
Recordkeeping & Human Resources	2.5 hour(s)	CBAC Headquarters in Houston
Automotive Systems	1.0 hour(s)	CBAC Headquarters in Houston
Marketing	1.0 hour(s)	CBAC Headquarters in Houston

Notes:

1. Sixty-five (65) hours of the training described above will be provided at CBAC's corporate offices or virtually where CBAC deems it appropriate prior to you opening your franchise business. You will be required to pay all travel and living expenses for you and for any of your employees who attend any of the initial training.
2. Two hundred thirty (230) hours of the training described above will be provided at the Certified Training Location's Christian Brothers Automotive franchise store prior to you opening your franchise business. You will be required to pay all travel and living expenses for you and for any of your employees who attend with you.
3. One hundred fifteen (115) hours of the training described above will be provided at the Certified Field Trainer's Christian Brothers Automotive franchise store prior to you opening your franchise business. You will be required to pay all travel and living expenses for you and for any of your employees who attend with you.
4. Seventy-five (75) hours of the training described above will be provided at the location of the franchise business. The number of hours of each category that will be provided at the different locations will vary depending on the needs of the specific individuals receiving the training. CBAC will make this determination on a case-by-case basis. You will be required to pay all travel and living expenses for you and for any of your employees who attend any of the initial training.
5. Twenty (20) hours of the training described above will be provided at CBAC's corporate office after your franchise business has operated between 8 and 13 months. You will be required to pay all travel and living expenses to attend this training.
6. Twenty-one and a half (21.5) hours of the training described above will be provided at CBAC's corporate office after you have operated your franchise business for 7 years. You will also be required to complete this training prior to renewing your franchise license (approximately year 14 of operation). You will be required to pay all travel and living expenses to attend this training.

Additional Support Services Provided By CBAC

CBAC will also:

- Provide you with telephone helpline support during normal business hours;
- Make sales/service support materials available to you;
- Provide you with product/service updates as developed;
- Process orders for a portion of your initial supplies;

- Provide you with overall guidance and advice;
- Actively participate and consult in troubleshooting problems;
- Provide you with timely reports regarding your progress; and
- Coordinate telephone and internet services for new buildings.

Computer Equipment

You must purchase and maintain an electronic point of sale cash register system to record gross sales and transaction data. CBAC requires that you purchase the following computer equipment: Shop Management Software accounting software (designated by CBAC) and approximately eight (8) personal computers, four (4) tablet computers, two (2) multi-function printers), and additional computer accessories as needed (Item 7, Note 3). We will have the right to access all information and financial data recorded by the system for audit and sales verification purposes. The approximate initial cost to you for this equipment is \$23,100, which is included in the initial equipment cost estimate. We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. We may require you to bring any computer hardware and software, related peripheral equipment and communications systems into conformity with our then-current standards. We will endeavor to keep these changes infrequent and reasonable in cost, but the Franchise Agreement does not impose a limit as to the number or cost of such changes to the computer equipment.

The software that will be provided by CBAC and used to operate your CBA franchise includes the point-of-sale system (Tekmetric), FUSE, cell-based internet failover system, antivirus clients, website hosting and SEO management, phone call tracking and monitoring, automotive animations library, email accounts through Google Workspace, PCI Compliance services, remote support agents, and a QuickBooks Enterprise accounting package along with necessary licenses for remote access, printing, and security at the approximate upfront cost of \$2,650 and the approximate ongoing cost of \$14,600 annually, plus data overages. Additionally, we charge approximately \$475 per month plus data overages for certain point-of-sale software, accounting software, and internet failover software. Costs are subject to change and will vary depending on the underlying vendors' current prices. These costs are paid to CBAC because CBAC negotiates and purchases in bulk under more favorable terms in order to lower the cost to you. Currently all software is purchased from outside vendors. See Item 5, Item 6 and Item 8 for more information.

Confidential Operations Manual

Attached as Exhibit C is a copy of the table of contents of our Confidential Operations Manual, which indicates the total number of pages in the Confidential Operations Manual.

Once we have received the down payment on your franchise fee and a signed Non-Use, Non-Disclosure and Non-Competition Agreement (the current form of which is attached to this Disclosure Document at Exhibit F), CBAC will grant you online access to our Confidential Operations Manual which contains mandatory and suggested specifications, standards and procedures. This manual is confidential and remains our property. You will be obligated to keep this information confidential (Section 7.01). CBAC will modify the manual from time to time and

furnish you with the modifications. You will be required to comply with the modified manual and with the provisions of the Franchise Agreement (Article 6).

ITEM 12. **TERRITORY**

Franchise Agreement

In conjunction with the establishment of your franchise you will be granted an exclusive geographic area, consisting of an identifiable geographic territory, which will be designated as your “Territory.” You will operate from one location and must receive CBAC’s permission before relocating; however, currently we do not allow relocation. You will not have the right to operate your franchise outside of your Territory. CBAC will not operate or grant franchises for a similar or competitive business within your area. Except when advertising cooperatively with appropriate franchisees, neither you, nor CBAC can advertise or solicit customers within another franchisee’s territory. You may solicit customers outside of your Territory as long as you are not soliciting customers within another franchisee’s territory. You must sell all products and services through your CBA location. You are prohibited from selling any products or services through alternative channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing sales. We reserve the right to sell products within and outside your Territory through alternative distribution channels, and you will not receive compensation for such sales. You do not receive the right to acquire additional franchises within your area. If your Franchise Agreement is terminated, you will lose all rights to your Territory. You maintain the rights to your area even though the population increases. The approximate size of a territory will be similar to the area that is in a circle with an approximate 3-mile radius around the location. Your exact territory size will not be a 3-mile radius, and instead will be set in Exhibit A to the Franchise Agreement you enter into with CBAC. The square footage within your franchise territory may vary significantly in size and shape depending on a number of different variables.

While there are criteria franchisees must meet to become a multi-unit franchise owner, CBAC reserves the right to decide on a case-by-case basis in its sole discretion whether to grant a franchisee the right to acquire, own and operate more than one franchise.

CBAC reserves the right to establish company-owned CBA locations using the CBA trademark and business system at any location outside of your territory, in its sole discretion.

Neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned locations offering similar products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

Following the first year of operation of your CBA franchise, or in the case of a transfer of the franchise, following the first year of operation by the transferee (the “Startup Period”), the following “Minimum Performance Requirement” must be maintained: you must maintain a rolling six (6) months of positive Net Ordinary Income, meaning the Net Ordinary Income must be equal to or exceed \$1 for each rolling six (6) month period. If this Minimum Performance Requirement is not maintained at any time during the term of the Franchise Agreement following the Startup

Periods, we may, in our sole discretion, terminate the Franchise Agreement or we may elect, in lieu of terminating the Franchise Agreement, to allow you to enter into our Store In Distress Support Program (“Store In Distress Support Program”) by executing the Store In Distress Support Program Agreement attached to the Franchise Agreement as Exhibit D. “Net Ordinary Income” means Total Income minus Cost of Goods Sold minus Total Expenses. “Total Income” shall mean ordinary income from all sources. “Cost of Goods Sold” shall mean all costs including all transportation, labor, parts, discounts and fees. “Total Expenses” shall mean administrative and overhead expenses before amortization, depreciation and royalty expenses. These definitions are subject to change in our discretion, as set forth in the Confidential Operations Manual from time to time, provided that such definitions are in accordance with prevailing accounting practices in the automotive service and repair industry.



Following the Startup Period, and in addition to the Minimum Performance Requirement described above, the following additional Minimum Performance Requirement must also be maintained: you must not allow your Net Ordinary Income (as defined above) to fall 30% or more below the mean Net Ordinary Income of all mature CBA franchises for three (3) consecutive years (the “Minimum Threshold”). The mean franchise-wide Net Ordinary Income will be determined by the closed financial statements of all “Mature Franchisees” as of December 31 of each year. For purposes of this calculation, a “Mature Franchisee” is a franchisee whose Christian Brothers Automotive franchise location has been open to the public for a minimum of twelve (12) months as of December 31 of the year for which the mean Net Ordinary Income is being calculated. If this Minimum Performance Requirement is not maintained at any time during the term of the Franchise Agreement following the Startup Period, we may, in our sole discretion, terminate the Franchise Agreement. We may modify the Minimum Threshold from time to time in our sole and absolute discretion. Any modification of the Minimum Threshold will be set forth in the Confidential Operations Manual. For purposes of determining three (3) consecutive years, in the event of a renewal, the years preceding the applicable Renewal Term will count toward the three (3) consecutive years for the Minimum Threshold determination.

Under the Store In Distress Support Program your Principal Operator, Service Manager, and additional persons as we may require, must attend continuing education and training programs specified by us, at your cost and expense. Additionally under the Store In Distress Support Program, you must achieve the following performance requirements or the Franchise Agreement and the Store In Distress Support Program Agreement will be terminated: by the end of the first three-month period following the signing of the Store In Distress Support Program Agreement, you must reduce the Deficiency Gap (defined below) by a total of at least 15%; by the end of the second three-month period following the signing of the Store In Distress Support Program Agreement, you must reduce the Deficiency Gap by a total of at least 40%; by the end of the third three-month period following the signing of the Store In Distress Support Program Agreement, you must reduce the Deficiency Gap by a total of at least 65%; and by the end of the term of the Store In Distress Support Program Agreement, you must achieve an NOI of at least \$10,000. “Deficiency Gap” means the difference between the CBA franchisee’s current NOI and \$10,000. As indicated above, “Net Ordinary Income” or “NOI” means Total Income minus Cost of Goods Sold minus Total Expenses. “Total Income” means ordinary income from all sources. “Cost of Goods Sold” means all costs including all transportation, labor, parts, discounts and fees. “Total Expenses” means administrative and overhead expenses before amortization, depreciation and royalty expenses. These definitions are subject to change in our discretion, as set forth in the

Confidential Operations Manual from time to time, provided that such definitions are in accordance with prevailing accounting practices in the automotive service and repair industry.

ITEM 13.
TRADEMARKS

CBAC grants you the right to operate a site under the name Christian Brothers Automotive - [location name to be inserted] and to use the trade names, trademarks, service marks, logos, trade dress, slogans, product names, and similar items developed by CBAC. By trademark, CBAC means trade names, trademarks, service marks, and logos used to identify your site, and the systems, programs, services and products offered by CBAC. CBAC has registered the following trademarks (and filed all required affidavits) on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

Mark	International Class	Registration Number	Registration Date
	37	2995310	September 13, 2005
	37	4267726	January 1, 2013
Christian Brothers Automotive	37	4281956	January 29, 2013
Nice Difference. ®	37	4271293	January 8, 2013
CHRISTIAN BROTHERS	37	5010711	August 2, 2016

In addition, CBAC has filed the following intent to use applications, along with all required affidavits.

Mark	International Class	Serial Number	Filing Date
FIXING CARS, DRIVING JOY	35, 36, 37	97590575	September 14, 2022
NICE DIFFERENCE CARE+	35, 36, 37	98338524	January 2, 2024

<p>NICE DIFFERENCE care+</p>	<p>35, 36, 37</p>	<p>98360584</p>	<p>January 17, 2024</p>
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There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court concerning the trademarks. There are no pending infringement, opposition or cancellation proceedings. There is no pending material litigation involving the trademarks, which may be relevant to their use in this state or in any other state. We do not know of any prior rights or infringing uses that could materially affect your use of the trademarks in this state or elsewhere.

You must follow our rules when you use this mark and name, as well as other marks, names, trade dress and similar items developed by CBAC. You cannot use a name or mark as part of your corporate or business name, or with modifying words, designs or symbols, except those which CBAC licenses or permits you to use. You may not use CBAC’s registered name in connection with the sale of any service or product except as is specifically authorized by CBAC in writing, nor can you use these in a manner not authorized in writing by CBAC. No agreements limit CBAC’s right to use or license the use of CBAC’s trademarks.

You must notify CBAC immediately when you learn about any actual or possible infringement of or challenge to your use of our trademark. CBAC will take the action we think is appropriate. Although CBAC is not required to defend you against a claim from your use of our marks, we may reasonably defend you against a claim against your authorized use of our trademark, or we may reimburse you for your liability and reasonable costs in connection with defending CBAC’s trademark. We will control any litigation or proceeding. To receive reimbursement, you must have notified CBAC immediately when you learned of the infringement or challenge. In the event CBAC takes action to defend its trademark and/or to prosecute infringers, you will be obligated to cooperate fully (including participating in any legal proceeding) pursuant to the Franchise Agreement (see Section 5.07).

You must explicitly use and follow CBAC’s Brand Manual.

You must modify or discontinue use of a trademark if CBAC modifies or discontinues it. If this happens, the tangible costs of compliance will be an Approved Expense Item (as defined in Section 4.05 (c) of the Franchise Agreement), but such Approved Expense Item will be limited to the costs of changing signs. You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.

CBAC is not aware of any unauthorized uses of its trademarks or trade name that could materially affect your use of CBAC’s trademark.

You must immediately give up all rights to use CBAC’s trademarks and trade names if your franchise is assigned, terminated, or not renewed for any reason.

ITEM 14.
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

CBAC does not presently possess any patents. CBAC is the copyright owner of its original publications and materials, including its Confidential Operations Manual and some of its internal forms.

You do not receive the right to use an item covered by a patent or copyright, but you can use the proprietary information contained in CBAC's Confidential Operations Manual in accordance with the limitations set forth herein. The Confidential Operations Manual is described in Item 11.

Although CBAC has not filed an application for a copyright registration for its Confidential Operations Manual, it claims a copyright with regard to the information contained therein, and the information is proprietary. Items 7, 8 and 11 of this Franchise Disclosure Document describe limitations on the use of the Confidential Operations Manual and other materials by you and your employees. You must also promptly tell us when you learn about any actual or threatened unauthorized use of the proprietary information. CBAC is not obligated to take any action, but CBAC will respond to this information as it deems appropriate. You are not allowed to disclose to unauthorized third parties, any information or materials deemed or understood to be proprietary, including promotional materials, software, client lists, product or service information, financial performance information, or advertising expense information.

You may not divulge or use any confidential information concerning our methods or procedures during or after the term of the Franchise Agreement. Information made available to you may not be divulged to any person other than your employees or financial advisors who reasonably need access to such information for fulfilling their employment or contractual responsibilities. All employees or financial advisors to whom the information, or any part of it, is made available must be informed of this obligation of confidence.

Upon our request, you, your Service Manager and any other authorized party of yours who has access to any confidential information must sign a written agreement (on the standard form found in CBAC's Confidential Operations Manual) imposing an obligation of confidence regarding the Confidential Operations Manual or other confidential information (Section 7.01 of the Franchise Agreement). If the franchisee is a corporation, limited liability company or limited partnership, we may require your shareholders, members and limited partners to sign a similar written agreement.

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

CBAC requires that the "Principal Operator" or "You" personally supervise the Franchised Business. In addition, the business must also be supervised by your Service Manager. Your Service Manager cannot have an interest in or business relationship with any of CBAC's competitors. The Service Manager may be required to sign a written agreement to maintain the confidentiality of the trade secrets and proprietary information of your franchise and of CBAC,

and when and where appropriate, the covenant not to compete described in Item 17 and Section 16 of the Franchise Agreement. You and your Service Manager must successfully complete our training program.

Your Service Manager will be responsible for assisting you in the day-to-day operation of your CBAC franchise, but you are obligated to provide supervision of the ongoing conduct of the business, including the Service Manager, to the degree reasonably necessary to: (i) insure the fulfillment of your obligations as the franchisee; (ii) be aware of the ongoing activities of your Service Manager and employees; and (iii) assure that any inquiries or complaints of the franchise's customers regarding franchise services or products are immediately addressed, and satisfactorily resolved. You cannot appoint a third party to fulfill your obligations as a franchisee unless you first obtain CBAC's prior written consent. CBAC has sole discretion as to whether it will approve such an appointment. If CBAC does approve your appointment, it will not relieve you of any of your obligations to CBAC. You will be solely responsible for assuring that the daily operations of your Franchised Business are managed so that it complies with all the requirements of the Franchise Agreement and of the Confidential Operations Manual. The Franchised Business must be open from 7:00 AM to 6:00 PM Monday through Friday of each week. You will not be permitted to engage in any enterprises or activities that interfere with your complying with these requirements. Neither you nor your spouse may campaign for or hold a public office while you are a franchisee. CBAC has determined that to do so may negatively impact the performance of your Franchised Business and the reputation of CBAC and our brand.

In order to prevent any interruption of the operations which would cause harm to the Franchised Business, we have the right, but not the obligation, to step-in and designate an individual of our choosing (an "Interim Manager") to temporarily manage the Franchised Business until such time as the Franchised Business is transitioned to a new franchisee or we determine you can resume operation of the Franchised Business (the "Step-In Rights"). We may elect to exercise these Step-In Rights if: (i) you commit a non-curable default; (ii) you commit a default and fail to cure such default within the applicable cure period; (iii) we determine that you have materially failed to operate the Franchised Business in compliance with the standards, procedures and policies set forth in our Confidential Operations Manual or the Franchise Agreement, such that the operational deficiencies require that we assume management of the Franchised Business; (iv) you abandon or fail to actively operate the Franchised Business; or (v) the Principal Operator dies or is temporarily or permanently disabled or incapacitated. If we exercise our Step-In Rights, then: (a) we will keep in a separate account all monies generated by the operation of the Franchised Business, less the expenses of the Franchised Business, including reasonable compensation and expenses for our representatives (including an Interim Manager) as well as our other expenses; (b) you must agree to hold harmless us and our representatives for all actions occurring during the course of such temporary management of the Franchised Business and acknowledge that the Interim Manager and such representatives will have no liability to you except to the extent directly caused by the gross negligence or willful misconduct of us or the Interim Manager; (c) you agree to pay us a monthly management fee of \$5,000.00 per month; (d) you agree to pay us (in addition to the management fee) all of our reasonable costs and expenses, including, but not limited to, attorneys' fees incurred as a consequence of exercising our Step-In Rights; and (e) you must acknowledge that we and our representatives (including an Interim Manager) will have a duty to utilize only commercially reasonable efforts in the operation of the Franchised Business and will not be liable for any debts, losses, damages, or obligations you or the Franchised Business incurs,

or to any of your or the Franchised Business’s suppliers, vendors or creditors for any supplies, products, or other assets or services you or the Franchised Business purchases, while managed by us or an Interim Manager. This remedy is in addition to other remedies available to us.

Your spouse must sign a spousal acknowledgement and joinder to the Franchise Agreement.

ITEM 16.
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

CBAC requires you to offer and sell only those products and services that CBAC has approved.

You must offer all products and services that CBAC designates as required for all CBAC’s franchisees. These required goods and services are currently all goods and services necessary to perform repair and maintenance work on motor vehicles. Parts, supplies and equipment used in your CBAC business must be approved by CBAC (See Item 8).

CBAC has the right to add, delete and change the automotive services that you may or must offer, in our unrestricted discretion, and this may require you to purchase additional equipment. There are no limits on CBAC’s right to do so except that the investment required of you (for such additional equipment, supplies, inventory) will not exceed \$40,000 per year.

ITEM 17.
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 3.01	The initial term is 15 years, subject to your compliance with all material obligations in the Franchise Agreement. In the event you buy an existing location, you will receive the remaining terms of the seller’s Franchise Agreement but will be required to sign a restated Franchise Agreement based on the version of the Franchise Agreement attached to this FDD.
b. Renewal or extension of the term	Sections 3.02 to 3.08	Subject to the terms in these Sections, you have three 5-year renewal options. In the event you buy an existing location, you will receive the remaining renewal options in the

Provision	Section in Franchise Agreement	Summary
		seller's Franchise Agreement but will be required to sign a restated Franchise Agreement based on the version of the Franchise Agreement attached to this FDD.
c. Requirements for franchisee to renew or extend	Sections 3.02 to 3.08	Subject to the terms in these Sections, you have three 5-year renewal options. In the event you buy an existing location, you will receive the remaining renewal options in the seller's Franchise Agreement but will be required to sign a restated Franchise Agreement based on the version of the Franchise Agreement attached to this FDD.
d. Termination by franchisee	Section 14.02(d)	You may terminate the Franchise Agreement under the terms of a mutual written termination agreement entered into and agreed by you and by CBAC (subject to state law).
e. Termination by franchisor without cause	None	None.
f. Termination by franchisor with cause	Sections 14.01 and 14.02	CBAC can terminate the Franchise Agreement if you breach your material obligations.
g. "Cause" defined – curable defaults	Section 14.01(a) Section 14.02(m)	All non-monetary defaults must be cured within 15 days of receiving notice from CBAC. All past due monetary defaults must be cured within 5 days of receiving written notice from CBAC.
h. "Cause" defined – non-curable defaults	Sections 14.01 and 14.02	Certain defaults such as bankruptcy, improper distributions of funds, the conducting of illegal activities or other violations of the law are significant breaches of your agreements that damage CBAC and result in immediate termination, and CBAC is not required to give you notice or an opportunity to cure.

Provision	Section in Franchise Agreement	Summary
i. Franchisee's obligations on termination/non-renewal of your franchise	Section 15; Sections 6 and 7(e) of the Store In Distress Support Program Agreement; Sections 8, 18 and 19 of the Commercial Sub-Lease Agreement	Assign all telephone numbers, email addresses, website URL's, etc. related to the franchise to CBAC; pay all amounts owed; complete de-identification; discontinue access to CBAC's Confidential Operations Manual and other materials; comply with restrictive covenants; and cease use of all CBAC supplies, processes, facilities and procedures.
j. Assignment of contract by franchisor	Section 13.01	There is no restriction on CBAC's right to assign.
k. "Transfer" by franchisee – defined	Section 13.02	Includes transfer of contract or assets or change of ownership interest.
l. Franchisor approval of transfer by franchisee	Section 13.02	CBAC must approve all transfers but it will not unreasonably withhold its approval.
m. Conditions for franchisor approval of transfer	Section 13.02	New franchisee qualifies for franchise; application costs are paid; transfer fees are paid; training is completed by new franchisee; release signed by you; new franchisee signs all agreements required by CBAC.
n. Franchisor's right of first refusal to acquire franchisee's business	Sections 13.02 and 15.08	Section 15.08 sets out the terms of the right of first refusal.
o. Franchisor's option to purchase franchisee's business	Sections 13.02 and 15.08 and Section 6 of the Store In Distress Support Program Agreement	CBAC reserves this option.
p. Death or disability of franchisee	Sections 13.05 and 15.08	Your estate or representative will have to obtain CBAC's approval of a transfer or provide CBAC with the opportunity to purchase your franchise.
q. Non-competition covenants during the term of the franchise	Sections 14.02 (p), 16.01 and 16.02	During the term of the franchise neither you nor any of your partners, principals, employees or contractors are allowed to be involved in other similar businesses (subject to state law).
r. Non-competition covenants after the franchise is terminated or expires	Section 16.03	There is a covenant that you will not compete with CBAC for a period of three years from the termination date (subject to state law).

Provision	Section in Franchise Agreement	Summary
s. Modification of the agreement	Sections 6.02 and 18.02	CBAC cannot modify the Franchise Agreement without your consent, but CBAC can unilaterally change the Confidential Operations Manual.
t. Integration/merger clause	Section 18	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 24	All disputes must be arbitrated in Houston, Texas, under the rules of the American Arbitration Association. Mediation is not required but the franchisor and franchisee can agree to engage in the mediation process. Pursuant to the Dispute Resolution Program in Section 24 of the Franchise Agreement, either party may in certain specified circumstances seek injunctive relief from a court of competent jurisdiction (subject to state law).
v. Choice of forum	Section 24.01(c)	All arbitration and any litigation must be in Houston, Texas (subject to state law).
w. Choice of law	Section 20.01(a)	Texas law applies (subject to state law).

ITEM 18.
PUBLIC FIGURES

CBAC does not use any public figures to promote the franchise opportunity.

ITEM 19.
FINANCIAL PERFORMANCE REPRESENTATIONS

The Federal Trade Commission’s (FTC) 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.

We have compiled the following information from unaudited financial statements and from sales reports and financial statements provided by our franchisees. The figures related to our

franchisees' results were obtained from financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP), but have not been verified or certified beyond receipt of such statements. Written substantiation of the data used in preparing the figures below will be made available to you upon reasonable request. The CBA stores reported below offer substantially the same products and services to the public as you will as a franchisee operating a franchised unit.

Some units have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.

The following tables and figures relate to the 247 franchisee-owned CBA stores that were open and operating for the entire years of 2022 and 2023. This does not include the 18 stores that were opened in 2022 or the 15 stores that were opened in 2023. The following tables and figures also relate to the 265 franchisee-owned CBA stores that were open and operating for the entire year of 2023, which does not include the 15 stores that were opened in 2023. The expenses identified in this statement may not be the only expenses that you will incur in connection with the operation of your franchise. We encourage you to consult with your own accounting, business, and legal advisors to assist you to identify the expenses you likely will incur in connection with your franchise, to prepare your budgets, and to assess the likely or potential financial performance of your franchise. We also encourage you to contact existing franchise operators to discuss the business.

In developing your budget for your franchise, you are to make necessary allowance for changes in financial results to income, expenses, or both, that may result from operation of your franchise during periods of, or in geographic areas suffering from, economic downturns, inflation, unemployment, or other negative economic influences.

Historical costs do not necessarily correspond to future costs because of factors such as inflation, changes in minimum wage laws, location, financing, construction costs, lease-related costs, and other variables. For example, costs such as rent, cam charges, taxes, interest, insurance and utilities vary from franchise to franchise. All information should be evaluated in light of current market conditions including such cost and price information as may then be available.

Schedule 19.1A

Set forth in this Schedule 19.1A are the average Net Sales (as defined below in Note 2) for the year ending December 31, 2023 for the 265 franchisee-owned CBA stores that were open for the entire year of 2023, based upon the below indicated sales ranges. This table includes all stores that were open before January 1, 2023, and does not include any of the 15 stores that were opened in 2023. When reading the below table, the symbol “>=“ means greater than or equal to and the symbol “<“ means less than.

2023

Sales Ranges	# Stores Included	Median Sales	Average Sales	Highest in Range	Lowest in Range	# Stores Meeting or Exceeding Average Sales	% Stores Meeting or Exceeding Average Sales
>=\$4.5M	7	\$5,686,030	\$5,506,444	\$6,169,883	\$4,533,709	4	57%
>=\$4M and <\$4.5M	15	\$4,153,625	\$4,190,658	\$4,467,697	\$4,009,169	6	40%
>=\$3.5M and <\$4M	17	\$3,762,570	\$3,737,338	\$3,935,159	\$3,502,895	10	59%
>=\$3M and <\$3.5M	54	\$3,220,231	\$3,230,271	\$3,473,809	\$3,024,648	25	46%
>=\$2.5M and <\$3M	76	\$2,707,183	\$2,715,399	\$2,982,456	\$2,500,548	37	49%
>=\$2.25M and <\$2.5M	30	\$2,369,975	\$2,378,233	\$2,498,084	\$2,252,487	13	43%
>=\$2M and <\$2.25M	34	\$2,156,689	\$2,144,094	\$2,249,363	\$2,004,613	20	59%
>=\$1.75M and <\$2M	15	\$1,872,163	\$1,861,806	\$1,966,610	\$1,752,350	8	53%
>=\$1.5M and <\$1.75M	12	\$1,630,745	\$1,615,811	\$1,740,919	\$1,508,184	6	50%
<\$1.5M	5	\$1,398,712	\$1,413,692	\$1,491,471	\$1,352,226	2	40%
Average Unit Volume (AUV)	265	\$2,704,851	\$2,808,967			131	49%

Schedule 19.1B

Set forth in this Schedule 19.1B are the average Net Sales (as defined below in Note 2) for the years ending December 31, 2022 and December 31, 2023 for the 247 franchisee-owned CBA stores that were open and operating for the entire years of 2022 and 2023, based upon the below indicated sales ranges. The tables include all franchisee-owned CBA stores that were open before January 1, 2022, and does not include any of the 18 stores that were opened in 2022 or the 15 stores opened in 2023. When reading the below table, the symbol “>=“ means greater than or equal to and the symbol “<“ means less than.

2023

Sales Ranges	# Stores Included	Median Sales	Average Sales	Highest in Range	Lowest in Range	# Stores Meeting or Exceeding Average Sales	% Stores Meeting or Exceeding Average Sales
>=\$4.5M	7	\$5,686,030	\$5,506,444	\$6,169,883	\$4,533,709	4	57%
>=\$4M and <\$4.5M	15	\$4,153,625	\$4,190,658	\$4,467,697	\$4,009,169	6	40%
>=\$3.5M and <\$4M	17	\$3,762,570	\$3,737,338	\$3,935,159	\$3,502,895	10	59%
>=\$3M and <\$3.5M	52	\$3,220,231	\$3,229,375	\$3,473,809	\$3,024,648	25	48%
>=\$2.5M and <\$3M	75	\$2,707,300	\$2,717,697	\$2,982,456	\$2,500,548	36	48%
>=\$2.25M and <\$2.5M	27	\$2,369,356	\$2,379,086	\$2,498,084	\$2,252,487	13	48%
>=\$2M and <\$2.25M	31	\$2,163,935	\$2,152,753	\$2,249,363	\$2,010,381	18	58%
>=\$1.75M and <\$2M	14	\$1,864,685	\$1,859,809	\$1,966,610	\$1,752,350	7	50%
>=\$1.5M and <\$1.75M	6	\$1,590,096	\$1,607,298	\$1,740,919	\$1,508,184	3	50%
<\$1.5M	3	\$1,470,256	\$1,439,175	\$1,491,471	\$1,355,797	2	67%
Average Unit Volume (AUV)	247	\$2,756,781	\$2,865,036			124	50%

2022

Sales Ranges	# Stores Included	Median Sales	Average Sales	Highest in Range	Lowest in Range	# Stores Meeting or Exceeding Average Sales	% Stores Meeting or Exceeding Average Sales
>=\$4.5M	6	\$5,147,210	\$5,115,263	\$5,666,977	\$4,532,224	3	50%
>=\$4M and <\$4.5M	5	\$4,321,196	\$4,250,023	\$4,487,322	\$4,002,729	3	60%
>=\$3.5M and <\$4M	10	\$3,719,770	\$3,741,018	\$3,918,598	\$3,569,720	5	50%
>=\$3M and <\$3.5M	25	\$3,126,162	\$3,146,208	\$3,400,219	\$3,000,969	10	40%
>=\$2.5M and <\$3M	69	\$2,719,873	\$2,741,698	\$2,980,535	\$2,503,187	33	48%
>=\$2.25M and <\$2.5M	40	\$2,372,494	\$2,376,780	\$2,499,859	\$2,255,082	20	50%
>=\$2M and <\$2.25M	35	\$2,120,753	\$2,116,723	\$2,242,351	\$2,003,881	20	57%
>=\$1.75M and <\$2M	36	\$1,912,487	\$1,899,826	\$1,997,437	\$1,750,257	22	61%
>=\$1.5M and <\$1.75M	10	\$1,635,867	\$1,625,213	\$1,734,381	\$1,515,461	5	50%
<\$1.5M	11	\$1,351,831	\$1,345,780	\$1,498,490	\$1,046,639	6	55%
Average Unit Volume (AUV)	247	\$2,459,024	\$2,533,564			127	51%

Schedule 19.2A – (Franchisee Owned Locations)

Set forth in this Schedule 19.2A are the average Net Sales (as defined below in Note 2) for the year ending December 31, 2023 for the 265 franchisee-owned CBA stores that were open for the entire year of 2023, based upon the regions indicated below. This table includes all stores that were open by January 1, 2023 and does not include any of the 15 stores that were opened in 2023.

2023

State/Region	# included	Median Sales	Avg Sales	Highest in Range	Lowest in Range	# >= avg	% >= avg
Alabama	6	\$2,357,924	\$2,395,068	\$2,811,949	\$1,895,551	2	33%
Arkansas	4	\$2,028,466	\$2,156,963	\$2,818,572	\$1,752,350	2	50%
Arizona	10	\$3,914,500	\$3,841,967	\$5,933,298	\$1,935,022	5	50%
Colorado	29	\$2,971,996	\$2,959,622	\$6,169,883	\$1,645,751	15	52%
Florida	13	\$2,597,763	\$2,858,074	\$5,298,417	\$1,515,188	6	46%
Georgia	16	\$2,851,995	\$2,769,906	\$3,439,435	\$1,966,610	10	63%
Iowa	3	\$3,473,809	\$3,694,901	\$4,146,548	\$3,464,346	1	33%
Idaho	2	\$3,299,111	\$3,299,111	\$3,368,557	\$3,229,664	1	50%
Illinois	5	\$1,524,215	\$1,564,643	\$1,857,207	\$1,355,797	2	40%
Indiana	4	\$2,873,824	\$2,911,313	\$4,020,653	\$1,876,948	2	50%
Kansas	4	\$2,953,275	\$2,839,872	\$3,227,591	\$2,225,348	3	75%
Kentucky	1	\$3,103,218	\$3,103,218	\$3,103,218	\$3,103,218	1	100%
Louisiana	4	\$2,408,096	\$2,553,093	\$3,506,420	\$1,889,760	2	50%
Michigan	4	\$2,380,837	\$2,493,738	\$3,058,261	\$2,155,018	1	25%
Minnesota	6	\$2,276,073	\$2,568,910	\$4,018,284	\$1,398,712	3	50%
Missouri	7	\$2,575,730	\$2,681,406	\$3,473,079	\$2,249,363	2	29%
Mississippi	1	\$2,233,623	\$2,233,623	\$2,233,623	\$2,233,623	1	100%
Montana	1	\$2,175,167	\$2,175,167	\$2,175,167	\$2,175,167	1	100%
North Carolina	9	\$2,330,373	\$2,389,681	\$3,192,413	\$1,352,226	4	44%
Nebraska	1	\$3,231,903	\$3,231,903	\$3,231,903	\$3,231,903	1	100%
New Mexico	2	\$2,120,465	\$2,120,465	\$2,190,200	\$2,050,730	1	50%
Ohio	4	\$2,535,080	\$2,321,352	\$2,707,066	\$1,508,184	3	75%
Oklahoma	9	\$2,563,112	\$2,574,979	\$3,823,042	\$1,564,452	4	44%
Pennsylvania	3	\$1,789,997	\$2,018,360	\$2,773,611	\$1,491,471	1	33%
South Carolina	5	\$2,286,463	\$2,445,489	\$3,762,570	\$1,673,555	2	40%
Tennessee	13	\$3,212,872	\$3,073,437	\$4,467,697	\$1,893,284	7	54%
Texas	94	\$2,789,405	\$2,900,604	\$5,686,030	\$1,690,282	36	38%
Virginia	3	\$2,471,214	\$2,527,912	\$3,447,916	\$1,664,606	1	33%
Washington	1	\$2,927,897	\$2,927,897	\$2,927,897	\$2,927,897	1	100%
Wisconsin	1	\$2,416,440	\$2,416,440	\$2,416,440	\$2,416,440	1	100%
Average Unit Volume (AUV)	265	\$2,704,851	\$2,808,967			122	46%

Schedule 19.2B

Set forth in this Schedule 19.2B are the average Net Sales (as defined below in Note 2) for the years ending December 31, 2022 and December 31, 2023 for the 247 franchisee-owned CBA stores that were open and operating for the entire years of 2022 and 2023, based upon the regions indicated below. The tables include all franchisee-owned CBA stores that were open before January 1, 2022, and does not include any of the 18 stores that were opened in 2022 or the 15 stores opened in 2023.

2023

State/Region	# included	Median Sales	Avg Sales	Highest in Range	Lowest in Range	# >= avg	% >= avg
Alabama	6	\$2,357,924	\$2,395,068	\$2,811,949	\$1,895,551	2	33%
Arkansas	4	\$2,028,466	\$2,156,963	\$2,818,572	\$1,752,350	2	50%
Arizona	10	\$3,914,500	\$3,841,967	\$5,933,298	\$1,935,022	5	50%
Colorado	25	\$3,026,903	\$3,097,118	\$6,169,883	\$2,152,392	10	40%
Florida	9	\$2,933,488	\$3,198,984	\$5,298,417	\$1,835,895	4	44%
Georgia	16	\$2,851,995	\$2,769,906	\$3,439,435	\$1,966,610	10	63%
Iowa	2	\$3,810,179	\$3,810,179	\$4,146,548	\$3,473,809	1	50%
Idaho	2	\$3,299,111	\$3,299,111	\$3,368,557	\$3,229,664	1	50%
Illinois	5	\$1,524,215	\$1,564,643	\$1,857,207	\$1,355,797	2	40%
Indiana	4	\$2,873,824	\$2,911,313	\$4,020,653	\$1,876,948	2	50%
Kansas	4	\$2,953,275	\$2,839,872	\$3,227,591	\$2,225,348	3	75%
Kentucky	1	\$3,103,218	\$3,103,218	\$3,103,218	\$3,103,218	1	100%
Louisiana	3	\$2,852,939	\$2,774,204	\$3,506,420	\$1,963,254	2	67%
Michigan	4	\$2,380,837	\$2,493,738	\$3,058,261	\$2,155,018	1	25%
Minnesota	4	\$3,276,405	\$3,106,066	\$4,018,284	\$1,853,170	2	50%
Missouri	7	\$2,575,730	\$2,681,406	\$3,473,079	\$2,249,363	2	29%
Mississippi	1	\$2,233,623	\$2,233,623	\$2,233,623	\$2,233,623	1	100%
Montana	1	\$2,175,167	\$2,175,167	\$2,175,167	\$2,175,167	1	100%
North Carolina	7	\$2,544,626	\$2,592,899	\$3,192,413	\$2,035,081	3	43%
Nebraska	1	\$3,231,903	\$3,231,903	\$3,231,903	\$3,231,903	1	100%
New Mexico	2	\$2,120,465	\$2,120,465	\$2,190,200	\$2,050,730	1	50%
Ohio	4	\$2,535,080	\$2,321,352	\$2,707,066	\$1,508,184	3	75%
Oklahoma	9	\$2,563,112	\$2,574,979	\$3,823,042	\$1,564,452	4	44%
Pennsylvania	3	\$1,789,997	\$2,018,360	\$2,773,611	\$1,491,471	1	33%
South Carolina	4	\$2,369,779	\$2,638,473	\$3,762,570	\$2,051,763	1	25%
Tennessee	12	\$3,226,981	\$3,132,410	\$4,467,697	\$1,893,284	7	58%
Texas	93	\$2,803,167	\$2,904,448	\$5,686,030	\$1,690,282	36	39%
Virginia	2	\$2,959,565	\$2,959,565	\$3,447,916	\$2,471,214	1	50%
Washington	1	\$2,927,897	\$2,927,897	\$2,927,897	\$2,927,897	1	100%
Wisconsin	1	\$2,416,440	\$2,416,440	\$2,416,440	\$2,416,440	1	100%
Average Unit Volume (AUV)	247	\$2,756,781	\$2,865,036			112	45%

2022

State/Region	# included	Median Sales	Avg Sales	Highest in Range	Lowest in Range	# >= avg	% >= avg
Alabama	6	\$2,009,754	\$2,120,952	\$2,549,619	\$1,750,974	2	33%
Arkansas	4	\$1,852,011	\$1,968,775	\$2,649,051	\$1,522,028	2	50%
Arizona	10	\$3,176,133	\$3,393,524	\$5,328,273	\$1,674,225	4	40%
Colorado	25	\$2,712,132	\$2,789,864	\$5,666,977	\$1,901,756	12	48%
Florida	9	\$2,417,199	\$2,773,783	\$4,966,147	\$1,351,831	4	44%
Georgia	16	\$2,442,936	\$2,407,543	\$3,065,084	\$1,498,490	9	56%
Iowa	2	\$3,708,601	\$3,708,601	\$4,343,135	\$3,074,068	1	50%
Idaho	2	\$2,822,141	\$2,822,141	\$2,931,256	\$2,713,026	1	50%
Illinois	5	\$1,410,736	\$1,399,097	\$1,734,381	\$1,046,639	3	60%
Indiana	4	\$2,400,736	\$2,501,396	\$3,310,730	\$1,893,382	2	50%
Kansas	4	\$2,256,892	\$2,261,194	\$2,533,566	\$1,997,429	2	50%
Kentucky	1	\$2,806,449	\$2,806,449	\$2,806,449	\$2,806,449	1	100%
Louisiana	3	\$2,503,187	\$2,646,005	\$3,600,222	\$1,834,606	1	33%
Michigan	4	\$2,396,411	\$2,364,698	\$2,459,024	\$2,206,946	2	50%
Minnesota	4	\$2,521,299	\$2,438,113	\$3,399,689	\$1,310,165	2	50%
Missouri	7	\$2,466,202	\$2,273,081	\$2,664,857	\$1,710,306	4	57%
Mississippi	1	\$1,924,063	\$1,924,063	\$1,924,063	\$1,924,063	1	100%
Montana	1	\$2,197,999	\$2,197,999	\$2,197,999	\$2,197,999	1	100%
North Carolina	7	\$1,935,937	\$2,089,957	\$2,405,323	\$1,819,885	3	43%
Nebraska	1	\$3,012,126	\$3,012,126	\$3,012,126	\$3,012,126	1	100%
New Mexico	2	\$2,260,126	\$2,260,126	\$2,277,902	\$2,242,351	1	50%
Ohio	4	\$2,385,343	\$2,212,408	\$2,684,199	\$1,394,746	3	75%
Oklahoma	9	\$2,293,504	\$2,423,842	\$4,002,729	\$1,540,656	3	33%
Pennsylvania	3	\$1,414,181	\$1,867,256	\$2,863,331	\$1,324,256	1	33%
South Carolina	4	\$2,089,715	\$2,209,632	\$2,841,230	\$1,817,868	1	25%
Tennessee	12	\$2,601,092	\$2,755,881	\$4,321,196	\$1,515,461	6	50%
Texas	93	\$2,504,102	\$2,566,995	\$5,607,538	\$1,248,802	38	41%
Virginia	2	\$2,543,173	\$2,543,173	\$3,073,012	\$2,013,333	1	50%
Washington	1	\$2,768,203	\$2,768,203	\$2,768,203	\$2,768,203	1	100%
Wisconsin	1	\$2,003,881	\$2,003,881	\$2,003,881	\$2,003,881	1	100%
Average Unit Volume (AUV)	247	\$2,459,024	\$2,533,564			114	46%

Schedule 19.3

Included in this Schedule 19.3 are the 265 franchisee-owned CBA stores that were open for the entire year of 2023. This table does not include any of the 15 stores that were opened in 2023. Set forth in this Schedule is a comparison table of Net Sales and certain expenses for 1 year old, 2 year old, 3 year old, 4 year old and 5+ year old CBA stores for the year ending December 31, 2023. The categories of figures are defined below in Note 2. By way of example, those stores designated as “1st year” stores had their first full year of operations during the period from January 1, 2023 to December 31, 2023, those stores designated as “2nd year” stores had their second full year of operations during the period from January 1, 2023 to December 31, 2023, those stores designated as “3rd year” stores had their third full year of operations during the period from January 1, 2023 to December 31, 2023, and so forth.

Store Designation	Low	Median	High	Average	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
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Net Sales						
1st year (18 stores)	\$1,352,226	\$1,947,186	\$3,464,346	\$2,039,572	7	39%
2nd year (16 stores)	\$1,470,256	\$2,950,741	\$4,082,070	\$2,744,451	9	56%
3rd year (18 stores)	\$1,963,254	\$2,696,820	\$4,467,697	\$2,880,821	8	44%
4th year (19 stores)	\$1,355,797	\$2,790,373	\$5,933,298	\$2,726,695	10	53%
5th year+ (194 stores)	\$1,508,184	\$2,755,010	\$6,169,883	\$2,887,065	77	40%

Cost of Goods Sold (COGS)						
1st year (18 stores)	\$581,547	\$765,554	\$1,430,818	\$852,913	8	44%
2nd year (16 stores)	\$672,238	\$1,247,879	\$1,703,866	\$1,198,948	9	56%
3rd year (18 stores)	\$831,832	\$1,244,810	\$2,022,245	\$1,266,758	9	50%
4th year (19 stores)	\$599,432	\$1,078,403	\$2,243,313	\$1,141,263	9	47%
5th year+ (194 stores)	\$622,018	\$1,173,304	\$2,556,661	\$1,222,229	82	42%

Gross Profit (GP)						
1st year (18 stores)	\$743,679	\$1,134,003	\$2,125,843	\$1,186,660	8	44%
2nd year (16 stores)	\$776,295	\$1,600,220	\$2,490,519	\$1,545,503	8	50%
3rd year (18 stores)	\$1,074,283	\$1,512,130	\$2,445,452	\$1,614,063	8	44%
4th year (19 stores)	\$744,634	\$1,590,946	\$3,689,985	\$1,585,432	10	53%
5th year+ (194 stores)	\$809,001	\$1,600,271	\$3,613,222	\$1,664,836	81	42%

Store Designation	Low	Median	High	Average	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
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General and Administrative Expenses (G&A)						
1st year (18 stores)	\$508,876	\$755,403	\$1,245,487	\$790,851	7	39%
2nd year (16 stores)	\$744,018	\$983,653	\$1,411,157	\$1,004,788	6	38%
3rd year (18 stores)	\$789,771	\$993,924	\$1,477,732	\$1,014,448	8	44%
4th year (19 stores)	\$732,328	\$968,009	\$1,900,573	\$1,022,209	7	37%
5th year+ (194 stores)	\$596,525	\$996,608	\$1,806,958	\$1,030,272	83	43%

Net Operating Income (NOI) (See Note 2 below)						
1st year (18 stores)	\$51,388	\$416,596	\$880,356	\$395,809	10	56%
2nd year (16 stores)	\$26,565	\$529,684	\$1,079,362	\$540,715	7	44%
3rd year (18 stores)	\$239,415	\$552,032	\$1,163,334	\$599,616	7	39%
4th year (19 stores)	\$12,306	\$620,114	\$1,789,412	\$563,223	10	53%
5th year+ (194 stores)	-\$58,777	\$596,789	\$1,815,506	\$634,564	85	44%

Total Owner Benefit (See Note 3 below)						
1st year (18 stores)	\$50,000	\$225,550	\$415,000	\$223,879	9	50%
2nd year (16 stores)	\$50,769	\$295,543	\$516,500	\$304,064	7	44%
3rd year (18 stores)	\$76,202	\$314,250	\$589,972	\$308,490	10	56%
4th year (19 stores)	\$62,826	\$305,000	\$969,781	\$308,261	9	47%
5th year+ (194 stores)	\$70,000	\$309,775	\$1,262,515	\$350,301	74	38%

Schedule 19.4A

Set forth in Schedule 19.4A is the Total Owner Benefit (as defined in Note 3) of the top and bottom 20% Total Owner Benefit performers (53 stores) for the year ending December 31, 2023, based on the 265 stores that were open for the entire year of 2023. This table includes all stores that were open by January 1, 2023, and does not include any of the 15 stores opened in 2023. The table also includes the Total Owner Benefit for all 265 locations.

	Low	Median	High	Average	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
Top 53 - Total Owner Benefit out of 265 locations	\$440,000	\$550,000	\$1,262,515	\$609,691	18	34%
Bottom 53 - Total Owner Benefit out of 265 locations	\$50,000	\$141,500	\$196,500	\$132,289	30	57%
Total Owner Benefit out of 265 locations	\$50,000	\$302,298	\$1,262,515	\$333,068	110	42%

Schedule 19.4B

Set forth in Schedule 19.4B is the Total Owner Benefit (as defined in Note 3) of the top and bottom 20% Total Owner Benefit performers (49 stores) for the year ending December 31, 2023 and for the year ending December 31, 2022, based on the 247 franchisee-owned CBA stores that were open and operating for the entire year of 2023 and 2022. This table includes all franchisee-owned CBA stores that were open before January 1, 2022, and does not include any of the 18 stores that were opened in 2022 or the 15 stores opened in 2023. The table also includes the Total Owner Benefit for all 247 locations.

2023

	Low	Median	High	Average	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
Top 49 - Total Owner Benefit out of 247 locations	\$445,994	\$557,192	\$1,262,515	\$623,386	18	37%
Bottom 49 - Total Owner Benefit out of 247 locations	\$50,769	\$150,378	\$205,000	\$140,140	28	57%
Total Owner Benefit out of 247 locations	\$50,769	\$309,550	\$1,262,515	\$341,025	98	40%

2022

	Low	Median	High	Average	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
Top 49 - Total Owner Benefit out of 247 locations	\$424,422	\$506,000	\$1,106,937	\$566,014	17	35%
Bottom 49 - Total Owner Benefit out of 247 locations	\$32,400	\$127,369	\$173,382	\$119,202	30	61%
Total Owner Benefit out of 247 locations	\$32,400	\$279,000	\$1,106,937	\$304,881	103	42%

Schedule 19.5

Set forth in Schedule 19.5 is the Shop Labor Rate range and average for the year ending December 31, 2023 for the 265 CBA franchisee-owned stores that were open for the entire year of 2023. This table includes all stores that were open by January 1, 2023, and does not include any of the 15 stores opened in 2023.

	Low	Median	High	Average	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
Shop Labor Rate	\$129.95/hour	\$159.00/hour	\$199.99/hour	\$158.79/hour	136	52%

Schedule 19.6

Set forth in Schedule 19.6 is the Annual Car Count (customer count) range and average for the year ending December 31, 2023 for the 265 CBA franchisee-owned stores that were open for the entire year of 2023. This table includes all stores that were open by January 1, 2023, and does not include any of the 15 stores opened in 2023.

	Low	Median	High	Average	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
Annual Car Count	1,882	4,627	8,627	4,715	125	47%

Schedule 19.7

Set forth in Schedule 19.7 is the CBAC Chart of Accounts (COA) which makes up the G&A expenses shown above in Schedule 19.3. This schedule displays a range of store level expense data from the 265 stores that were open before January 1, 2023 and includes a “low”, “median”, “high” and “average” expense amount of each account for the year ending December 31, 2023.

Account Description	Account Number	Low Expense Amount	Median Expense Amount	High Expense Amount	Average Expense Amount	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
Small Tools & Equipment	5080	-\$19	\$2,210	\$17,440	\$2,839	97	37%
Advertising - Local	6000	\$4,080	\$32,728	\$132,964	\$33,961	123	46%
Advertising - Regional	6001	\$0	\$0	\$12,500	\$1,256	33	12%
Advertising - National	6002	\$0	\$12,500	\$12,665	\$12,110	246	93%
Shuttle - Car Wash	6021	\$0	\$238	\$1,710	\$287	107	40%
Shuttle - Fuel	6022	\$855	\$4,070	\$18,652	\$4,676	110	42%
Shuttle - Insurance	6023	-\$7	\$0	\$19,342	\$839	57	22%
Shuttle - Interest/Lease	6024	-\$490	\$278	\$9,490	\$700	93	35%
Shuttle - Maint. & Rprs.	6025	-\$5,892	\$733	\$13,374	\$1,430	90	34%
Shuttle - Other	6026	\$0	\$798	\$27,215	\$2,226	76	29%
Auto & Truck Expense	6020	\$0	\$0	\$18,374	\$538	39	15%
Bad Debt Fees	6030	-\$150	\$1,640	\$34,026	\$3,106	89	34%
Bank Fees	6040	-\$42	\$61	\$4,349	\$221	65	25%
Bank RI/RIF (Returned Checks)	6045	-\$3,031	\$0	\$10,238	\$457	52	20%
Cash (Over)/Under	6050	-\$44	\$0	\$77	\$1	92	35%
Donations	6060	\$0	\$0	\$25,814	\$458	45	17%
Delivery Expense	6070	-\$203	\$114	\$4,438	\$322	77	29%
Dues & Subscriptions	6080	\$1,212	\$4,622	\$19,174	\$5,121	111	42%
Dues & Subscriptions Service	6085	\$7,420	\$16,078	\$26,232	\$16,136	127	48%
Entertainment	6090	\$0	\$0	\$26,650	\$455	25	9%
Gifts	6095	\$0	\$0	\$4,850	\$179	71	27%
Insurance - Workers Comp.	6100	\$0	\$8,219	\$33,444	\$9,409	105	40%
Insurance - Health	6110	-\$226	\$33,855	\$85,649	\$33,260	134	51%
Insurance - Garage Liability	6120	\$3,828	\$12,429	\$83,160	\$13,915	98	37%
Insurance - Officers Life	6130	\$0	\$415	\$13,198	\$1,335	78	29%
Insurance - Employee Other	6140	-\$215	\$0	\$8,259	\$92	14	5%
Interest Expense	6200	\$0	\$13,105	\$170,036	\$16,931	81	31%
Janitorial & Cleaning Expense	6210	\$0	\$678	\$9,974	\$1,371	98	37%
Laundry/Uniform Expense	6220	\$1,026	\$6,859	\$21,818	\$7,409	116	44%
Lawn Expense	6230	\$0	\$4,108	\$22,035	\$4,663	104	39%
Legal & Accounting Expense	6240	\$9,300	\$10,610	\$32,694	\$11,300	85	32%
Licenses & Permits	6250	-\$2,057	\$130	\$23,461	\$455	58	22%

Account Description	Account Number	Low Expense Amount	Median Expense Amount	High Expense Amount	Average Expense Amount	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
Miscellaneous Expense	6260	-\$448	\$0	\$26,296	\$316	58	22%
Meals In - Employees	6270	\$446	\$7,292	\$35,353	\$8,230	112	42%
Companywide Events	6275	\$0	\$1,371	\$10,431	\$1,842	109	41%
Office Supplies & Expense	6280	\$1,359	\$8,701	\$35,547	\$10,199	106	40%
Computer Expense	6300	-\$344	\$866	\$6,026	\$1,119	103	39%
Penalties	6320	\$0	\$0	\$5,315	\$145	39	15%
Printing & Postage	6340	\$0	\$909	\$8,135	\$1,205	98	37%
Recruiting/Employment	6350	\$0	\$511	\$28,779	\$1,536	80	30%
Rent	6360	\$118,554	\$192,794	\$312,141	\$196,145	114	43%
Rental/Lease	6370	\$0	\$0	\$17,844	\$1,348	93	35%
Repairs & Maintenance	6380	-\$11,641	\$9,451	\$35,274	\$10,704	109	41%
Retirement Expense	6390	\$0	\$14,121	\$63,705	\$14,969	128	48%
Salary - Owner	6410	\$0	\$60,000	\$124,998	\$54,930	220	83%
Salary - Office	6420	\$100,430	\$269,159	\$623,956	\$283,264	114	43%
Salary - Office Vac. Pay	6425	\$0	\$1,539	\$27,745	\$3,218	95	36%
Office - PTO	6426	\$0	\$6,408	\$75,929	\$8,149	101	38%
Salary - Bonus	6430	\$0	\$73,277	\$481,653	\$88,820	104	39%
Disaster Relief	6435	\$0	\$0	\$0	\$0	265	100%
Security Expense	6500	\$0	\$462	\$9,469	\$841	83	31%
Service - Consult/Contract	6510	-\$258	\$1,290	\$196,170	\$3,091	31	12%
Taxes - FICA	6610	\$32,989	\$71,929	\$177,251	\$74,482	113	43%
Taxes - FUTA/SUTA	6620	\$0	\$0	\$0	\$0	265	100%
Taxes - Franchise Tax	6640	-\$5,347	\$0	\$84,645	\$3,372	97	37%
Property Tax	6650	-\$4,944	\$22,326	\$90,951	\$25,563	102	38%
Taxes - Other Tax	6660	-\$375	\$0	\$24,446	\$875	25	9%
Telephone Expense - Shop	6700	\$2,189	\$5,738	\$14,092	\$6,025	111	42%
Telephone Expense - Cellphone	6710	\$0	\$1,500	\$6,419	\$1,534	46	17%
Travel Expense	6760	\$0	\$5,945	\$27,086	\$6,115	125	47%
Training/Education Expense	6770	\$0	\$1,520	\$41,708	\$3,092	74	28%
Trash Expense	6780	\$0	\$1,843	\$8,163	\$2,078	104	39%
Utilities Expense	6790	\$4,826	\$9,443	\$23,605	\$10,152	112	42%
Total Expenses		\$508,876	\$981,264	\$1,900,573	\$1,010,818	115	43%

Notes:

1. Schedule 19.1B provides a year over year comparative analysis of the same 247 franchise-owned stores and how they performed in Net Sales in the year ending December 31, 2023 compared to how the same stores performed in the year ending December 31, 2022. These 247 stores were open the entire calendar year of 2022 and 2023 and do not include stores that were open a partial year in 2022 or 2023.

2. Schedule 19.3 provides results for the included CBA stores by age of the business in 6 distinct categories: Net Sales, Cost of Goods Sold (COGS), Gross Profit (GP), General & Administrative Expenses (G&A), Net Operating Income (NOI) and Total Owner Benefit (TOB) for the year ending December 31, 2023. Net Sales is defined as all gross revenue derived from labor, parts and sub-contracted labor/parts and supplies, less labor/parts discounts. Cost of Goods Sold (COGS) is defined as all technician labor, parts costs and all sub-contracted labor/parts associated with Net Sales. Gross Profit (GP) is defined as profit after COGS are paid, but before G&A Expenses are paid. General and Administrative Expenses (G&A) is defined as general overhead expenses for the business including, but not limited to, rent, utilities, office salaries, taxes, etc. NOI is defined as income (earnings) before depreciation, amortization, royalty expense – franchisor and royalty expense – franchisee/owner. 1st Year Stores are defined as opened between January 1, 2022 and December 31, 2022. 2nd Year Stores are defined as opened between January 1, 2021 and December 31, 2021. 3rd Year Stores are defined as opened between January 1, 2020 and December 31, 2020 and 4th Year Stores are defined as opened between January 1, 2019 and December 31, 2019. 5th Year + Stores are defined as opened between August 1, 1982 and December 31, 2018. 1 of the 265 stores had a negative NOI in 2023 (-\$58,777 NOI), a 5th Year + Store.

3. “Total Owner Benefit” is defined as the sum of the owner’s salary and any cash distribution or bonus the owner took during the calendar year. It does not, however, include the owner’s benefit of major medical health insurance premiums valued at up to approximately \$14,500 per year for a married couple with dependent children nor does it include the owner’s benefit of principle reduction on any commercial debt service the owner has from the original business loan valued at approximately \$25,000 per year.

4. Other than the preceding financial performance representations, Christian Brothers Automotive Corporation does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, 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 us by contacting Brad Fink at 17725 Katy Freeway, Houston, Texas 77094, (281) 675-6100, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20.
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-wide Outlet Summary
For Calendar Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Period	Net Change
Franchised				
	2021	227	247	+20
	2022	247	265	+18
	2023	265	280	+15
Company-Owned				
	2021	4	0	-4
	2022	0	0	0
	2023	0	0	0
Total Outlets				
	2021	231	247	+16
	2022	247	265	+18
	2023	265	280	+15

Table No. 2
Transfers of Outlets from Franchisee to New Owners (other than the Franchisor) For
Calendar Years 2021 to 2023

State	Year	Number of Transfers
Alabama	2021	0
	2022	2
	2023	1
Arkansas	2021	1
	2022	0
	2023	0
Colorado	2021	0
	2022	3
	2023	1
Florida	2021	0
	2022	0
	2023	1
Georgia	2021	5
	2022	2
	2023	0
Illinois	2021	1
	2022	1
	2023	1
Kansas	2021	0
	2022	0
	2023	1
Minnesota	2021	0
	2022	1
	2023	0
Missouri	2021	0
	2022	1
	2023	1
North Carolina	2021	0
	2022	0
	2023	1
Ohio	2021	0
	2022	1
	2023	1
Pennsylvania	2021	1
	2022	0
	2023	0

Tennessee	2021	2
	2022	1
	2023	2
Texas	2021	5
	2022	13
	2023	5
Wisconsin	2021	1
	2022	1
	2023	0
Total	2021	16
	2022	26
	2023	15
State	Year	Number of Transfers

**Table No. 3
Status of Franchised Outlets
For Calendar Years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations: Other Reasons	Outlets at End of the Year
AL	2021	6	0	0	0	0	0	6
AL	2022	6	0	0	0	0	0	6
AL	2023	6	0	0	0	0	0	6
AR	2021	4	0	0	0	0	0	4
AR	2022	4	0	0	0	0	0	4
AR	2023	4	0	0	0	0	0	4
AZ	2021	9	1	0	0	0	0	10
AZ	2022	10	0	0	0	0	0	10
AZ	2023	10	5	0	0	0	0	15
CO	2021	20	5	0	0	0	0	25
CO	2022	25	4	0	0	0	0	29
CO	2023	29	2	0	0	0	0	31
FL	2021	8	1	0	0	0	0	9
FL	2022	9	4	0	0	0	0	13
FL	2023	13	2	0	0	0	0	15
GA	2021	13	3	0	0	0	0	16
GA	2022	16	0	0	0	0	0	16
GA	2023	16	1	0	0	0	0	17
KS	2021	4	0	0	0	0	0	4
KS	2022	4	0	0	0	0	0	4
KS	2023	4	0	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations: Other Reasons	Outlets at End of the Year
IA	2021	2	0	0	0	0	0	2
IA	2022	2	1	0	0	0	0	3
IA	2023	3	0	0	0	0	0	3
ID	2021	2	0	0	0	0	0	2
ID	2022	2	0	0	0	0	0	2
ID	2023	2	0	0	0	0	0	2
IL	2021	3	2	0	0	0	0	5
IL	2022	5	0	0	0	0	0	5
IL	2023	5	0	0	0	0	0	5
IN	2021	3	1	0	0	0	0	4
IN	2022	4	0	0	0	0	0	4
IN	2023	4	2	0	0	0	0	6
KY	2021	1	0	0	0	0	0	1
KY	2022	1	0	0	0	0	0	1
KY	2023	1	1	0	0	0	0	2
LA	2021	3	0	0	0	0	0	3
LA	2022	3	1	0	0	0	0	4
LA	2023	4	0	0	0	0	0	4
MI	2021	3	1	0	0	0	0	4
MI	2022	4	0	0	0	0	0	4
MI	2023	4	0	0	0	0	0	4
MN	2021	3	1	0	0	0	0	4
MN	2022	4	2	0	0	0	0	6
MN	2023	6	0	0	0	0	0	6
MO	2021	6	1	0	0	0	0	7
MO	2022	7	0	0	0	0	0	7
MO	2023	7	0	0	0	0	0	7
MS	2021	1	0	0	0	0	0	1
MS	2022	1	0	0	0	0	0	1
MS	2023	1	0	0	0	0	0	1
MT	2021	1	0	0	0	0	0	1
MT	2022	1	0	0	0	0	0	1
MT	2023	1	0	0	0	0	0	1
NE	2021	1	0	0	0	0	0	1
NE	2022	1	0	0	0	0	0	1
NE	2023	1	0	0	0	0	0	1
NC	2021	7	0	0	0	0	0	7
NC	2022	7	2	0	0	0	0	9
NC	2023	9	0	0	0	0	0	9
NM	2021	2	0	0	0	0	0	2
NM	2022	2	0	0	0	0	0	2
NM	2023	2	0	0	0	0	0	2

OH	2021	4	0	0	0	0	0	4
OH	2022	4	0	0	0	0	0	4
OH	2023	4	0	0	0	0	0	4
OK	2021	9	0	0	0	0	0	9
OK	2022	9	0	0	0	0	0	9
OK	2023	9	0	0	0	0	0	9
PA	2021	2	1	0	0	0	0	3
PA	2022	3	0	0	0	0	0	3
PA	2023	3	0	0	0	0	0	3
SC	2021	4	0	0	0	0	0	4
SC	2022	4	1	0	0	0	0	5
SC	2023	5	0	0	0	0	0	5
TN	2021	12	0	0	0	0	0	12
TN	2022	12	1	0	0	0	0	13
TN	2023	13	0	0	0	0	0	13
TX	2021	90	3	0	0	0	0	93
TX	2022	93	1	0	0	0	0	94
TX	2023	94	2	0	0	0	0	96
VA	2021	2	0	0	0	0	0	2
VA	2022	2	1	0	0	0	0	3
VA	2023	3	0	0	0	0	0	3
WA	2021	1	0	0	0	0	0	1
WA	2022	1	0	0	0	0	0	1
WA	2023	1	0	0	0	0	0	1
WI	2021	1	0	0	0	0	0	1
WI	2022	1	0	0	0	0	0	1
WI	2023	1	0	0	0	0	0	1
	2021	227	20	0	0	0	0	247
Total	2022	247	18	0	0	0	0	265
	2023	265	15	0	0	0	0	280

Table No. 4
Status of Company-Owned Outlets
For Calendar Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
CO	2021	1	0	0	0	1	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
IL	2021	1	0	0	0	1	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
MO	2021	1	0	0	0	1	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
TX	2021	1	0	0	0	1	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Totals	2021	4	0	0	0	4	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

Table No. 5
Projected Openings as of December 31, 2023

State	Franchise Committed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company- Owned Outlet in the Next Fiscal Year
AL	5	3	0
AR	1	0	0
AZ	4	1	0
CO	6	1	0
FL	9	3	0
GA	5	2	0
ID	3	2	0
IA	2	0	0
IL	1	2	0
IN	1	0	0
KS	1	0	0
KY	3	0	0
LA	2	0	0
MI	2	0	0
MN	1	0	0
MO	0	1	0
NE	3	3	0
NC	3	0	0
OH	3	4	0
OK	2	0	0
PA	1	0	0
SC	3	3	0
TN	4	1	0
TX	15	1	0
VA	2	0	0
WI	0	1	0
WY	1	0	0
Total	83	28	0

Exhibit D lists the name of all current franchisees and the addresses and telephone numbers of their outlets as of the end of our fiscal year. A list of franchisees who signed a Franchise Agreement, but their outlets are not operational as of the end of our fiscal year, is also included in Exhibit D.

Exhibit G lists the last known contact information of the franchisees who had an outlet terminated, canceled, not renewed, transferred or otherwise voluntarily or involuntarily ceased to

do business under the franchise agreement during our last fiscal year or who has not communicated with us within ten weeks of the date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years franchisees have signed confidentiality agreements with us. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with CBAC. 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.

Currently, there are no trademark-specific franchisee organizations associated with us.

ITEM 21. **FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit A are our audited consolidated financial statements, which include consolidated balance sheets as of December 31, 2023, December 31, 2022 and December 31, 2021, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the fiscal years then ended, and related notes. Our fiscal year end is December 31st.

ITEM 22. **CONTRACTS**

Attached as Exhibit B is our current form of Franchise Agreement.

Attached as Exhibit C to the Franchise Agreement is our current form of Commercial Sub-Lease Agreement.

Attached as Exhibit D to the Franchise Agreement is our current form of Store In Distress Support Program Agreement.

Attached as Exhibit E to the Franchise Agreement is our current form of Assignment and Assumption Agreement.

Attached as Exhibit F to the Franchise Agreement is our current form of Transaction Fee Agreement.

Attached as Exhibit G to the Franchise Agreement is our current form of Franchisee Disclosure Acknowledgment Statement.

Attached as Exhibit F is our current form of Nonuse and Nondisclosure Agreement.

Attached as Exhibit I is our current form of Receipt and Acknowledgement Agreement.

Attached as Exhibit J is our current form of General Release Agreement.

ITEM 23.
RECEIPTS

You will find copies of a detachable receipt in Exhibits K-1 and K-2 at the very end of this Disclosure Document.

EXHIBIT A
FINANCIAL STATEMENTS OF CBAC

Attached as Exhibit A are the audited Financial Statements of CBAC as of December 31, 2023, 2022, and 2021.

Christian Brothers Automotive Corporation

Consolidated Financial Statements
and Supplementary Information

December 31, 2023 and 2022

Christian Brothers Automotive Corporation

Table of Contents
December 31, 2023 and 2022

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Income	5
Consolidated Statements of Changes in Shareholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supplementary Information	
Schedule I - Consolidating Balance Sheet as of December 31, 2023	21
Schedule II - Consolidating Statement of Income for the Year Ended December 31, 2023	22

Independent Auditors' Report

To the Board of Directors of
Christian Brothers Automotive Corporation

Opinion

We have audited the consolidated financial statements of Christian Brothers Automotive Corporation, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Christian Brothers Automotive Corporation as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Christian Brothers Automotive Corporation 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian Brothers Automotive Corporation's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the 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 Christian Brothers Automotive Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian Brothers Automotive Corporation'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information contained in Schedules I and II are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Houston, Texas
April 10, 2024

Christian Brothers Automotive Corporation

Consolidated Balance Sheets
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 16,468,407	\$ 12,330,187
Restricted cash	4,046,351	1,327,484
Accounts receivable	13,054,928	12,954,004
Prepaid expenses and other assets	6,791,159	2,173,326
Current portion of notes receivable, related party	1,564,119	1,555,535
Current portion of notes receivable	<u>120,224</u>	<u>271,723</u>
Total current assets	42,045,188	30,612,259
Leased Properties, Net	181,581,139	129,726,930
Property and Equipment, Net	8,744,645	718,353
Goodwill, Net	1,250,000	-
Operating Right-of-Use Asset	395,708,492	384,524,993
Notes Receivable, Net of Current Portion, Related Party	429,459	1,282,420
Notes Receivable, Net of Current Portion	8,565,935	6,975,240
Rent Receivable	<u>24,736,965</u>	<u>22,511,144</u>
Total assets	<u>\$ 663,061,823</u>	<u>\$ 576,351,339</u>

See notes to consolidated financial statements

Christian Brothers Automotive Corporation

Consolidated Balance Sheets
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 2,904,676	\$ 2,162,252
Accrued expenses	6,348,505	4,763,735
State and property taxes payable	1,101,099	1,193,512
Distributions payable	2,554,625	3,394,350
Contract liabilities	11,148,029	8,993,990
Current portion of long-term debt	8,761,256	12,134,980
Current portion of subordinated debt	1,618,000	1,618,000
Operating lease liability, current	39,040,315	36,272,250
Other current liabilities	2,853,787	2,767,475
	<u>76,330,292</u>	<u>73,300,544</u>
Total current liabilities	76,330,292	73,300,544
Deferred Gain on Sale of Leased Properties	7,153,473	9,197,847
Operating Lease Liability, Long-Term	382,496,160	372,338,770
Long-Term Debt, Net of Current Portion and Unamortized Loan Fees	124,203,040	81,153,753
Subordinated Debt, Net of Current Portion	29,067,000	18,062,000
	<u>619,249,965</u>	<u>554,052,914</u>
Total liabilities	619,249,965	554,052,914
Shareholders' Equity		
Common stock; \$0.002 and \$1 par value at December 31, 2023 and 2022, respectively, 1,000,000 shares authorized, 72,773 and 73,773 shares issued and outstanding at December 31, 2023 and 2022, respectively	134	134
Additional paid-in capital	8,894,013	7,800,138
Treasury stock; 1,000 shares and 0 shares at cost as of December 31, 2023 and 2022, respectively	(1,037,740)	-
Unearned ESOP share value	(18,461,026)	(20,533,206)
Retained earnings	58,061,904	36,604,819
	<u>47,457,285</u>	<u>23,871,885</u>
Total Christian Brothers Automotive Corporation shareholders equity	47,457,285	23,871,885
Noncontrolling Interest	(3,645,427)	(1,573,460)
	<u>43,811,858</u>	<u>22,298,425</u>
Total shareholders' equity	43,811,858	22,298,425
Total liabilities and shareholders' equity	<u>\$ 663,061,823</u>	<u>\$ 576,351,339</u>

See notes to consolidated financial statements

Christian Brothers Automotive Corporation

Consolidated Statements of Income

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues	<u>\$ 137,196,643</u>	<u>\$ 122,309,502</u>
Operating Costs and Expenses		
Cost of revenues	42,731,504	40,601,283
Selling, general and administrative expenses	50,507,014	41,565,152
Compensation expense associated with ESOP	<u>10,121,713</u>	<u>14,206,798</u>
Total operating costs and expenses	<u>103,360,231</u>	<u>96,373,233</u>
Income from operations	<u>33,836,412</u>	<u>25,936,269</u>
Other Income (Expense)		
Gains on sale-leaseback transactions	2,044,287	920,683
Gains on sale of leased properties	3,613,496	13,994,953
Interest income	1,234,707	859,510
Interest expense	(6,596,136)	(2,497,171)
Other income, net	<u>(293,984)</u>	<u>467,395</u>
Total other income, net	<u>2,370</u>	<u>13,745,370</u>
Net income before state income taxes	33,838,782	39,681,639
State Income Tax Expense	<u>(1,799,431)</u>	<u>(1,535,256)</u>
Net income	32,039,351	38,146,383
Less net income attributable to noncontrolling interest	<u>(592,784)</u>	<u>(11,856,419)</u>
Net income attributable to Christian Brothers Automotive Corporation	<u>\$ 31,446,567</u>	<u>\$ 26,289,964</u>

See notes to consolidated financial statements

Christian Brothers Automotive Corporation

 Consolidated Statements of Changes in Shareholders' Equity
 Years Ended December 31, 2023 and 2022

	Common Stock		Additional Paid-in Capital	Treasury Stock		Unearned ESOP		Retained Earnings	Noncontrolling Interest - VIEs	Total Shareholders' Equity
	Shares (1)	Amount (1)		Shares (1)	Amount (1)	Shares (1)	Share Value (1)			
Balance, January 1, 2022	67,038	\$ 105	\$ 777,265	(11,623)	\$ (23,758)	33,034	\$ (25,479,648)	\$ 28,027,124	\$ -	\$ 3,301,088
Shares released to the ESOP	7,273	-	7,022,902	-	-	(7,273)	4,946,442	-	-	11,969,344
Repurchase of common stock	(12,515)	-	-	(35,663)	(10,222,804)	-	-	-	-	(10,222,804)
Retirement of treasury stock	-	-	-	47,286	10,246,562	-	-	(10,246,562)	-	-
Sale of common stock	11,977	29	(29)	-	-	-	-	-	-	-
Divestiture of subsidiaries	-	-	-	-	-	-	-	7,810	-	7,810
Distributions	-	-	-	-	-	-	-	(7,473,517)	(13,429,879)	(20,903,396)
Net income	-	-	-	-	-	-	-	26,289,964	11,856,419	38,146,383
Balance, December 31, 2022	73,773	134	7,800,138	-	-	25,761	(20,533,206)	36,604,819	(1,573,460)	22,298,425
Shares released to the ESOP	-	-	4,822,407	-	-	(1,664)	2,072,180	-	-	6,894,587
Repurchase of treasury stock	(5,000)	-	-	5,000	(5,188,700)	-	-	-	-	(5,188,700)
Sale of common stock	4,000	-	-	(4,000)	4,150,960	-	-	(377,360)	-	3,773,600
Repayment on notes receivable for common stock	-	-	45,068	-	-	-	-	-	-	45,068
Note receivable for sale of common stock	-	-	(3,773,600)	-	-	-	-	-	-	(3,773,600)
Distributions	-	-	-	-	-	-	-	(9,612,122)	(2,664,751)	(12,276,873)
Net income	-	-	-	-	-	-	-	31,446,567	592,784	32,039,351
Balance, December 31, 2023	72,773	\$ 134	\$ 8,894,013	1,000	\$ (1,037,740)	24,097	\$ (18,461,026)	\$ 58,061,904	\$ (3,645,427)	\$ 43,811,858

See notes to consolidated financial statements

Christian Brothers Automotive CorporationConsolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Net income	\$ 32,039,351	\$ 38,146,383
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization expense	2,502,750	1,674,739
Gains on sale of leased properties	(3,613,496)	(13,994,953)
Gain on sale-leaseback transactions	(2,044,374)	(920,683)
Amortization of loan fees	45,635	239,020
Operating lease expense	36,740,437	28,732,743
Compensation expense from release of ESOP shares	6,894,587	11,969,344
Changes in operating assets and liabilities:		
Accounts receivable	(100,924)	(7,989,037)
Prepaid expenses and other assets	(4,617,833)	3,469,575
Rent receivable	(2,225,821)	(722,726)
Accounts payable	742,424	(3,069,257)
Accrued expenses	1,584,770	1,455,317
State and property taxes payable	(92,413)	578,571
Contract liabilities	2,154,039	2,712,794
Other current liabilities	86,312	1,207,083
Operating lease liability	(34,998,481)	(28,350,115)
Net cash provided operating activities	<u>35,096,963</u>	<u>35,138,798</u>
Cash Flows From Investing Activities		
Collections of notes receivable and notes receivable, related-party	4,622,011	6,471,530
Issuance of notes receivable and notes receivable, related-party	(5,216,830)	(5,939,814)
Cash paid for business acquisition	(1,250,000)	-
Purchase of property and equipment	(33,485,790)	(53,290,600)
Proceeds from sale of leased properties	16,631,152	44,060,228
Acquisition of land and costs incurred as construction in progress	(41,915,117)	(20,624,462)
Net cash used in investing activities	<u>(60,614,574)</u>	<u>(29,323,118)</u>
Cash Flows From Financing Activities		
Acquisition of treasury stock	(1,037,740)	(1,913,004)
Collections of notes receivable on purchase of common stock	45,068	-
Payments of financing fees	(145,225)	(54,755)
Borrowings on long-term debt and subordinated debt	67,012,664	75,879,803
Payments on long-term debt and subordinated debt	(20,383,470)	(51,081,053)
Net (payment) proceeds from lines of credit	-	(13,077,645)
Payments of distributions	(13,116,598)	(20,509,046)
Net cash provided by (used in) financing activities	<u>32,374,699</u>	<u>(10,755,700)</u>
Net change in cash, cash equivalents and restricted cash	6,857,088	(4,940,020)
Cash, Cash Equivalents and Restricted Cash, Beginning	<u>13,657,671</u>	<u>18,597,691</u>
Cash, Cash Equivalents and Restricted Cash, Ending	<u>\$ 20,514,759</u>	<u>\$ 13,657,671</u>
Represented by		
Cash and cash equivalents	\$ 16,468,407	\$ 12,330,187
Restricted cash	<u>4,046,351</u>	<u>1,327,484</u>
Cash, cash equivalents and restricted cash, ending	<u>\$ 20,514,758</u>	<u>\$ 13,657,671</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 7,933,328</u>	<u>\$ 3,195,769</u>
State income taxes paid	<u>\$ 1,891,844</u>	<u>\$ 1,054,761</u>
Noncash Investing and Financing Activities		
Distributions payable	<u>\$ 2,554,625</u>	<u>\$ 3,394,350</u>
Note payable associated with share repurchase	<u>\$ 4,150,960</u>	<u>\$ 7,547,200</u>
Transfer of leased property associated with share repurchase	<u>\$ -</u>	<u>\$ 763,000</u>

See notes to consolidated financial statements

Christian Brothers Automotive Corporation

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

1. Nature of Operations and Significant Accounting Policies

Christian Brothers Automotive Corporation (CBAC), a Texas subchapter S corporation, is a national franchisor of automobile repair establishments located throughout the United States of America. CBAC was formed in August 1982 and had 281 and 265 independent franchises in operation at December 31, 2023 and 2022, respectively. In addition to franchising operations, CBAC engages in the business of investing in, owning and selling the real estate and facilities from which its franchise locations operate. These real estate sales are typically made to third parties, some of which are under sale-leaseback agreements.

On December 31, 2022, the Company's Board of Directors declared the 2022 Stock Split. Each shareholder of record on August 31, 2022 received a dividend of 834.342222 additional shares of common stock for each then-held share, distributed after the close of trading on December 31, 2022. All share and per share amounts presented herein have been retroactively adjusted to reflect the impact of the 2022 Stock Split.

In September 2023, CBAC acquired 100% ownership of WWK Warranty and Administration LLC, (WWK). WWK, a wholly owned subsidiary of the Company, works in conjunction with dealerships to provide vehicle service contracts and maintenance coverage for their customers.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

In accordance with GAAP, CBAC consolidates all wholly owned subsidiaries and variable interest entities (VIEs), for which CBAC has determined to be the primary beneficiary (collectively, the Company). All significant intercompany transactions and balances have been eliminated upon consolidation.

Limited Liability Entities

VIEs of the Company are structured as limited liability companies or partnerships throughout the United States of America. Members of the limited liability companies are not liable for any debt, obligations or other liability of the Company unless they have expressly guaranteed certain debt. All limited liability entities have one class of units or equal limited partnership rights. Class A units have preferential rights for liquidating the entity or capital gain proceeds. Operating cash flows are distributed to Class B units prior to Class A units. As of December 31, 2023 and 2022, there were no Class A units issued in any of the entities. As of December 31, 2023 and 2022, CBAC owned an equity position in 51 and 36 VIEs, respectively. The Company's ownership interest in these entities ranges from 10% to 45% as of December 31, 2023. The equity positions not owned by the Company are presented as noncontrolling interests within the financial statements, when the entity has equity.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates include, but are not limited to, the collectability of outstanding receivables, allowance for doubtful accounts, fair value of the Employee Stock Ownership Plan, estimated useful lives of property and equipment, and estimates used when evaluating long-lived assets for impairment.

Christian Brothers Automotive Corporation

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Accounting Standards Recently Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On January 1, 2023, the Company adopted the ASU modified retrospective. There was no adjustment to retained earnings upon adoption.

The Company recognizes an allowance for credit losses for trade and other receivables to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and future events based on our expectation as of the balance sheet date. Receivables are written off when the Company determines that such receivables are deemed uncollectible. The Company pools its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Company measures those receivables individually. The Company also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less from date of purchase to be cash and cash equivalents.

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. At times, the Company maintains deposits in federally insured financial institutions in excess of federally insured limits. Management monitors the credit ratings and concentration of risk with these financial institutions on a continuing basis to safeguard cash deposits.

Restricted Cash

The Company receives and maintains national marketing fund for all franchise stores. Fund is restricted for national marketing expenses. Total restricted cash at December 31, 2023 and 2022 were approximately \$4,046,000 and \$1,327,000, respectively.

Revenue Recognition

The Company's revenues consist of franchise fee revenue, royalty fees, rental revenue and other services revenue. The Company recognizes revenue following the five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognize revenue when (or as) the entity satisfies a performance obligation

Christian Brothers Automotive Corporation

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Franchise Fees

Franchise fees are collected in installments; the first installment is collected at the signing of the franchise agreement and the remainder is collected approximately two weeks before the store opens. Since franchise fees are received prior to opening, they are deferred and included in contract liabilities on the consolidated balance sheets. A portion of franchise fees is recognized when a franchise location opens to the general public, and the remainder is deferred and recognized over the 15-year term of franchise agreement.

Royalties

The Company recognizes royalties from stores operated by franchisees at the time the underlying sales occur. The royalty fees are calculated either based on an agreed-upon percentage of each franchisee's net cash flow, or as a percentage of net operating income in a few instances related to multi-unit owners.

Rental Income

Rental income is recognized on a straight-line basis over the applicable noncancelable lease term under ASC 842, *Leases*. Straight-line rent receivable represents the difference between rental revenue recognized on a straight-line basis and cash received under the applicable lease provisions. Rental payments and other supplemental income payments received in advance are deferred and recognized in the period in which services are provided.

Other Services Revenue

Other services revenue consists of accounting, construction management and other miscellaneous income. The Company recognizes revenue associated with these services at a point in time when the service is provided to its customers.

Accounts Receivable

Current Expected Credit Losses (Topic 326), Prior to January 1, 2023

Accounts receivable consist of amounts due from franchisees for rental, accounting and royalty revenues. Accounts receivable are estimated at their net realizable value. Management periodically reviews all accounts receivable to determine if any are considered uncollectible based upon the age of the receivable and the creditworthiness of the parties involved. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. As of December 31, 2022, the Company determined that an allowance for credit losses was not needed.

Current Expected Credit Losses (Topic 326), January 1, 2023 and After

The Company utilizes the loss rate method in determining its lifetime expected credit losses on its account receivables. This method is used for calculating an estimate of losses based primarily on the Company's historical loss experience. In determining its loss rates, the Company evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following past due receivables, the customer creditworthiness, changes in the terms of receivables, effect of other external forces such as competition, and legal and regulatory requirements on the level of estimated credit losses in the existing receivables. As of December 31, 2023, the Company determined that an allowance for credit losses was not needed.

Christian Brothers Automotive Corporation

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Notes Receivable

Current Expected Credit Losses (Topic 326), Prior to January 1, 2023

Notes receivable that the Company has the intent and ability to hold for the foreseeable future, or until maturity or prepayment, are reported at their recorded investment less deferred fundings and the allowance for loan losses.

The recorded investment of a notes receivable includes unpaid principal, accrued interest and fees, net of deferred loan fees or costs and unamortized premium or discount (if any). The recorded investment is reduced by any full or partial charge-offs and by any receipts of interest applied under the cost recovery method of accounting. As of December 31, 2022, the Company determined that an allowance for credit losses was not needed.

Current Expected Credit Losses (Topic 326), January 1, 2023 and After

The Company utilizes the loss rate method in determining its lifetime expected credit losses on its note receivables. This method is used for calculating an estimate of losses based primarily on the Company's historical loss experience. In determining its loss rates, the Company evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following past due receivables, the customer creditworthiness, changes in the terms of receivables, effect of other external forces such as competition, and legal and regulatory requirements on the level of estimated credit losses in the existing receivables. As of December 31, 2023, the Company determined that an allowance for credit losses was not needed.

Leased Properties

Properties leased to franchisees are presented at cost. The cost of ordinary maintenance and repairs is charged to operations, while renewals and replacements are capitalized. Depreciation is computed at rates sufficient to amortize the cost of the assets over their estimated useful lives using the straight-line method. The estimated useful life for building and improvements depreciation is 39 years.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed at rates considered sufficient to amortize the costs of the assets over their estimated useful lives using the straight-line method. Expenditures for replacements and improvements are capitalized, and routine repairs and maintenance are charged to expense as incurred. Disposals are removed at cost less accumulated depreciation, and any resulting gain or loss is reflected in operations.

Depreciation and amortization are based on the following estimated useful lives:

Office equipment	3 - 5 years
Furniture and fixtures	5 years
Vehicles	5 years
Buildings	15 - 38 years

Leasehold improvements are depreciated over the shorter of lease term or estimated useful life.

Christian Brothers Automotive Corporation

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Impairment of Long-Lived Assets

The Company reviews the carrying value of long-lived assets to be used in operations whenever events or changes in circumstances (triggering event) indicate that the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others.

If such factors indicate a potential impairment, the Company will assess the recoverability of an asset by determining if the carrying amount of the asset exceeds its estimated undiscounted net cash flow, excluding interest. Any impairment would be measured as the difference between the asset's carrying amount and its estimated fair value. For the years ended December 31, 2023 and 2022, there were no triggering events.

Employee Stock Ownership Plan

The Company maintains a leveraged Employee Stock Ownership Plan (ESOP) for eligible employees, for which the Company allocates shares of its own stock to the ESOP Trust each year. The Company accounts for ESOP compensation cost when shares are committed to be released, which may occur before the shares are legally released. Shares that have not been legally released, but that relate to employee services rendered during the accounting period ending before the related debt service payment is made, are considered committed to be released. The Company credits unearned ESOP shares as shares are committed to be released based on the cost of the shares to the ESOP. The Company also charges or credits the difference between the fair value of the shares committed to be released and the cost of those shares to additional paid-in capital. The compensation cost recognized on shares committed to be released is based on the fair value of the shares.

The ESOP shares collateralize the ESOP debt. Consequently, ESOP shares do not become legally released and allocated to participant accounts until the loan payment is made for the period. The Company makes discretionary contributions to the ESOP Trust and pays the ESOP Trust dividends on allocated and unallocated shares to service the ESOP debt or to fund payments to participant accounts.

Dividends payable on allocated shares are recorded as a reduction in retained earnings. Dividends on unallocated shares are not considered dividends for financial reporting purposes that reduce retained earnings. Dividends on unallocated shares used to pay debt service are reported as a reduction of debt or accrued interest payable. Dividends on unallocated shares paid to participants or added to participant accounts are reported as compensation cost.

Income Taxes

CBAC and the subsidiaries structured as limited liability entities are treated as pass-through entities for federal income tax purposes. Consequently, federal income taxes are not payable by, or provided for these entities. Partners and members of the limited liability entities are taxed individually based on their share of Company equity. The Company's net income or loss is allocated among the partners and members in accordance with the partnership or operating agreement.

Uncertain tax positions are recognized in the financial statements only if that position is more-likely-than-not of being sustained upon examination by taxing authorities based on technical merits of the position. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. At December 31, 2023 and 2022, there were no uncertain tax positions recorded. For 2023 and 2022, the Company did not recognize any interest or penalty expense related to uncertain tax positions or income taxes. The Company does not expect the amounts of unrecognized tax benefits to significantly increase or decrease within the next 12 months.

Christian Brothers Automotive Corporation

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

The Company files income tax returns in the U.S. federal jurisdiction and 30 state jurisdictions. Total state income tax expense of approximately \$1,800,000 and \$1,535,000 for 2023 and 2022, respectively, are recorded on the consolidated statements of income.

Fair Value Measurements

ASC Topic 820, *Fair Value Measurements*, establishes a common definition for fair value to be applied to existing GAAP that requires the use of fair value measurements.

ASC 820 establishes a framework for measuring fair value and expands disclosure about such fair value measurements. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurements. The three levels are defined as follows:

Level 1 - Observable inputs such as quoted prices in active markets at the measurement date of identical, unrestricted assets or liabilities.

Level 2 - Other inputs that are observable directly or indirectly such as quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full-term of the asset or liability.

Level 3 - Unobservable inputs in which there is little or no market data and which the Company makes its own assumptions about how market participants would price the assets and liabilities.

The Company's fair value of financial instruments disclosure is based upon information available to management as of each period-end. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The carrying amount of cash and cash equivalents, restricted cash, receivables, accounts payable and accrued expenses reported on the consolidated balance sheets approximate fair value due to their short-term maturities. The carrying value of the lines of credit and long-term debt on the consolidated balance sheets approximate fair value because those financial instruments bear variable interest rates or rates that approximate current market rates for notes with similar maturities and credit quality.

Advertising Costs

The Company recognizes advertising and marketing expenses when incurred as a component of selling, general and administrative expenses within the consolidated statements of income. Advertising and marketing expenses totaled approximately \$231,000 and \$139,000 for the years ended December 31, 2023 and 2022, respectively.

Taxes Collected From Customers and Remitted to Governmental Authorities

Taxes collected from customers and remitted to governmental authorities are reported on a net basis.

Reclassifications

Certain reclassifications have been made to the prior period's financial statements to conform to the current period financial statement presentation. The reclassifications had no effect on net income or shareholders' equity.

Christian Brothers Automotive Corporation

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

2. Revenues

The following presents the Company's revenues, disaggregated by major business activity for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Franchise fees	\$ 3,208,000	\$ 3,627,000
Royalties	76,487,000	64,565,000
Rental	51,460,000	46,313,000
Other revenue	<u>6,042,000</u>	<u>7,805,000</u>
Total revenues	<u>\$ 137,197,000</u>	<u>\$ 122,310,000</u>

Contract liabilities include franchise fees received prior to store opening. Total contract liabilities at December 31, 2023 and 2022 were approximately \$11,148,000 and \$8,994,000, respectively. There were no contract assets at December 31, 2023 and 2022.

Lease income for the years ended December 31, 2023 and 2022 approximately consists of the following:

	<u>2023</u>	<u>2022</u>
Fixed lease income	\$ 51,460,000	\$ 46,313,000

The table below summarizes the Company's future undiscounted cash flows to be received for years ending after December 31, 2023:

Years ending December 31:	
2024	\$ 53,712,000
2025	53,589,000
2026	52,376,000
2027	49,237,000
2028	47,212,000
Thereafter	<u>872,654,000</u>
Total lease payments to be received	<u>\$ 1,128,780,000</u>

3. Variable Interest Entities

CBAC has entered into operating lease agreements and guarantees debt on several entities, as described in Note 1. The debt for all of the VIEs is also partially guaranteed by a shareholder of CBAC. Each of these entities has been determined to be a VIE in which CBAC is the primary beneficiary. The Company analyzed the VIEs under ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, determining the VIEs did not meet the definition of a business as the acquisition of undeveloped land by the VIEs represents substantially all the assets acquired and, therefore, are accounted for as asset acquisitions and not business combinations.

The purpose of the VIEs is to grow the franchise system, for investment purposes and to collect rent. The Company manages its investment portfolio and sells real estate when market conditions are favorable. The VIEs are thinly capitalized and the lease agreements between the VIE and CBAC are the sole income for the VIE until the real estate is sold to a third-party or franchisee and a gain realized.

Christian Brothers Automotive Corporation

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

CBAC's maximum exposure to loss from involvement with these entities is limited to the difference between the fair value of the real estate purchased and constructed and the fair value of the guarantee on the debt at the date of default. The fair value of the guarantee has not been estimated as of December 31, 2023 and 2022, as none of the debt agreements are in default or more-likely-than-not of being in default at year-end.

Due to the consolidation of these VIEs, the following accounts are included in the consolidated balance sheets at December 31:

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 1,041,000	\$ -
Leased properties, net	<u>138,791,000</u>	<u>93,552,000</u>
Total assets	<u>\$ 139,832,000</u>	<u>\$ 93,552,000</u>
Accounts payable and accrued expenses	\$ 24,608,000	\$ 15,770,000
Current portion of long-term debt	4,364,000	7,776,000
Long-term debt, net of current portion	85,438,000	51,899,000
Subordinated debt	29,067,000	19,680,000
Shareholders' equity	<u>(3,645,000)</u>	<u>(1,573,000)</u>
Total liabilities and VIE's equity	<u>\$ 139,832,000</u>	<u>\$ 93,552,000</u>

The liabilities recognized as a result of consolidating the VIEs do not represent additional claims on CBAC's general assets. The creditors of the VIEs have claims on the assets of the VIEs, supported by guarantees by CBAC. The assets recognized as a result of consolidating the VIEs are the property of the VIEs and are not available to CBAC for any other purpose. Income generated from the activities of the VIEs are payable to the equity owners of the VIEs and are, therefore, accrued as expenses during the period generated.

4. Notes Receivable

Notes receivable includes amounts due from franchisees for working capital advances and franchise fees. The notes bear interest at a rate of 0% to 10% per year, with principal and interest payable monthly with terms ranging from on demand to 10 years. The notes are unsecured.

Future payments from notes receivable are as follows:

2024	\$ 1,684,000
2025	1,732,000
2026	1,583,000
2027	1,531,000
2028	1,332,000
Thereafter	<u>2,818,000</u>
Total	<u>\$ 10,680,000</u>

Christian Brothers Automotive Corporation

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

5. Leased Properties

Leased properties consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 60,723,000	\$ 47,121,000
Buildings and improvements	100,666,000	67,734,000
Construction in progress	<u>28,498,000</u>	<u>21,193,000</u>
	189,887,000	136,048,000
Less accumulated depreciation	<u>(8,306,000)</u>	<u>(6,321,000)</u>
Total leased properties, net	<u>\$ 181,581,000</u>	<u>\$ 129,727,000</u>

Total depreciation expense for the years ended December 31, 2023 and 2022 was approximately \$2,433,000 and \$1,598,000, respectively. Interest capitalized for 2023 and 2022 was approximately \$2,139,000 and \$2,170,000, respectively.

6. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Office equipment	\$ 231,000	\$ 1,032,000
Furniture and fixtures	363,000	913,000
Corporate office	8,007,000	309,000
Leasehold improvements	<u>372,000</u>	<u>372,000</u>
	8,973,000	2,626,000
Less accumulated depreciation	<u>(229,000)</u>	<u>(1,908,000)</u>
Total property and equipment, net	<u>\$ 8,744,000</u>	<u>\$ 718,000</u>

Total depreciation expense for years ended December 31, 2023 and 2022 was approximately \$69,000 and \$77,000, respectively.

Christian Brothers Automotive Corporation

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

7. Leases

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating lease right-of-use assets	<u>\$ 395,708,000</u>	<u>\$ 384,525,000</u>
Operating lease liabilities:		
Current	\$ 39,040,000	\$ 36,273,000
Long-term	<u>382,496,000</u>	<u>372,339,000</u>
Total operating lease liabilities	<u>\$ 421,536,000</u>	<u>\$ 408,612,000</u>

The amount of expense incurred during the years ended December 31, 2023 and 2022, pertaining to leases is approximately \$45,584,000 and \$41,964,000, respectively.

As of December 31, 2023 and 2022, the weighted-average remaining lease term was 11.07 years and 18.59 years, respectively. The right-of-use assets and lease liabilities were calculated using a weighted-average discount rate of 2.44% and 2.20% as of December 31, 2023 and 2022, respectively.

The table below summarizes the Company's scheduled future minimum lease payments for years ending after December 31, 2023:

Years ending December 31,	
2024	\$ 47,915,000
2025	47,730,000
2026	46,556,000
2027	44,905,000
2028	43,077,000
Thereafter	<u>251,566,000</u>
Total lease payments	481,749,000
Less present value discount	<u>(60,213,000)</u>
Total lease liabilities	421,536,000
Less current portion	<u>(39,040,000)</u>
Long-term lease liabilities	<u>\$ 382,496,000</u>

Christian Brothers Automotive Corporation

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

8. Long-Term and Subordinated Debt

Long-term debt and subordinated debt were as follows at December 31:

	<u>2023</u>	<u>2022</u>
Notes payable to various financial institutions, secured by real estate and certain accounts receivable, and/or assets of the subsidiaries; interest rates ranging from 3.0% to 10.0%; with monthly or quarterly principal and interest payments ranging between \$3,538 and \$13,924; maturing on various dates through February 2029, with balloon payments due upon maturity.	\$ 36,256,000	\$ 22,505,000
Note payable to a member of the Company for the purchase of their shares, in connection with the ESOP (see Note 10). Interest rate at the higher of 2.20% or applicable federal rate; with monthly principal payments and interest payments beginning in January 2023 of \$167,001; maturing December 2030.	12,560,000	14,267,000
Notes payable to various financial institutions to VIEs, secured by assets of CBAC; interest rates ranging from 3.25% to 6.00%; with monthly or quarterly principal and interest payments ranging between \$7,016 and \$21,258; maturing on various dates through March 2028.	84,314,000	53,856,000
Subordinated notes payable to related parties, including shareholders, directors, members, partners and affiliates of shareholders; secured by land and/or assets of CBAC; bearing interest from 5.75% to 9.0%; with monthly or quarterly principal and interest payments ranging between \$1,042 and \$11,175; maturing on various dates through July 2029.	<u>30,685,000</u>	<u>22,407,000</u>
Total long-term debt and subordinated debt	163,815,000	113,035,000
Less current portion	(10,379,000)	(13,753,000)
Less debt issuance costs	<u>(166,000)</u>	<u>(66,000)</u>
Total long-term debt and subordinated debt, net of current portion and unamortized loan fees	<u>\$ 153,270,000</u>	<u>\$ 99,216,000</u>

In connection with certain notes payable, the Company has agreed to various covenants including reporting requirements and maintenance of certain financial ratios. The Company was in compliance with these covenants at December 31, 2023 and 2022.

Christian Brothers Automotive Corporation

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Future payments on long-term debt and subordinated debt are as follows:

	<u>Long-Term Debt</u>	<u>Subordinated Debt</u>	<u>Total</u>
2024	\$ 8,761,000	\$ 1,618,000	\$ 10,379,000
2025	7,357,000	-	7,357,000
2026	34,925,000	5,401,000	40,326,000
2027	46,115,000	10,253,000	56,368,000
2028	21,890,000	13,413,000	35,303,000
Thereafter	14,082,000	-	14,082,000
Total	<u>\$ 133,130,000</u>	<u>\$ 30,685,000</u>	<u>\$ 163,815,000</u>

9. Sale-Leaseback Transactions

As of December 31, 2022, the Company had entered into 22 sale-leaseback agreements of land and buildings on leased properties. The Company defers real estate gains during for recognition in future periods. This deferred amount is recognized into income over the life of each respective lease. Gains recognized in the 2023 and 2022 consolidated statements of income related to the amortization of deferred gain on real estate were approximately \$2,256,000 and \$921,000, respectively, included in gains on sale-leaseback transactions. Total deferred gain on sale of real estate at December 31, 2023 and 2022 was approximately \$7,153,000 and \$9,198,000, respectively.

10. ESOP Plan

In July 2021, the Company established an ESOP in which employees participate. The Company purchased the shares from one of the Company's shareholders for cash and a 10-year promissory note (see Note 8). The shares of stock are held in a trust established under the plan. The ESOP borrowed from the Company to purchase 39.64 shares of common voting shares at approximately \$664,000 per share. In November 2022, the Company authorized a stock split (Note 1) that increased the number of unearned ESOP shares by 32,994.

It is the Company's policy to record the amount of any dividend that is attributable to unallocated shares in the ESOP as compensation expense in the consolidated statement of income. Based on this policy, the Company recorded approximately \$2,492,000 of the \$9,612,000 dividends declared on ESOP unallocated shares during the year ended December 31, 2023, as compensation expense. Additionally, during 2023, contributions to the ESOP to paydown debt amounted to approximately \$1,481,000, resulting in additional compensation expense amounting to approximately \$6,148,000, representing the fair value of the shares released. At December 31, 2023 and 2022, the total ESOP compensation expense amounted to approximately \$10,122,000 and \$14,207,000, respectively.

Shares held by the ESOP were as follows at December 31:

	<u>2023</u>	<u>2022</u>
ESOP shares allocation:		
Allocated shares	7,273	3,341
Committed-to-be released	1,664	3,932
Unearned	24,097	25,761
Total ESOP shares	<u>33,034</u>	<u>33,034</u>
Fair value of unearned shares	<u>\$ 65,198,000</u>	<u>\$ 55,918,000</u>

Christian Brothers Automotive Corporation

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

11. Employee Benefit Plan

In January 2013, the Company established a 401(k) plan (the Plan) for all eligible employees. Employees are permitted to defer a portion of their compensation. On January 1, 2020, the Company changed the Plan to match employee contributions up to 5% of their salary. Employees are immediately vested in employer contributions. Company contributions to the Plan totaled approximately \$737,000 and \$694,000 in 2023 and 2022, respectively.

12. Related-Party Transactions

In 2021 and 2020, the Company entered several notes receivable agreements with CB Transition Holdings, LLC (an entity owned by a former member of the Company) and CB Mater Navis Holdings, LLC (an entity owned by shareholders of the Company). The notes bear interest of 5% per year, with principal and interest payment monthly with terms ranging from six to 10 years.

Future payments from related parties associated with notes receivable are as follows:

2024	\$	120,000
2025		120,000
2026		96,000
2027		64,000
2028		64,000
Thereafter		86,000
		<hr/>
Total	\$	<u>550,000</u>

13. Commitments and Contingencies

Litigation

From time-to-time, the Company is subject to various litigation and other claims in the normal course of business. The Company establishes liabilities in connection with legal actions that management deems to be probable and estimable. No amounts have been accrued in the financial statements with respect to any matters.

Commitments

During 2021 and 2020, the Company entered into loan purchase agreements with a bank where the Company promises and agrees to purchase loans from the lender made to various franchisees, if notes are in default, delinquent (in any payment of either principal or interest) or matured. The amounts to be paid by the Company for the purchase of the loans shall be the sum of the unpaid principal balances of the notes, plus all accrued and unpaid interests through the purchase date. The outstanding balances of these notes including interests totaling approximately \$4,172,000 and \$5,444,000 as of December 31, 2023 and 2022, respectively. No amounts have been accrued in the financial statements related to these loan purchase agreements as of December 31, 2023 and 2022.

15. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through April 10, 2024, the date the financial statements were available to be issued.

Christian Brothers Automotive Corporation

Schedule I - Consolidating Balance Sheet

December 31, 2023

	Christian Brothers Automotive Corporation	Variable Interest Entities	WWK	Total	Eliminating Entries	Consolidated Total
Assets						
Current Assets						
Cash and cash equivalents	\$ 16,134,197	\$ -	\$ 334,210	\$ 16,468,407	\$ -	\$ 16,468,407
Restricted cash	4,046,351	-	-	4,046,351	-	4,046,351
Accounts receivable	21,874,737	1,041,361	705,556	23,621,654	(10,566,726)	13,054,928
Prepaid expenses and other assets	22,669,680	-	-	22,669,680	(15,878,521)	6,791,159
Current portion of notes receivable, related-party	1,564,119	-	-	1,564,119	-	1,564,119
Current portion of notes receivable	120,224	-	-	120,224	-	120,224
Total current assets	66,409,308	1,041,361	1,039,766	68,490,435	(26,445,247)	42,045,188
Leased Properties, Net	42,789,971	138,791,168	-	181,581,139	-	181,581,139
Property and Equipment, Net	8,744,645	-	-	8,744,645	-	8,744,645
Goodwill	-	-	1,250,000	1,250,000	-	1,250,000
Investment in WWK	1,250,000	-	-	1,250,000	(1,250,000)	-
Operating Right-of-Use Asset	395,708,492	-	-	395,708,492	-	395,708,492
Notes Receivable, Net of Current Portion, Related-Party	429,459	-	-	429,459	-	429,459
Notes Receivable, Net of Current Portion	12,436,911	-	-	12,436,911	(3,870,976)	8,565,935
Rent Receivable, net of current portion	24,736,965	-	-	24,736,965	-	24,736,965
Total assets	<u>\$ 552,505,751</u>	<u>\$ 139,832,529</u>	<u>\$ 2,289,766</u>	<u>\$ 694,628,046</u>	<u>\$ (31,566,223)</u>	<u>\$ 663,061,823</u>
Liabilities and Shareholders' Equity						
Current Liabilities						
Accounts payable	\$ 3,934,305	\$ -	\$ 1,241,330	\$ 5,175,635	\$ (2,270,959)	\$ 2,904,676
Accrued expenses	5,856,266	24,607,960	58,567	30,522,793.00	(24,174,288)	6,348,505
State and property taxes payable	1,101,099	-	-	1,101,099.00	-	1,101,099
Distributions payable	2,554,625	-	-	2,554,625.00	-	2,554,625
Contract liabilities	11,148,029	-	-	11,148,029.00	-	11,148,029
Current portion of long-term debt	6,014,656	2,746,600	-	8,761,256.00	-	8,761,256
Current portion of subordinated debt	-	1,618,000	-	1,618,000.00	-	1,618,000
Operating lease liability, current	39,040,315	-	-	39,040,315.00	-	39,040,315
Other current liabilities	2,853,787	-	-	2,853,787.00	-	2,853,787
Total current liabilities	72,503,082	28,972,560	1,299,897	102,775,539	(26,445,247)	76,330,292
Deferred Gain on Sale of Leased Properties	7,153,473	-	-	7,153,473	-	7,153,473
Operating Lease Liability, Long-Term	382,496,160	-	-	382,496,160	-	382,496,160
Long-Term Debt, Net of Current Portion and Unamortized Loan Fees	42,635,619	85,438,397	-	128,074,016	(3,870,976)	124,203,040
Subordinated Debt, Net of Current Portion	-	29,067,000	-	29,067,000	-	29,067,000
Total liabilities	<u>504,788,334</u>	<u>143,477,957</u>	<u>1,299,897</u>	<u>649,566,188</u>	<u>(30,316,223)</u>	<u>619,249,965</u>
Shareholders' Equity						
Common stock	134	-	1,250,000	1,250,134	(1,250,000)	134
Treasury Stock	(1,037,740)	-	-	(1,037,740)	-	(1,037,740)
Additional paid-in capital	8,894,013	-	-	8,894,013	-	8,894,013
Unearned ESOP share value	(18,461,026)	-	-	(18,461,026)	-	(18,461,026)
Retained earnings	58,322,036	(4,238,212)	(260,131)	53,823,693	-	53,823,693
Total Christian Brothers Automotive Corporation shareholders equity	47,717,417	(4,238,212)	989,869	44,469,074	(1,250,000)	43,219,074
Noncontrolling Interest	-	592,784	-	592,784	-	592,784
Total shareholders' equity	<u>47,717,417</u>	<u>(3,645,428)</u>	<u>989,869</u>	<u>45,061,858</u>	<u>(1,250,000)</u>	<u>43,811,858</u>
Total liabilities and shareholders' equity	<u>\$ 552,505,751</u>	<u>\$ 139,832,529</u>	<u>\$ 2,289,766</u>	<u>\$ 694,628,046</u>	<u>\$ (31,566,223)</u>	<u>\$ 663,061,823</u>

Christian Brothers Automotive Corporation

 Schedule II - Consolidating Statement of Income
 Year Ended December 31, 2023

	Christian Brothers Automotive Corporation	Variable Interest Entities	WWK	Total	Eliminating Entries	Consolidated Total
Revenues	\$ 138,543,597	\$ 4,673,980	\$ 45,224	\$ 143,262,801	\$ (6,066,158)	\$ 137,196,643
Operating Costs and Expenses						
Cost of revenues	47,396,508	-	8,976	47,405,484	(4,673,980)	42,731,504
Selling, general and administrative expenses	48,656,520	1,929,372	296,379	50,882,271	(375,257)	50,507,014
Compensation expense associated with ESOP	10,121,713	-	-	10,121,713	-	10,121,713
Total operating costs and expenses	106,174,741	1,929,372	305,355	108,409,468	(5,049,237)	103,360,231
Income from operations	32,368,856	2,744,608	(260,131)	34,853,333	(1,016,921)	33,836,412
Other Income (Expense)						
Gains on sale-leaseback transactions	2,044,287	-	-	2,044,287	-	2,044,287
Gains on sale of leased properties	211,954	3,401,542	-	3,613,496	-	3,613,496
Interest income	1,600,613	-	-	1,600,613	(365,906)	1,234,707
Interest expense	(2,425,597)	(5,553,366)	-	(7,978,963)	1,382,827	(6,596,136)
Other income, net	(293,984)	-	-	(293,984)	-	(293,984)
Total other income, net	1,137,273	(2,151,824)	-	(1,014,551)	1,016,921	2,370
Net income before state income taxes	33,506,129	592,784	(260,131)	33,838,782	-	33,838,782
State Income Tax Expense	(1,799,431)	-	-	(1,799,431)	-	(1,799,431)
Net income	31,706,698	592,784	(260,131)	32,039,351	-	32,039,351
Less net income attributable to noncontrolling interest	-	(592,784)	-	(592,784)	-	(592,784)
Net income attributable to Christian Brothers Automotive Corporation	\$ 31,706,698	\$ -	\$ (260,131)	\$ 31,446,567	\$ -	\$ 31,446,567

Christian Brothers Automotive Corporation

Consolidated Financial Statements
and Supplementary Information

December 31, 2022 and 2021

Christian Brothers Automotive Corporation

Table of Contents
December 31, 2022 and 2021

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Income	5
Consolidated Statements of Changes in Shareholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supplementary Information	
Schedule I - Consolidating Balance Sheet as of December 31, 2022	23
Schedule II - Consolidating Statement of Income for the Year Ended December 31, 2022	24

Independent Auditor's Report

To the Board of Directors of
Christian Brothers Automotive Corporation

Opinion

We have audited the consolidated financial statements of Christian Brothers Automotive Corporation, which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Christian Brothers Automotive Corporation as of December 31, 2022, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As described in Note 1 to the consolidated financial statements, on January 1, 2022, Christian Brothers Automotive Corporation adopted Accounting Standards Codification Topic 842 as required by Accounting Standards Update 2016-02, *Leases (Topic 842)* and its related amendments. Our opinion is not modified with respect to this matter.

Other Matter - 2021 Financial Statements

The consolidated financial statements of Christian Brothers Automotive Corporation as of December 31, 2021 and for the year then ended were audited by other auditors whose report dated April 12, 2022, expressed an unmodified opinion on those financial statements and included a paragraph regarding the gross presentation of gains realized on the sales of leased properties and the associated distributions to the owners of the consolidated variable interest entities.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian Brothers Automotive Corporation's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the 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 Christian Brothers Automotive Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian Brothers Automotive Corporation'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information contained in Schedules I and II is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Houston, Texas
April 14, 2023

Christian Brothers Automotive Corporation

Consolidated Balance Sheets
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 12,330,187	\$ 17,233,463
Restricted cash	1,327,484	1,364,228
Accounts receivable	12,954,004	4,964,967
Prepaid expenses and other assets	2,173,326	5,642,901
Current portion of notes receivable, related-party	1,555,535	553,743
Current portion of notes receivable	271,723	934,913
	<u>30,612,259</u>	<u>30,694,215</u>
Total current assets	30,612,259	30,694,215
Leased Properties, Net	129,726,930	86,990,203
Property and Equipment, Net	718,353	795,487
Operating Right-of-Use Asset	384,524,993	-
Notes Receivable, Net of Current Portion, Related-Party	1,282,420	4,162,114
Notes Receivable, Net of Current Portion	6,975,240	4,958,055
Rent Receivable	<u>22,511,144</u>	<u>21,788,418</u>
Total assets	<u>\$ 576,351,339</u>	<u>\$ 149,388,492</u>

See notes to consolidated financial statements

Christian Brothers Automotive Corporation

Consolidated Balance Sheets
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 2,162,252	\$ 5,231,509
Accrued expenses	4,763,735	3,308,418
State and property taxes payable	1,193,512	614,941
Distributions payable	3,394,350	3,000,000
Contract liabilities	8,993,990	6,281,196
Current portion of long-term debt	12,134,980	5,983,312
Current portion of subordinated debt	1,618,000	-
Operating lease liability, current	36,272,250	-
Other current liabilities	2,767,475	1,462,519
	<u>73,300,544</u>	<u>25,881,895</u>
Total current liabilities	73,300,544	25,881,895
Deferred Gain on Sale of Leased Properties	9,197,847	8,871,386
Operating Lease Liability, Long-Term	372,338,770	-
Deferred Rent Payable	-	23,801,272
Lines of Credit	-	13,077,645
Long-Term Debt, Net of Current Portion and Unamortized Loan Fees	81,153,753	51,239,611
Subordinated Debt, Net of Current Portion	18,062,000	23,215,595
	<u>554,052,914</u>	<u>146,087,404</u>
Total liabilities	554,052,914	146,087,404
Shareholders' Equity		
Common stock; \$0.002 and \$1 par value at December 31, 2022 and 2021, respectively, 1,000,000 shares authorized, 77,773 and 67,039 shares issued and outstanding at December 31, 2022 and 2021, respectively	134	105
Additional paid-in capital	7,800,138	777,265
Treasury stock; 0 shares and 14 shares at cost as of December 31, 2022 and 2021, respectively	-	(23,758)
Unearned ESOP share value	(20,533,206)	(25,479,648)
Retained earnings	36,604,819	28,027,124
	<u>23,871,885</u>	<u>3,301,088</u>
Total Christian Brothers Automotive Corporation shareholders equity	23,871,885	3,301,088
Noncontrolling Interest	(1,573,460)	-
	<u>22,298,425</u>	<u>3,301,088</u>
Total shareholders' equity	22,298,425	3,301,088
Total liabilities and shareholders' equity	<u>\$ 576,351,339</u>	<u>\$ 149,388,492</u>

See notes to consolidated financial statements

Christian Brothers Automotive Corporation

Consolidated Statements of Income

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues	\$ 122,309,502	\$ 96,216,917
Operating Costs and Expenses		
Cost of revenues	40,601,283	36,097,459
Selling, general and administrative expenses	41,565,152	36,271,920
Compensation expense associated with ESOP	14,206,798	1,618,978
Total operating costs and expenses	<u>96,373,233</u>	<u>73,988,357</u>
Income from operations	<u>25,936,269</u>	<u>22,228,560</u>
Other Income (Expense)		
Gains on sale-leaseback transactions	920,683	730,892
Gains on sale of leased properties	13,994,953	30,478,042
Interest income	859,510	364,636
Interest expense	(2,497,171)	(4,039,986)
Forgiveness of Paycheck Protection Program loan	-	2,363,100
Other income, net	467,395	798,453
Total other income, net	<u>13,745,370</u>	<u>30,695,137</u>
Net income before state income taxes	39,681,639	52,923,697
State Income Tax Expense	<u>(1,535,256)</u>	<u>(723,598)</u>
Net income	38,146,383	52,200,099
Less net income attributable to noncontrolling interest	<u>(11,856,419)</u>	<u>(27,961,864)</u>
Net income attributable to Christian Brothers Automotive Corporation	<u>\$ 26,289,964</u>	<u>\$ 24,238,235</u>

See notes to consolidated financial statements

Christian Brothers Automotive Corporation

 Consolidated Statements of Changes in Shareholders' Equity
 Years Ended December 31, 2022 and 2021

	Common Stock		Additional Paid-in Capital	Treasury Stock		Unearned ESOP		Retained Earnings	Noncontrolling Interest	Total Shareholders' Equity
	Shares (1)	Amount (1)		Shares (1)	Amount (1)	Shares (1)	Share Value (1)			
Balance, January 1, 2021	9,989,631	\$ 11,987	\$ 1,654,485	(1,174,135)	\$ (2,400,000)	-	\$ -	\$ 13,949,664	\$ -	\$ 13,216,136
Shares issued to employee stock ownership plan	(33,034)	-	-	-	-	33,034	(26,334,000)	-	-	(26,334,000)
Retirement of nonvoting stock	(9,889,559)	(11,882)	(1,641,847)	1,162,512	2,376,242	-	-	(722,514)	-	(1)
Divestiture of subsidiaries	-	-	-	-	-	-	-	283,236	-	283,236
Unearned compensation	-	-	764,627	-	-	-	854,352	-	-	1,618,979
Distributions	-	-	-	-	-	-	-	(9,721,497)	(27,961,864)	(37,683,361)
Net income	-	-	-	-	-	-	-	24,238,235	27,961,864	52,200,099
Balance, December 31, 2021	67,038	105	777,265	(11,623)	(23,758)	33,034	(25,479,648)	28,027,124	-	3,301,088
Shares released to the ESOP	7,273	-	7,022,902	-	-	(7,273)	4,946,442	-	-	11,969,344
Repurchase of common stock	(12,515)	-	-	(35,663)	(10,222,804)	-	-	-	-	(10,222,804)
Retirement of treasury stock	-	-	-	47,286	10,246,562	-	-	(10,246,562)	-	-
Issuance of stock dividends	11,977	29	(29)	-	-	-	-	-	-	-
Divestiture of subsidiaries	-	-	-	-	-	-	-	7,810	-	7,810
Distributions	-	-	-	-	-	-	-	(7,473,517)	(13,429,879)	(20,903,396)
Net income	-	-	-	-	-	-	-	26,289,964	11,856,419	38,146,383
Balance, December 31, 2022	<u>73,773</u>	<u>\$ 134</u>	<u>\$ 7,800,138</u>	<u>-</u>	<u>\$ -</u>	<u>25,761</u>	<u>\$ (20,533,206)</u>	<u>\$ 36,604,819</u>	<u>\$ (1,573,460)</u>	<u>\$ 22,298,425</u>

(1) Prior period results have been adjusted to reflect the 834.34222 for 1 stock split effected in the form of a stock dividend in December 2022. See Note 1 for details

See notes to consolidated financial statements

Christian Brothers Automotive CorporationConsolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Net income	\$ 38,146,383	\$ 52,200,099
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization expense	1,674,739	1,923,154
Bad debt expense	-	120,734
Gains on sale of leased properties	(13,994,953)	(30,478,042)
Gain on sale-leaseback transactions	(920,683)	(730,892)
Amortization of loan fees	239,020	110,850
Operating lease expense	28,732,743	-
Forgiveness of Paycheck Protection Program loan	-	(2,363,100)
Compensation expense from release of ESOP shares	11,969,344	1,618,978
Deferred rent	-	1,050,568
Changes in operating assets and liabilities:		
Accounts receivable	(7,989,037)	(479,006)
Prepaid expenses and other assets	3,469,575	(217,291)
Rent receivable	(722,726)	(1,836,813)
Accounts payable	(3,069,257)	(1,010,686)
Accrued expenses	1,455,317	1,802,897
State and property taxes payable	578,571	181,302
Contract liabilities	2,712,794	(15,458)
Other current liabilities	1,207,083	568,002
Deferred gain on sale of leased properties	-	929,721
Operating lease liability	(28,350,115)	-
Net cash from operating activities	<u>35,138,799</u>	<u>23,375,017</u>
Cash Flows From Investing Activities		
Collections of notes receivable and notes receivable, related-party	6,471,530	4,453,861
Issuance of notes receivable and notes receivable, related-party	(5,939,814)	(6,824,943)
Divestiture of subsidiaries	-	762,301
Purchase of property and equipment	-	(187,774)
Proceeds from sale of leased properties	44,060,228	100,123,804
Acquisition of land and costs incurred as construction in progress	(73,915,062)	(51,870,692)
Net cash from investing activities	<u>(29,323,118)</u>	<u>46,456,557</u>
Cash Flows From Financing Activities		
Acquisition of treasury stock	(1,913,004)	-
Payments of financing fees	(54,755)	-
Borrowings on long-term debt and subordinated debt	75,879,803	38,759,363
Payments on long-term debt and subordinated debt	(51,081,053)	(72,370,270)
Net (payment) proceeds from lines of credit	(13,077,645)	6,722,218
Payments of distributions	(20,509,046)	(34,844,763)
Net cash from financing activities	<u>(10,755,700)</u>	<u>(61,733,452)</u>
Net change in cash, cash equivalents and restricted cash	(4,940,020)	8,098,122
Cash, Cash Equivalents and Restricted Cash, Beginning	<u>18,597,691</u>	<u>10,499,569</u>
Cash, Cash Equivalents and Restricted Cash, Ending	<u>\$ 13,657,671</u>	<u>\$ 18,597,691</u>
Represented by		
Cash and cash equivalents	\$ 12,330,187	\$ 17,233,463
Restricted cash	<u>1,327,484</u>	<u>1,364,228</u>
Cash, cash equivalents and restricted cash, ending	<u>\$ 13,657,671</u>	<u>\$ 18,597,691</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 3,195,769</u>	<u>\$ 3,929,136</u>
State income taxes paid	<u>\$ 1,054,761</u>	<u>\$ 542,296</u>
Noncash Investing and Financing Activities		
Distributions payable	<u>\$ 3,394,350</u>	<u>\$ 3,000,000</u>
Note payable associated with share repurchase	<u>\$ 7,547,200</u>	<u>\$ 26,334,000</u>
Transfer of leased property associated with share repurchase	<u>\$ 763,000</u>	<u>\$ -</u>

See notes to consolidated financial statements

Christian Brothers Automotive Corporation

Table of Contents

December 31, 2022 and 2021

1. Nature of Operations and Significant Accounting Policies

Christian Brothers Automotive Corporation (CBAC), a Texas subchapter S corporation, is a national franchisor of automobile repair establishments located throughout the United States of America. CBAC was formed in August 1982 and had 265 and 247 independent franchises in operation at December 31, 2022 and 2021, respectively. In addition to franchising operations, CBAC engages in the business of investing in, owning, and selling the real estate and facilities from which its franchise locations operate. These real estate sales are typically made to third-parties, some of which are under sale-leaseback agreements.

On December 31, 2022, the Company's Board of Directors declared the 2022 Stock Split. Each shareholder of record on August 31, 2022 received a dividend of 834.342222 additional shares of common stock for each then-held share, distributed after the close of trading on December 31, 2022. All share and per share amounts presented herein have been retroactively adjusted to reflect the impact of the 2022 Stock Split.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with GAAP.

In accordance with accounting principles generally accepted in the United States of America (GAAP), CBAC consolidates all wholly owned subsidiaries and variable interest entities (VIEs), for which CBAC has determined to be the primary beneficiary (collectively, the Company). All significant intercompany transactions and balances have been eliminated upon consolidation.

On June 30, 2021, the Company completed a divestiture of four wholly owned subsidiaries; CBA O'Fallon, LLC (O'Fallon), CBA Lockport, LLC (Lockport), CBA Hijo Fundador (Frisco), and CBA Falcon, LLC (Falcon). The subsidiaries were sold to a related party and do not represent a strategic shift that has or will have a major effect on the Company's operations and financial results.

Limited Liability Entities

VIEs of the Company are structured as limited liability companies or partnerships throughout the United States of America. Members of the limited liability companies are not liable for any debt, obligations, or other liability of the Company unless they have expressly guaranteed certain debt. All limited liability entities have one class of units or equal limited partnership rights. CBH Properties Horsham, LLC has Class A and Class B units. Class A units have preferential rights for liquidating the entity or capital gain proceeds. Operating cash flows are distributed to Class B units prior to Class A units. As of December 31, 2022 and 2021, there were no Class A units issued in any of the entities. As of December 31, 2022, CBAC owns an equity position in twenty-six VIEs. The Company maintains a 44% interest in these entities. The equity positions not owned by the Company are presented as noncontrolling interests within the financial statements, when the entity has equity.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates include, but are not limited to, the collectability of outstanding receivables, allowance for doubtful accounts, fair value of the Employee Stock Ownership Plan, estimated useful lives of property and equipment, and estimates used when evaluating long-lived assets for impairment.

Christian Brothers Automotive Corporation

Table of Contents

December 31, 2022 and 2021

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less from date of purchase to be cash and cash equivalents.

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. At times, the Company maintains deposits in federally insured financial institutions in excess of federally insured limits. Management monitors the credit ratings and concentration of risk with these financial institutions on a continuing basis to safeguard cash deposits.

Restricted Cash

The Company receives and maintains national marketing fund for all franchise stores. Fund is restricted for national marketing expenses. Total restricted cash at December 31, 2022 and 2021 were approximately \$1,327,000 and \$1,364,000, respectively.

Lease Adoption (Topic 842)

Effective January 1, 2022, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach. The Company's 2021 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

Lessor Accounting

Under ASU No. 2016-02, leases in which the Company is the lessor are classified as sales-type, direct-financing leases or operating leases. A lease with variable payments that do not depend on an index or rate is classified as an operating lease if either a sales-type or direct-financing lease classification would trigger a day-one loss.

The application of Topic 842 did not have a material effect on the Company's accounting for leases as the lessor.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Company elected:

- The package of practical expedients permitted under the transition guidance which does not require the Company to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs;
- The practical expedient to use hindsight in determining the lease term (that is, when considering the lessee's options to extend or terminate the lease or to purchase the underlying asset).

The new standard also provides for several accounting policy elections to which the Company has opted in, as follows:

- The Company has elected to exclude from rental income all sales, use and other similar taxes collected from its tenants.

Lessee Accounting

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Company recorded operating lease right-of-use assets and lease liabilities of approximately \$373,529,000 and \$397,109,000, respectively. The Company did not have leases that qualified as financing.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Company elected:

- The package of practical expedients permitted under the transition guidance which does not require the Company to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs;
- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Company's right-of-use assets.

The new standard also provides for several accounting policy elections, as follows:

- When the rate implicit in the lease is not determinable, rather than use the Company's incremental borrowing rate, the Company elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes;
- The Company elected not to apply the recognition requirements to office equipment and office leases with an original term of 12 months or less, for which the Company is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Deferred Rent (Topic 840)

For operating leases, the Company recognizes rent expense on a straight-line basis over the terms of the leases, and accordingly, the difference between cash rent payments and the recognition of rent expense is recorded as a deferred rent liability. Landlord funded leasehold improvements, to the extent the improvements are not landlord property upon lease termination, are also recorded as deferred rent liabilities and are amortized as a reduction of rent expense over the noncancelable term of the related operating lease.

Revenue Recognition

The Company's revenues consist of franchise fee revenue, royalty fees, rental revenue, and other services revenue. The Company recognizes revenue following the five-step model: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Christian Brothers Automotive Corporation

Table of Contents
December 31, 2022 and 2021

Franchise Fees

Franchise fees are collected in installments; the first installment is collected at the signing of the franchise agreement and the remainder is collected approximately two weeks before the store opens. Since franchise fees are received prior to opening, they are deferred and included in contract liabilities on the consolidated balance sheets. A portion of franchise fees is recognized when a franchise location opens to the general public, and the remainder is deferred and recognized over the 15-year term of franchise agreement.

Royalties

The Company recognizes royalties from stores operated by franchisees at the time the underlying sales occur. The royalty fees are calculated either based on an agreed-upon percentage of each franchisee's net cash flow, or as a percentage of net operating income in a few instances related to multi-unit owners.

Rental Income

For the year ended December 31, 2022, rental income is recognized on a straight-line basis over the applicable noncancelable lease term under ASC 842, *Leases*. Straight-line rent receivable represents the difference between rental revenue recognized on a straight-line basis and cash received under the applicable lease provisions. Rental payments and other supplemental income payments received in advance are deferred and recognized in the period in which services are provided.

Rental income recognized during the year ended December 31, 2021 is accounted for under the scope of ASC 840, *Leases*. For lease agreements with escalating payments, the Company records rental revenue on a straight-line basis over the term of the lease. Deferred rent receivable represents the rent recorded on a straight-line basis in excess of the amounts received in accordance with the lease agreement.

Other Services Revenue

Other services revenue consists of accounting, construction management, and other miscellaneous income. The Company recognizes revenue associated with these services at a point in time when the service is provided to its customers.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist of amounts due from franchisees for rental, accounting, and royalty revenues. Accounts receivable are estimated at their net realizable value. Management periodically reviews all accounts receivable to determine if any are considered uncollectible based upon the age of the receivable and the creditworthiness of the parties involved. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. Management deemed no allowance for doubtful accounts was necessary at December 31, 2022 and 2021.

Notes Receivables

Notes receivable that the Company has the intent and ability to hold for the foreseeable future, or until maturity or prepayment, are reported at their recorded investment less deferred fundings and the allowance for loan losses.

The recorded investment of a notes receivable includes unpaid principal, accrued interest and fees, net of deferred loan fees or costs and unamortized premium or discount (if any). The recorded investment is reduced by any full or partial charge-offs and by any receipts of interest applied under the cost recovery method of accounting.

Christian Brothers Automotive Corporation

Table of Contents

December 31, 2022 and 2021

Leased Properties

Properties leased to franchisees are presented at cost. The cost of ordinary maintenance and repairs is charged to operations, while renewals and replacements are capitalized. Depreciation is computed at rates sufficient to amortize the cost of the assets over their estimated useful lives using the straight-line method. The estimated useful life for building and improvements depreciation is 39 years.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed at rates considered sufficient to amortize the costs of the assets over their estimated useful lives using the straight-line method. Expenditures for replacements and improvements are capitalized, and routine repairs and maintenance are charged to expense as incurred. Disposals are removed at cost less accumulated depreciation, and any resulting gain or loss is reflected in operations.

Depreciation and amortization are based on the following estimated useful lives:

Office equipment	3 - 5 years
Furniture and fixtures	5 years
Vehicles	5 years
Buildings	15 - 38 years

Leasehold improvements are depreciated over the shorter of lease term or estimated useful life.

Impairment of Long-Lived Assets

The Company reviews the carrying value of long-lived assets to be used in operations whenever events or changes in circumstances (triggering event) indicate that the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others.

If such factors indicate a potential impairment, the Company will assess the recoverability of an asset by determining if the carrying amount of the asset exceeds its estimated undiscounted net cash flow, excluding interest. Any impairment would be measured as the difference between the asset's carrying amount and its estimated fair value. For the years ended December 31, 2022 and 2021, there were no triggering events.

Employee Stock Ownership Plan

The Company maintains a leveraged Employee Stock Ownership Plan (ESOP) for eligible employees, for which the Company allocates shares of its own stock to the ESOP Trust each year. The Company accounts for ESOP compensation cost when shares are committed to be released, which may occur before the shares are legally released. Shares that have not been legally released, but that relate to employee services rendered during the accounting period ending before the related debt service payment is made, are considered committed to be released. The Company credits unearned ESOP shares as shares are committed to be released based on the cost of the shares to the ESOP. The Company also charges or credits the difference between the fair value of the shares committed to be released and the cost of those shares to additional paid-in capital. The compensation cost recognized on shares committed to be released is based on the fair value of the shares.

Christian Brothers Automotive Corporation

Table of Contents

December 31, 2022 and 2021

The ESOP shares collateralize the ESOP debt. Consequently, ESOP shares do not become legally released and allocated to participant accounts until the loan payment is made for the period. The Company makes discretionary contributions to the ESOP Trust and pays the ESOP Trust dividends on allocated and unallocated shares to service the ESOP debt or to fund payments to participant accounts.

Dividends payable on allocated shares are recorded as a reduction in retained earnings. Dividends on unallocated shares are not considered dividends for financial reporting purposes that reduce retained earnings. Dividends on unallocated shares used to pay debt service are reported as a reduction of debt or accrued interest payable. Dividends on unallocated shares paid to participants or added to participant accounts are reported as compensation cost.

Income Taxes

CBAC and the subsidiaries structured as limited liability entities are treated as pass-through entities for federal income tax purposes. Consequently, federal income taxes are not payable by, or provided for these entities. Partners and members of the limited liability entities are taxed individually based on their share of Company equity. The Company's net income or loss is allocated among the partners and members in accordance with the partnership or operating agreement.

Uncertain tax positions are recognized in the financial statements only if that position is more-likely-than-not of being sustained upon examination by taxing authorities based on technical merits of the position. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. At December 31, 2022 and 2021, there were no uncertain tax positions recorded. For 2022 and 2021, the Company did not recognize any interest or penalty expense related to uncertain tax positions or income taxes. The Company does not expect the amounts of unrecognized tax benefits to significantly increase or decrease within the next 12 months.

The Company files income tax returns in the U.S. federal jurisdiction and 30 state jurisdictions. Total state income tax expense of approximately \$1,535,000 and \$724,000 for 2022 and 2021, respectively, are recorded on the consolidated statements of income.

Fair Value Measurements

ASC Topic 820, *Fair Value Measurements*, establishes a common definition for fair value to be applied to existing U.S. GAAP that requires the use of fair value measurements.

ASC 820 establishes a framework for measuring fair value and expands disclosure about such fair value measurements. U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurements. The three levels are defined as follows:

Level 1 - Observable inputs such as quoted prices in active markets at the measurement date of identical, unrestricted assets or liabilities.

Level 2 - Other inputs that are observable directly or indirectly such as quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full-term of the asset or liability.

Level 3 - Unobservable inputs in which there is little or no market data and which the Company makes its own assumptions about how market participants would price the assets and liabilities.

Christian Brothers Automotive Corporation

Table of Contents
December 31, 2022 and 2021

The Company's fair value of financial instruments disclosure is based upon information available to management as of each period-end. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The carrying amount of cash and cash equivalents, restricted cash, receivables, accounts payable, and accrued expenses reported on the consolidated balance sheets approximate fair value due to their short-term maturities. The carrying value of the lines of credit and long-term debt on the consolidated balance sheets approximate fair value because those financial instruments bear variable interest rates or rates that approximate current market rates for notes with similar maturities and credit quality.

Advertising Costs

The Company expenses advertising costs as they are incurred. Total advertising costs for the years ended December 31, 2022 and 2021 were approximately \$139,000 and \$277,000, respectively.

Taxes Collected From Customers and Remitted to Governmental Authorities

Taxes collected from customers and remitted to governmental authorities are reported on a net basis.

Reclassifications

Certain reclassifications have been made to the prior period's financial statements to conform to the current period financial statement presentation. The reclassifications had no effect on net income or shareholders' equity.

Revisions

During the year ended December 31, 2022, the Company noted errors that impacted prior reporting periods and are summarized as follows:

Previously reported additional paid-in-capital, treasury stock, and retained earnings did not consider the impact of the share retirements that the Company implemented during the year ended December 31, 2021. The share retirements resulted in reductions to the value of additional paid-in-capital, treasury stock and retained earnings of approximately \$1,655,000, \$2,376,000 and \$722,000, respectively.

The effects of the revisions of opening shareholders' equity as of January 1, 2022 is summarized as follows:

	As Previously Reported	Adjustment	Reclassification	As Revised
Additional paid-in-capital	\$ 1,667,000	\$ (1,655,000)	\$ 765,000	\$ 777,000
Treasury stock	(2,400,000)	2,376,000	-	(24,000)
Unearned ESOP share value	(24,715,000)	-	(765,000)	(25,480,000)
Retained earnings	28,749,000	(721,000)	-	28,028,000
Total shareholders' equity	<u>\$ 3,301,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,301,000</u>

There is no impact to the consolidated statement of income in connection with the revisions disclosed.

Christian Brothers Automotive Corporation

Table of Contents
December 31, 2022 and 2021

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments: Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU replace the incurred loss model for recognition of credit losses with a methodology that reflects expected credit losses over the life of the loan and requires consideration of a broader range of reasonable and supportable information to calculate credit loss estimates. In November 2019, the FASB issued ASU No. 2019-10, which provides a one-year deferral of the effective dates of ASU No. 2016-13. Accordingly, the guidance is effective for fiscal years beginning after December 15, 2022 for nonpublic companies. The Company is assessing the method of adoption and the impact this new accounting guidance will have on the financial statements and related disclosures.

2. Revenues

The following presents the Company's revenues, disaggregated by major business activity for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Franchise fees	\$ 3,627,000	\$ 3,504,000
Royalties	64,565,000	44,852,000
Rental	46,313,000	41,777,000
Other revenue	7,805,000	6,084,000
Total revenues	<u>\$ 122,310,000</u>	<u>\$ 96,217,000</u>

Contract liabilities include franchise fees received prior to store opening. Total contract liabilities at December 31, 2022 and 2021 were approximately \$8,994,000 and \$6,281,000, respectively. There were no contract assets at December 31, 2022 and 2021.

Lease income for the years ended December 31, 2022 and 2021 approximately consists of the following:

	<u>2022</u>	<u>2021</u>
Fixed lease income	\$ 46,313,000	\$ 41,777,000

The table below summarizes the Company's future undiscounted cash flows to be received for years ending after December 31, 2022:

Years ending December 31:	
2023	\$ 48,097,000
2024	49,403,000
2025	48,384,000
2026	47,226,000
2027	43,825,000
Thereafter	<u>250,978,000</u>
Total lease payments to be received	<u>\$ 487,913,000</u>

Christian Brothers Automotive Corporation

Table of Contents

December 31, 2022 and 2021

3. Variable Interest Entities

CBAC has entered into operating lease agreements and guarantees debt on several entities, as described in Note 1. The debt for all of the VIEs is also partially guaranteed by a shareholder of CBAC. Each of these entities has been determined to be a VIE in which CBAC is the primary beneficiary. The Company analyzed the VIEs under ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, determining the VIEs did not meet the definition of a business as the acquisition of undeveloped land by the VIEs represents substantially all the assets acquired and, therefore, are accounted for as asset acquisitions and not business combinations.

The purpose of the VIEs is to grow the franchise system, for investment purposes, and to collect rent. The Company manages its investment portfolio and sells real estate when market conditions are favorable. The VIEs are thinly capitalized and the lease agreements between the VIE and CBAC are the sole income for the VIE until the real estate is sold to a third-party or franchisee and a gain realized. CBAC's maximum exposure to loss from involvement with these entities is limited to the difference between the fair value of the real estate purchased and constructed and the fair value of the guarantee on the debt at the date of default. The fair value of the guarantee has not been estimated as of December 31, 2022 and 2021, as none of the debt agreements are in default or more-likely-than-not of being in default at year-end.

Due to the consolidation of these VIEs, the following accounts are included in the consolidated balance sheets at December 31:

	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ -	\$ 834,000
Leased properties, net	<u>93,552,000</u>	<u>63,944,000</u>
Total assets	<u>\$ 93,552,000</u>	<u>\$ 64,778,000</u>
Accounts payable and accrued expenses	\$ 15,770,000	\$ 3,431,000
Current portion of long-term debt	7,776,000	3,146,000
Long-term debt, net of current portion	51,899,000	43,852,000
Subordinated debt	19,680,000	14,349,000
Shareholders' equity	<u>(1,573,000)</u>	<u>-</u>
Total liabilities and VIE's equity	<u>\$ 93,552,000</u>	<u>\$ 64,778,000</u>

The liabilities recognized as a result of consolidating the VIEs do not represent additional claims on CBAC's general assets. The creditors of the VIEs have claims on the assets of the VIEs, supported by guarantees by CBAC. The assets recognized as a result of consolidating the VIEs are the property of the VIEs and are not available to CBAC for any other purpose. Income generated from the activities of the VIEs are payable to the equity owners of the VIEs and are, therefore, accrued as expenses during the period generated.

4. Notes Receivable

Notes receivable includes amounts due from franchisees for working capital advances and franchise fees. The notes bear interest at a rate of 0% to 10% per year, with principal and interest payable monthly with terms ranging from on demand to 10 years. The notes are unsecured.

Christian Brothers Automotive Corporation

Table of Contents
December 31, 2022 and 2021

Future payments from notes receivable are as follows:

2023	\$ 1,827,000
2024	2,208,000
2025	1,537,000
2026	1,492,000
2027	1,339,000
Thereafter	<u>2,098,000</u>
Total	<u>\$ 10,501,000</u>

5. Leased Properties

Leased properties consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 47,121,000	\$ 34,928,000
Buildings and improvements	<u>88,927,000</u>	<u>58,008,000</u>
	136,048,000	92,936,000
Less accumulated depreciation	<u>(6,321,000)</u>	<u>(5,946,000)</u>
Total leased properties, net	<u>\$ 129,727,000</u>	<u>\$ 86,990,000</u>

Total depreciation expense for the years ended December 31, 2022 and 2021 was approximately \$1,598,000 and \$1,787,000, respectively. Interest capitalized for 2022 and 2021 was approximately \$2,170,000 and \$1,298,000, respectively.

6. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Office equipment	\$ 1,032,000	\$ 1,032,000
Furniture and fixtures	913,000	913,000
Leasehold improvements	<u>681,000</u>	<u>681,000</u>
	2,626,000	2,626,000
Less accumulated depreciation	<u>(1,908,000)</u>	<u>(1,831,000)</u>
Total property and equipment, net	<u>\$ 718,000</u>	<u>\$ 795,000</u>

Total depreciation expense for years ended December 31, 2022 and 2021 was approximately \$77,000 and \$137,000, respectively.

Christian Brothers Automotive Corporation

Table of Contents
December 31, 2022 and 2021

7. Leases

Leases, Prior to January 1, 2022

The Company leases its office facilities and leased properties under noncancelable operating leases which expire in various years through 2040. Rent expense for 2021 was approximately \$35,388,000 and included in cost of revenues.

Leases, January 1, 2022 and After

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of December 31, 2022:

Operating lease right-of-use assets	<u>\$ 384,525,000</u>
Operating lease liabilities:	
Current	\$ 36,273,000
Long-term	<u>372,339,000</u>
 Total operating lease liabilities	 <u>\$ 408,612,000</u>

Below is a summary of expenses incurred pertaining to leases during the year ended December 31, 2022:

Operating lease expense	\$ 41,964,000
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As of December 31, 2022, the weighted average remaining lease term was 18.59 years.

The table below summarizes the Company's scheduled future minimum lease payments for years ending after December 31, 2022:

Years ending December 31,	
2023	\$ 44,142,000
2024	43,997,000
2025	43,218,000
2026	41,921,000
2027	40,181,000
Thereafter	<u>245,075,000</u>
 Total lease payments	 458,534,000
 Less present value discount	 <u>(49,922,000)</u>
 Total lease liabilities	 408,612,000
 Less current portion	 <u>36,273,000</u>
 Long-term lease liabilities	 <u>\$ 372,339,000</u>

Christian Brothers Automotive Corporation

Table of Contents

December 31, 2022 and 2021

8. Lines of Credit

	<u>2022</u>	<u>2021</u>
Effective December 20, 2015, the Company entered into a Master Loan Agreement with a bank to extend a line of credit for business operation purposes. The agreement was amended on September 15, 2020 with maximum principal amount of \$15,000,000 maturing on October 15, 2024. Interest is due monthly at the rate of one-month LIBOR plus 3.25% (3.35% at December 31, 2022 and 2021). The line is secured by certain real estate. CBAC is the only guarantor.	\$ -	\$ 10,342,645
Effective January 15, 2020, the Company entered into a loan agreement with a bank for revolving line of credit in the amount of \$3,000,000 maturing on January 15, 2025. Interest is due monthly at the prime rate (3.25% at December 31, 2022 and 2021). The line of credit is secured by certain real estate. Mark A. Carr, CEO, and his heirs and legal representatives are the guarantors.	-	2,735,000
Total	<u>\$ -</u>	<u>\$ 13,077,645</u>

The debt balance associated with those lines of credit have been classified as long-term in the consolidated balance sheets.

9. Long-Term and Subordinated Debt

In response to the coronavirus COVID-19 pandemic, the U.S. Small Business Administration (SBA) made available low-interest rate loans to qualified small businesses, under its Paycheck Protection Program (PPP). On April 13, 2020, the Company applied and was approved for a loan (SBA loan) in the amount of \$2,363,100. The SBA loan bears interest at 1% and matures on April 13, 2022. Congress has passed the PPP Flexibility which among other changes, extends the loan repayment period from two years to five years.

Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides for forgiveness of up to the full principal amount of qualifying loans guaranteed under the PPP. The PPP and loan forgiveness are intended to provide economic relief to small businesses, such as the Company, that are adversely impacted under the COVID-19 Emergency Declaration issued on March 13, 2020.

In 2021, the PPP loan was fully forgiven by the SBA. The Company recorded approximately \$2,184,000 PPP loan forgiveness to other income in the consolidated statement of income during 2021.

Christian Brothers Automotive Corporation

Table of Contents

December 31, 2022 and 2021

Long-term debt and subordinated debt were as follows at December 31:

	<u>2022</u>	<u>2021</u>
Notes payable to various financial institutions, secured by real estate and certain accounts receivable, and/or assets of the subsidiaries; interest rates ranging from 1.68% to 4.75%; with monthly or quarterly principal and interest payments ranging between \$3,538 and \$13,924; maturing on various dates through November 2026.	\$ 22,505,000	\$ 4,248,000
Note payable to a member of the Company for the purchase of their shares, in connection with the ESOP (see Note 13). Interest rate at the higher of 2.20% or applicable federal rate; with monthly principal payments and interest payments beginning in January 2023 of \$167,001; maturing December 2030.	14,267,000	16,934,000
Notes payable to various financial institutions from VIEs, secured by assets of CBAC; interest rates ranging from 3.25% to 6.00%; with monthly or quarterly principal and interest payments ranging between \$7,016 and \$21,258; maturing on various dates through March 2028.	53,856,000	36,270,000
Subordinated notes payable to related parties, including shareholders, directors, members, partners and affiliates of shareholders; secured by land and/or assets of CBAC; bearing interest from 5.0% to 10.0%; with monthly or quarterly principal and interest payments ranging between \$1,042 and \$11,175; maturing on various dates through December 2026.	<u>22,407,000</u>	<u>23,216,000</u>
	113,035,000	80,668,000
Less current portion	(13,753,000)	(5,983,000)
Less loan fees, net	<u>(66,000)</u>	<u>(230,000)</u>
Total long-term debt and subordinated debt, net of current portion and unamortized loan fees	<u>\$ 99,216,000</u>	<u>\$ 74,455,000</u>

In connection with certain notes payable, the Company has agreed to various covenants including reporting requirements and maintenance of certain financial ratios. The Company was in compliance with these covenants at December 31, 2022 and 2021.

Future payments on long-term debt and subordinated debt are as follows:

	<u>Long-Term Debt</u>	<u>Subordinated Debt</u>	<u>Total</u>
2023	\$ 12,135,000	\$ 1,618,000	\$ 13,753,000
2024	13,422,000	-	13,422,000
2025	11,109,000	634,000	11,743,000
2026	18,636,000	6,557,000	25,193,000
2027	31,580,000	10,850,000	42,430,000
Thereafter	<u>6,494,000</u>	<u>-</u>	<u>6,494,000</u>
Total	<u>\$ 93,376,000</u>	<u>\$ 19,659,000</u>	<u>\$ 113,035,000</u>

Christian Brothers Automotive Corporation

Table of Contents

December 31, 2022 and 2021

10. Sale-Leaseback Transactions

As of December 31, 2022, the Company had entered into 22 sale-leaseback agreements of land and buildings on leased properties. The Company deferred approximately \$1,913,000 in real estate gains during 2022 for recognition in future periods. This deferred amount is recognized into income over the life of each respective lease. Gains recognized in the 2022 and 2021 consolidated statements of income related to the amortization of deferred gain on real estate were approximately \$921,000 and \$731,000, respectively, included in gains on sale-leaseback transactions. Total deferred gain on sale of real estate at December 31, 2022 and 2021 was approximately \$9,919,000 and \$8,871,000, respectively.

11. ESOP Plan

In July 2021, the Company established an ESOP in which employees participate. The Company purchased the shares from one of the Company's shareholders for cash and a 10-year promissory note (see Note 10). The shares of stock are held in a trust established under the plan. The ESOP borrowed from the Company to purchase 39.64 shares of common voting shares at approximately \$664,000 per share. In November 2022, the Company authorized a stock split (Note 1) that increased the number of unearned ESOP shares by 32,994.

It is the Company's policy to record the amount of any dividend that is attributable to unallocated shares in the ESOP as compensation expense in the consolidated statement of income. Based on this policy, the Company recorded approximately \$2,160,000 of the \$4,002,000 dividends declared on ESOP unallocated shares during the year ended December 31, 2022, as compensation expense. Additionally, during 2022, contributions to the ESOP to paydown debt amounted to approximately \$6,491,000, resulting in additional compensation expense amounting to approximately \$11,969,000, representing the fair value of the shares released. At December 31, 2022 and 2021, the total ESOP compensation expense amounted to approximately \$14,207,000 and \$1,619,000, respectively.

Shares held by the ESOP were as follows at December 31, 2022:

ESOP shares allocation:	
Allocated shares	\$ 3,341
Committed-to-be released	3,932
Unearned	<u>25,761</u>
Total ESOP shares	<u>\$ 33,034</u>
Fair value of unearned shares	<u>\$ 55,918,000</u>

12. Employee Benefit Plan

In January 2013, the Company established a 401(k) plan (the Plan) for all eligible employees. Employees are permitted to defer a portion of their compensation. On January 1, 2020, the Company changed the Plan to match employee contributions up to 5% of their salary. Employees are immediately vested in employer contributions. Company contributions to the Plan totaled approximately \$694,000 and \$745,000 in 2022 and 2021, respectively.

Christian Brothers Automotive Corporation

Table of Contents
December 31, 2022 and 2021

13. Related-Party Transactions

In 2021 and 2020, the Company entered several notes receivable agreements with CB Transition Holdings, LLC (an entity owned by a former member of the Company) and CB Mater Navis Holdings, LLC (an entity owned by shareholders of the Company). The notes bear interest at a rate of 2.35% to 6% per year, with principal and interest payment monthly with terms ranging from six to 10 years.

Future payments from related parties associated with notes receivable are as follows:

2023	\$	272,000
2024		272,000
2025		272,000
2026		239,000
2027		215,000
Thereafter		<u>285,000</u>
Total	\$	<u>1,555,000</u>

On June 30, 2021, the Company completed a divestiture of wholly owned subsidiaries O'Fallon, Lockport, Frisco and Falcon. The subsidiaries were sold to a related party outside of the Company. The Company's retained earnings as increased by the divestiture of the subsidiaries net deficit position, totaling approximately \$283,000, as of the date of the divestiture. The sale does not represent a strategic shift that has (or will have) a major effect on the Company's operations and financial results.

14. Commitments and Contingencies

Litigation

From time-to-time, the Company is subject to various litigation and other claims in the normal course of business. The Company establishes liabilities in connection with legal actions that management deems to be probable and estimable. No amounts have been accrued in the financial statements with respect to any matters.

Commitments

During 2021 and 2020, the Company entered into loan purchase agreements with a bank where the Company promises and agrees to purchase loans from the lender made to various franchisees, if notes are in default, delinquent (in any payment of either principal or interest) or matured. The amounts to be paid by the Company for the purchase of the loans shall be the sum of the unpaid principal balances of the notes, plus all accrued and unpaid interests through the purchase date. The outstanding balances of these notes including interests totaling approximately \$5,444,000 and \$5,992,000 as of December 31, 2022 and 2021, respectively. No amounts have been accrued in the financial statements related to these loan purchase agreements as of December 31, 2022 and 2021.

15. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through April 14, 2023, the date the financial statements were available to be issued.

Christian Brothers Automotive Corporation

Schedule I - Consolidating Balance Sheet

December 31, 2022

	Christian Brothers Automotive Corporation	Variable Interest Entities	Total	Eliminating Entries	Consolidated Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 12,330,187	\$ -	\$ 12,330,187	\$ -	\$ 12,330,187
Restricted cash	1,327,484		1,327,484	-	1,327,484
Accounts receivable	13,142,468	-	13,142,468	(188,464)	12,954,004
Prepaid expenses and other assets	19,167,742	-	19,167,742	(16,994,416)	2,173,326
Current portion of notes receivable, related-party	1,555,535	-	1,555,535	-	1,555,535
Current portion of notes receivable	271,723	-	271,723	-	271,723
Total current assets	47,795,139	-	47,795,139	(17,182,880)	30,612,259
Leased Properties, Net	36,175,077	93,551,853	129,726,930	-	129,726,930
Property and Equipment, Net	718,353	-	718,353	-	718,353
Operating Right-of-Use Asset	384,524,993	-	384,524,993	-	384,524,993
Notes Receivable, Net of Current Portion, Related-Party	1,282,420	-	1,282,420	-	1,282,420
Notes Receivable, Net of Current Portion	10,846,216	-	10,846,216	(3,870,976)	6,975,240
Rent Receivable	22,511,144	-	22,511,144	-	22,511,144
Total assets	<u>\$ 503,853,342</u>	<u>\$ 93,551,853</u>	<u>\$ 597,405,195</u>	<u>\$ (21,053,856)</u>	<u>\$ 576,351,339</u>
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable	\$ 2,162,252	\$ -	\$ 2,162,252	\$ -	\$ 2,162,252
Accrued expenses	4,228,013	15,770,138	19,998,151.00	(15,234,416)	4,763,735
State and property taxes payable	1,193,512	-	1,193,512.00	-	1,193,512
Distributions payable	3,394,350	-	3,394,350.00	-	3,394,350
Contract liabilities	8,993,990	-	8,993,990.00	-	8,993,990
Current portion of long-term debt	4,358,666	7,776,314	12,134,980.00	-	12,134,980
Current portion of subordinated debt	-	1,618,000	1,618,000.00	-	1,618,000
Operating lease liability, current	36,272,250	-	36,272,250.00	-	36,272,250
Other current liabilities	2,767,475	-	2,767,475.00	-	2,767,475
Total current liabilities	63,370,508	25,164,452	88,534,960	(15,234,416)	73,300,544
Deferred Gain on Sale of Leased Properties	9,197,847	-	9,197,847	-	9,197,847
Operating Lease Liability, Long-Term	372,338,770	-	372,338,770	-	372,338,770
Long-Term Debt, Net of Current Portion and Unamortized Loan Fees	35,074,332	51,898,861	86,973,193	(5,819,440)	81,153,753
Subordinated Debt, Net of Current Portion	-	18,062,000	18,062,000	-	18,062,000
Total liabilities	<u>479,981,457</u>	<u>95,125,313</u>	<u>575,106,770</u>	<u>(21,053,856)</u>	<u>554,052,914</u>
Shareholders' Equity					
Common stock	134	-	134	-	134
Additional paid-in capital	7,800,138	-	7,800,138	-	7,800,138
Unearned ESOP share value	(20,533,206)	-	(20,533,206)	-	(20,533,206)
Retained earnings	36,604,819	-	36,604,819	-	36,604,819
Total Christian Brothers Automotive Corporation shareholders equity	23,871,885	-	23,871,885	-	23,871,885
Noncontrolling Interest	-	(1,573,460)	(1,573,460)	-	(1,573,460)
Total shareholders' equity	<u>23,871,885</u>	<u>(1,573,460)</u>	<u>22,298,425</u>	<u>-</u>	<u>22,298,425</u>
Total liabilities and shareholders' equity	<u>\$ 503,853,342</u>	<u>\$ 93,551,853</u>	<u>\$ 597,405,195</u>	<u>\$ (21,053,856)</u>	<u>\$ 576,351,339</u>

Christian Brothers Automotive Corporation

Schedule II - Consolidating Statement of Income

Year Ended December 31, 2022

	Christian Brothers Automotive Corporation	Variable Interest Entities	Total	Eliminating Entries	Consolidated Total
Revenues	<u>\$ 124,302,202</u>	<u>\$ 1,923,941</u>	<u>\$ 126,226,143</u>	<u>\$ (3,916,641)</u>	<u>\$ 122,309,502</u>
Operating Costs and Expenses					
Cost of revenues	42,525,224	87,955	42,613,179	(2,011,896)	40,601,283
Selling, general and administrative expenses	40,801,057	1,970,242	42,771,299	(1,206,147)	41,565,152
Compensation expense associated with ESOP	14,206,798	-	14,206,798	-	14,206,798
Total operating costs and expenses	<u>97,533,079</u>	<u>2,058,197</u>	<u>99,591,276</u>	<u>(3,218,043)</u>	<u>96,373,233</u>
Income from operations	<u>26,769,123</u>	<u>(134,256)</u>	<u>26,634,867</u>	<u>(698,598)</u>	<u>25,936,269</u>
Other Income (Expense)					
Gains on sale-leaseback transactions	920,683	-	920,683	-	920,683
Gains on sale of leased properties	-	13,994,953	13,994,953	-	13,994,953
Interest income	859,510	-	859,510	-	859,510
Interest expense	(673,899)	(2,521,870)	(3,195,769)	698,598	(2,497,171)
Other income, net	(50,197)	517,592	467,395	-	467,395
Total other income, net	<u>1,056,097</u>	<u>11,990,675</u>	<u>13,046,772</u>	<u>698,598</u>	<u>13,745,370</u>
Net income before state income taxes	<u>27,825,220</u>	<u>11,856,419</u>	<u>39,681,639</u>	<u>-</u>	<u>39,681,639</u>
State Income Tax Expense	<u>(1,535,256)</u>	<u>-</u>	<u>(1,535,256)</u>	<u>-</u>	<u>(1,535,256)</u>
Net income	<u>26,289,964</u>	<u>11,856,419</u>	<u>38,146,383</u>	<u>-</u>	<u>38,146,383</u>
Less net income attributable to noncontrolling interest	<u>-</u>	<u>(11,856,419)</u>	<u>(11,856,419)</u>	<u>-</u>	<u>(11,856,419)</u>
Net income attributable to Christian Brothers Automotive Corporation	<u>\$ 26,289,964</u>	<u>\$ -</u>	<u>\$ 26,289,964</u>	<u>\$ -</u>	<u>\$ 26,289,964</u>

EXHIBIT B
FRANCHISE AGREEMENT

Attached as Exhibit B is the Franchise Agreement.

**CHRISTIAN BROTHERS AUTOMOTIVE
CORPORATION**

FRANCHISE AGREEMENT

1.	GRANT OF FRANCHISE AND LICENSE.....	2
1.01	GRANT OF FRANCHISE	2
1.02	GRANT OF LICENSE TO USE MARKS.....	2
2.	TERRITORY	3
2.01	TERRITORIAL GRANT	3
2.02	FRANCHISOR RESTRICTIONS	3
2.03	FRANCHISEE RESTRICTIONS.....	3
2.04	RIGHTS RESERVED BY FRANCHISOR	3
3.	TERM AND RENEWAL	4
3.01	INITIAL TERM.....	4
3.02	RENEWAL TERMS.....	4
3.03	FORM AND MANNER OF RENEWAL.....	5
3.04	FEES UPON RENEWAL	6
3.05	CONDITIONS PRECEDENT TO RENEWAL	7
3.06	NOTICE OF EXPIRATION	8
4.	PAYMENTS TO FRANCHISOR	8
4.01	INITIAL FRANCHISE FEE.....	8
4.02	MARKETING FEE	9
4.03	TRAINING FEES AND ADMINISTRATIVE FEES	10
4.04	APPLICATION OF FUNDS.....	12
4.05	CONTINUING ROYALTY	12
5.	MARKS.....	13
5.01	FRANCHISEE HAS NO INTEREST IN MARKS	13
5.02	FRANCHISOR’S OWNERSHIP OF MARKS	14
5.03	USE OF MARKS	14
5.04	NONUSE OF TRADE NAME.....	14
5.05	WHITE PAGE AND YELLOW PAGE TELEPHONE LISTING.....	15
5.06	DEFENSE OF MARK BY FRANCHISOR.....	15
5.07	PROSECUTION OF INFRINGERS.....	16
5.08	DISCONTINUANCE OR SUBSTITUTION OF MARKS	17
5.09	USE OF MARKS	17
5.10	LIMITED LICENSE ONLY; RIGHTS RESERVED	17
5.11	ONLINE USE OF MARKS	18
5.12	WEBSITE LIMITATION	18
6.	CONFIDENTIAL OPERATIONS MANUAL.....	20
6.01	ACCESS TO CONFIDENTIAL OPERATIONS MANUAL	20
6.02	SUBJECT MATTER OF CONFIDENTIAL OPERATIONS MANUAL	20
6.03	BUSINESS TO CONFORM TO CONFIDENTIAL OPERATIONS MANUAL.....	20
6.04	CONFIDENTIAL OPERATIONS MANUAL IS PROPERTY OF FRANCHISOR.....	21
6.05	KEEPING UP-TO-DATE ON CONFIDENTIAL OPERATIONS MANUAL	22

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

6.06	EMPLOYEE HANDBOOK.....	22
7.	CONFIDENTIAL INFORMATION.....	23
7.01	NON-USE AND NON-DISCLOSURE OF CONFIDENTIAL INFORMATION	23
8.	ADVERTISING AND MARKETING	24
8.01	ADVERTISING STANDARDS	24
8.02	ADMINISTRATION OF FRANCHISOR’S MARKETING PROGRAM.....	24
8.03	FRANCHISOR-OWNED STORE PARTICIPATION.....	27
8.04	SUBMISSION OF PROPOSED LOCAL ADVERTISEMENTS, IDENTIFICATION AND PROMOTIONAL MATERIALS	27
8.05	LOCAL ADVERTISING.....	27
8.06	INITIAL ADVERTISING	28
9.	DUTIES OF FRANCHISOR	29
9.01	CONFIDENTIAL OPERATIONS MANUAL	29
9.02	METHOD OF OPERATIONS	29
9.03	TRAINING AND SUPERVISION	29
9.04	BOOKKEEPING	31
9.05	PRE-OPENING ASSISTANCE	31
9.06	ADDITIONAL ASSISTANCE.....	32
9.07	SOURCES OF SUPPLY	33
9.08	PRICING	33
9.09	UNAVOIDABLE DELAYS	33
10.	DUTIES OF FRANCHISEE.....	34
10.01	PAYMENTS TO FRANCHISOR.....	34
10.02	PURCHASES.....	34
10.03	COMPLIANCE WITH THIS AGREEMENT, LAWS, RULES AND REGULATIONS	35
10.04	FRANCHISEE AND PRINCIPAL OPERATOR PARTICIPATION IN AND RESPONSIBILITY FOR THE OPERATION OF THE FRANCHISED BUSINESS.....	35
10.05	QUALIFICATIONS OF FRANCHISEE’S EMPLOYEES	36
10.06	INDEMNIFICATION.....	37
10.07	MANNER OF OPERATION	40
10.08	ADVERTISING.....	40
10.09	HOURS OF OPERATION	40
10.10	EQUIPMENT	41
10.11	CORPORATE OR OTHER ENTITY FRANCHISEE RECORDS.....	41
10.12	REQUIREMENTS REGARDING, AND RESTRICTIONS RELATING TO, PRODUCTS AND SERVICES SOLD BY FRANCHISEE.....	42
10.13	INSPECTION.....	43
10.14	SUBMISSION OF NONFINANCIAL REPORTS	43
10.15	INSURANCE	43
10.16	COOPERATION WITH FRANCHISOR	44
10.17	MINIMUM PERFORMANCE REQUIREMENT.	44
10.18	CONTINUING TRAINING	46

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

10.19	TIMELY PAYMENT OF AMOUNTS DUE BY FRANCHISEE.....	46
10.20	RESTRICTION ON TRANSFER OF SHARES OR OTHER OWNERSHIP INTERESTS OF FRANCHISEE.....	47
10.21	OPENING OF FRANCHISED BUSINESS.....	47
10.22	ENTERING INTO THE COMMERCIAL SUB-LEASE AGREEMENT.....	47
10.23	PRE-OPENING TERMINATION BY FRANCHISOR.....	47
10.24	SUCCESSOR PRINCIPAL OPERATOR.....	48
10.25	SUCCESSOR SERVICE MANAGER.....	48
10.26	MAINTENANCE OF PREMISES, REMODEL AND APPROVAL OF IMPROVEMENTS.....	48
10.27	PUBLIC NOTICE.....	49
10.28	DATA PRIVACY.....	49
10.29	DATA.....	51
11.	RECORDS, AUDITS AND REPORTING REQUIREMENTS.....	52
11.01	FINANCIAL STATEMENTS AND REPORTS.....	52
11.02	RECORDS.....	52
11.03	AUDITS.....	52
11.04	ONLINE ACCESS AND ADDITIONAL INFORMATION.....	53
12.	RELATIONSHIP OF THE PARTIES.....	53
12.01	INDEPENDENT CONTRACTOR.....	53
13.	ASSIGNMENT, RIGHT OF FIRST REFUSAL AND AGREEMENTS OF FRANCHISEE.....	53
13.01	ASSIGNMENT BY FRANCHISOR.....	53
13.02	ASSIGNMENT BY FRANCHISEE.....	54
13.03	NO ENCUMBRANCE.....	58
13.04	CORPORATE FRANCHISEE.....	59
13.04	LIMITED LIABILITY COMPANY FRANCHISEE.....	60
13.05	DEATH OF PRINCIPAL OPERATOR.....	60
14.	DEFAULT AND TERMINATION.....	61
14.01	TERMINATION AFTER RIGHT TO CURE.....	61
14.02	TERMINATION WITHOUT RIGHT TO CURE.....	62
14.03	CROSS DEFAULT.....	65
14.04	NOTICE REQUIRED BY LAW.....	65
14.05	STEP-IN RIGHTS.....	65
15.	FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION OR EXPIRATION.....	67
15.01	DISCONTINUANCE OF FRANCHISOR’S MARKS.....	67
15.02	EXECUTION OF DOCUMENTS.....	68
15.03	FRANCHISOR’S RIGHTS NOT PREJUDICED.....	68
15.04	FRANCHISEE’S CANCELLATION OF NAMES INCORPORATING MARKS.....	69
15.05	FRANCHISEE’S CANCELLATION OF TELEPHONE LISTINGS AND NUMBERS.....	69
15.06	RETURN OF FRANCHISOR’S PROPERTY.....	69

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

15.07	PAYMENT OF SUMS DUE	69
15.08	FRANCHISOR’S OPTION TO PURCHASE FRANCHISEE’S BUSINESS	69
15.09	LIQUIDATED DAMAGES.....	72
16.	COVENANTS NOT TO COMPETE.....	74
16.01	BEST EFFORTS.	74
16.02	EXCLUSIVE RELATIONSHIP; DURING THE AGREEMENT TERM.....	74
16.03	AFTER THE AGREEMENT AND AFTER A TRANSFER	75
16.04	EXCEPTION FOR OWNERSHIP IN PUBLIC ENTITIES.....	76
16.05	PROCUREMENT OF ADDITIONAL AGREEMENTS AND COVENANTS.....	76
16.06	ENFORCEMENT OF COVENANTS NOT TO COMPETE.....	77
17.	WAIVER AND DELAY.....	79
17.01	LIMITED EFFECT OF ANY WAIVER OR DELAY.....	79
18.	INTEGRATION OF AGREEMENT.....	79
18.01	NO PRIOR REPRESENTATIONS	79
18.02	NO ORAL AMENDMENTS.....	80
19.	NOTICES.....	80
19.01	NOTICE TO FRANCHISOR	80
19.02	NOTICE TO FRANCHISEE.....	81
20.	MISCELLANEOUS	81
20.01	CONSTRUCTION AND INTERPRETATION.....	81
20.02	SEVERABILITY	82
20.03	LIEN ON FRANCHISEE’S PROPERTY	82
21.	COSTS OF ENFORCEMENT	83
21.01	ABILITY TO RECOVER LITIGATION COSTS	83
22.	ACKNOWLEDGMENTS.....	83
22.01	FRANCHISEE’S ACKNOWLEDGMENTS, WARRANTIES AND REPRESENTATIONS.....	83
23.	WAIVER OF CONSUMER RIGHTS	88
23.01	WAIVER OF CONSUMER RIGHTS.....	88
24.	DISPUTE RESOLUTION AGREEMENT	89
24.01	DISPUTE RESOLUTION AGREEMENT.....	89
25.	SUBMISSION OF AGREEMENT.....	95
25.01	SUBMISSION OF AGREEMENT	95
26.	COUNTERPARTS	95
26.01	COUNTERPARTS	95

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

ADDENDA

- A. Ratification of Franchise Agreement
- B. Spouse's Consent to Franchise Agreement

EXHIBITS

- A. Territory
- B. The Marks
- C. Commercial Sub-Lease Agreement
- D. Store In Distress Support Program Agreement
- E. Consent to Assignment of Franchise Agreement and Commercial Sub-Lease Agreement
- F. Transaction Fee Agreement
- G. Franchisee Disclosure Acknowledgment Statement

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made effective as of the ____ day of _____, 20__ (the "Effective Date"), between CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION, a Texas corporation with its principal office at 17725 Katy Freeway, Houston, Texas 77094 (the "Franchisor" or "CBAC") and _____, whose principal place of business is _____, a _____ formed in the State of _____ (the "Franchisee").

WHEREAS, Franchisor as the result of great expenditure of time and effort has developed an effective system of establishing and operating an automotive repair business including business forms; software; bookkeeping and accounting materials and techniques; management and control systems; pricing and purchasing systems; office procedures; site selection techniques; staffing procedures; and, in general, a style, system, technique and method of business operation and procedure developed through and by reason of Franchisor's business experience (collectively the "System"); and

WHEREAS, Franchisor is the owner of all trademarks, trade names, service marks, copyrights and logo-types related to the System, including, but not limited to, those listed in Exhibit "B" (the "Marks"); and of certain techniques, know-how, trade secrets and procedures (the "Know-How"), all of which are used in connection with the establishment and operation of an automotive repair business including processes and techniques for selling and marketing such services, and quality control techniques and training programs; and

WHEREAS, Franchisor continues to expend time, skill and money to investigate and, if Franchisor deems it desirable, to develop and integrate into the System new procedures, systems, products, and services; and

WHEREAS, Franchisee has applied to obtain a license to operate one Christian Brothers Automotive Corporation franchise in the Territory described in Section 2.01 of this Agreement for the purpose of offering and selling Franchisor's services and products under the Marks, Know-How and System; and

WHEREAS, the parties wish to enter into an Agreement upon the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE COVENANTS AND AGREEMENTS CONTAINED HEREIN AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH IS HEREBY ACKNOWLEDGED, FRANCHISOR AND FRANCHISEE AGREE AS FOLLOWS:

1. GRANT OF FRANCHISE AND LICENSE.

1.01 Grant of Franchise. Franchisor hereby grants to Franchisee, and Franchisee accepts, a non-exclusive license to operate one (1) Christian Brothers Automotive Corporation franchise (the "Franchised Business") and, to use solely in connection therewith, the Know-How and System (as they may be changed or developed from time to time), in the Territory (as defined in Section 2.01 hereof) pursuant to the terms of this Agreement.

1.02 Grant of License to Use Marks. Franchisor grants to Franchisee, and Franchisee accepts, a nonexclusive license to use and display the Marks in connection with the operation of the Franchised Business, and the Services (as defined below) in and only in the Territory described below pursuant to the terms of this Agreement. "Services" shall mean the services authorized by Franchisor to be offered or provided by Franchisee in connection with the Franchised Business, including the sale of products authorized by Franchisor.

2. TERRITORY.

2.01 Territorial Grant. The territory granted to Franchisee by Franchisor which is subject to the terms of this Agreement shall be the area designated on Exhibit “A” attached to this Agreement (the “Territory”). Except as expressly provided to the contrary herein, Franchisee shall have the sole and exclusive right to solicit the sale of the Services within the Territory.

2.02 Franchisor Restrictions. Franchisor will not operate a Franchisor-owned outlet of the type franchised hereunder or grant a franchise for the operation of a similar or competitive business in the Territory, except as provided in Section 2.04 of this Agreement (“Rights Reserved By Franchisor”).

2.03 Franchisee Restrictions. During the term hereof, Franchisee’s rights hereunder shall be limited to offering and selling only the Services in the Territory, in accordance with the terms of this Agreement. Franchisee shall not, without Franchisor’s express written consent, solicit, sell or perform any Services outside the Territory. Should Franchisee receive an inquiry or request for the performance of any Services outside of the Territory, it must promptly refer such customer to the Franchisor or to any franchisee of Franchisor to whom such territory has been assigned.

2.04 Rights Reserved by Franchisor. The Franchisor has the right to grant other franchises outside of the Territory as Franchisor deems appropriate. Franchisor reserves the right to offer and sell at wholesale all products which comprise, or may in the future comprise a part of the Services and System, which products may be resold at retail to the general public by Franchisor both within and outside of the Territory. Franchisor further reserves the

right, both within and outside of the Territory, to sell at both wholesale and retail all products and services which do not comprise a part of the System.

3. TERM AND RENEWAL.

3.01 Initial Term. The initial term (“Initial Term”) of this Agreement shall be for a period of fifteen (15) years from the Opening Date (as hereinafter defined) of the Franchised Business, unless sooner terminated in accordance with the provisions of this Agreement. The “Opening Date” shall be the date designated by the Franchisor as the date the Franchised Business must be opened and operating. If no date is designated by the Franchisor, then the Opening Date will be the date the franchise was first opened to the public for business.

3.02 Renewal Terms. If, at the conclusion of the Initial Term of this Agreement, Franchisee has complied in all respects with the requirements and the conditions precedent to renewal set forth in Sections 3.03, 3.04 and 3.05, then Franchisee shall have the right, but not the obligation, to enter into a renewal agreement (the “Renewal Agreement”) for one additional consecutive term of five (5) years (the “Renewal Term”). The Renewal Term shall commence upon the date of the expiration of the Initial Term hereof. If, at the conclusion of the Renewal Term, Franchisee has complied in all respects with the requirements and the conditions precedent to renewal set forth in Sections 3.03, 3.04 and 3.05, then Franchisee will have the right to enter into a second renewal agreement (the “Second Renewal Agreement”) for an additional term of five (5) years (the “Second Renewal Term”). The Second Renewal Term will commence upon the date of the expiration of the Renewal Term. If at the conclusion of the Second Renewal Term, Franchisee has complied in all respects with the requirements and the conditions precedent to renewal set forth in

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: *Christian Brothers Automotive Corporation*

Property: _____

Sections 3.03, 3.04 and 3.05, then Franchisee will have the right to enter into a third renewal agreement (the “Third Renewal Agreement”) for an additional term of five (5) years (the “Third Renewal Term”). The Third Renewal Term will commence upon the date of the expiration of the Second Renewal Term.

3.03 Form and Manner of Renewal. If Franchisee wishes to exercise its right to enter into a Renewal Agreement, it will do so by executing Franchisor’s then-current form of Renewal Agreement, which agreement will supersede this Agreement. The terms of the Renewal Agreement may differ from the terms of this Agreement, except that: (1) the Territory will remain the same, (2) the royalties upon renewal will be the same royalties contained in this Agreement, and (3) the Renewal Agreement will provide Franchisee with an option to renew for the Second Renewal Term and the Third Renewal Term. Franchisee must exercise its renewal right hereunder in the following manner:

- (a) Not less than one hundred eighty (180) days, but no more than two hundred forty (240) days prior to the expiration of the Initial Term, Franchisee will, in writing, request from Franchisor a copy of its then-current franchise disclosure document (the “Disclosure Document”) and then-current Renewal Agreement.
- (b) Upon receipt of the Disclosure Document and Renewal Agreement, Franchisee will acknowledge such receipt by executing the acknowledgement of receipt form contained in the Disclosure Document and returning it to Franchisor.
- (c) No sooner than ten (10) business days but no more than twenty (20) business days after Franchisee receives Franchisor’s then-current Disclosure Document and Renewal Agreement, Franchisee shall notify Franchisor, in writing, as to whether or not it elects to execute the Renewal Agreement.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: *Christian Brothers Automotive Corporation*

Property: _____

- (d) Upon receipt of Franchisee's notice of its election to execute the Renewal Agreement, Franchisor will deliver to Franchisee an execution version of the Renewal Agreement via DocuSign or other platform for electronic signatures. Promptly upon receipt, Franchisee will execute the Renewal Agreement electronically.
- (e) If Franchisee fails to perform any of the acts set forth in subsections (a), (b), (c) or (d) of this Section 3.03 in a timely fashion, such failure will be deemed an election by Franchisee not to exercise its right to enter into a Renewal Agreement and will cause Franchisee's right to enter into a Renewal Agreement to expire without further notice or action by Franchisor. In such an event, Franchisor may, but shall not be obligated to, exercise its option to purchase the Franchised Business, as defined in Section 15.08 herein.
- (f) If Franchisee exercises its renewal right in the form and manner herein described, and if on the date of the expiration of the Initial Term, Franchisee has complied with all of the conditions contained in Section 3.05 hereof, Franchisor will execute the Renewal Agreement executed by Franchisee and will, promptly after expiration of the Initial Term hereof, deliver one fully executed copy of the Renewal Agreement to Franchisee.

3.04 Fees Upon Renewal. If Franchisee enters into a Renewal Agreement for the Renewal Term, Franchisee shall be required to pay, in lieu of the then-current initial franchise fee, a renewal fee in an amount equal to ten percent (10%) of the initial franchise fee paid for the most recently sold franchise at the time of renewal (the "Renewal Fee"). Franchisee will also be required to pay the Renewal Fee in connection with the Second Renewal Term

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

and the Third Renewal Term. The Renewal Fee will not be an Approved Expense Item and must be paid by the Franchisee either out of Franchisee's share of the Split Profits or from Franchisee's assets that are not part of the Franchised Business.

3.05 Conditions Precedent to Renewal. Franchisee may enter into a Renewal Agreement, only upon fulfillment of each and all of the following conditions:

- (a) At the conclusion of the Initial Term, Franchisee must have fully performed and otherwise been in compliance with all of its obligations under this Agreement and under all other agreements between Franchisor (and its affiliates, subsidiaries and designees, if any) and Franchisee;
- (b) Franchisee will have refurbished, redesigned or remodeled its Franchised Business, and will have provided for such upgrading and replacement of equipment, displays, materials and inventory, by the time the Renewal Term is scheduled to commence. Franchisor requires that all of the foregoing will be completed in compliance with:
 - (i) Franchisor's then-current specifications for its franchised businesses; and (ii) the then-current requirements of the Renewal Agreement. In determining the refurbish, redesign and/or remodel requirements for the Renewal Agreement, Franchisor will take into account how recently the Premises has been Remodeled, as defined in Section 10.26 herein; and
- (c) Franchisee must have executed a general release, satisfactory to Franchisor, of any and all claims against Franchisor and its subsidiaries, affiliates, and designees and their respective officers, directors, shareholders, agents, contractors, and employees, in their corporate and individual capacities, arising out of or related to this Agreement or the relationship between the parties. No such document will

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

purport to release Franchisor from any future claims arising out of or related to the Renewal Agreement.

3.06 Notice of Expiration. If applicable law requires that Franchisor give notice of expiration to Franchisee prior to the expiration of the Initial Term, Franchisor will provide such notice. If no notice of expiration is required by the law applicable to this Agreement, Franchisor will not be obligated to deliver any such notice and Franchisee waives any right it may have to assert reliance on such notice from Franchisor.

4. PAYMENTS TO FRANCHISOR.

In consideration of the execution of this Agreement by Franchisor and the services to be performed by Franchisor, Franchisee agrees to pay to Franchisor the following:

4.01 Initial Franchise Fee. The Initial Franchise Fee is One Hundred and Thirty-Five Thousand Dollars (\$135,000.00) (the “Initial Franchise Fee”). Eighty-Five Thousand Dollars (\$85,000.00) of the Initial Franchise Fee (the “Down Payment”) is due upon the earlier of (a) the execution of a receipt and acknowledgement letter agreement (at the time and in the form prescribed by Franchisor) (the “Receipt and Acknowledgement Letter Agreement”) by Franchisee and Franchisor, or (b) the execution of this Agreement, and the remaining Fifty Thousand Dollars (\$50,000.00) of the Initial Franchise Fee (the “Second Payment”) is due thirty days prior to receiving the Certificate of Occupancy for the building where Franchisee will operate its Franchised Business. If Franchisee qualifies for the discount under the IFA VetFran Program, the Initial Franchise Fee will be \$121,500.00, the Down Payment will be \$85,000.00, and the Second Payment will be \$36,500.00. This Down Payment will be deemed fully earned when paid and is not refundable in whole or in part, except as provided in the Receipt and Acknowledgement Letter Agreement or as provided

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

in this Agreement. The Second Payment will be deemed fully earned when paid and is not refundable in whole or in part for any reason except as provided in the Receipt and Acknowledgement Letter Agreement or as provided in this Agreement.

4.02 Marketing Fee.

- (a) At Franchisor's sole discretion, Franchisor may from time to time establish various regional marketing programs (each a "Regional Program"). While such Regional Programs are in existence, and after Franchisee's Franchised Business has operated for a period of six (6) months, Franchisee will pay to Franchisor, in addition to all other fees and amounts owed to Franchisor, Franchisee's prorated portion of the costs of the Regional Program (to be expended as provided below). Franchisee shall not be required to pay more than the Maximum Annual Cost for any Regional Program during any calendar year. "Maximum Annual Cost" shall be equal to three percent (3%) of the average total annual revenue for the previous calendar year (January 1 through December 31) of all franchisees of Franchisor whose franchised businesses have been in operation for at least twelve (12) months as of December 31 of the previous year.
- (b) Franchisor has established a national marketing program (the "National Program"). While such National Program is in existence, after Franchisee's Franchised Business has operated for a period of six (6) months, Franchisee will pay to Franchisor, in addition to all other fees and amounts owed to Franchisor, Franchisee's prorated portion of the costs of the National Program (to be expended as provided below). Franchisee shall not be required to pay more than the Maximum Annual Cost (as defined above) for any National Program during any

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

calendar year. Additionally, Franchisee's total combined costs related to the National Program and any Regional Program shall not exceed the Maximum Annual Cost. For the purposes of this Agreement, "Program" shall mean the Regional Program and/or the National Program.

4.03 Training Fees and Administrative Fees.

- (a) Training Fees. Franchisee's Principal Operator (as defined below) and Franchisee's Initial Service Manager (as defined below) must participate in and successfully complete the Franchisor's Initial Franchisee Training Program (as defined below). There is no additional charge for the initial training for these two individuals. Franchisee may enroll any of its employees in the optional training programs that Franchisor intends to establish from time to time, upon payment of the training fees that will be established by Franchisor for those training programs. "Initial Service Manager" means the individual designated as the initial Service Manager by Franchisee in a writing delivered to Franchisor. "Service Manager" means the Initial Service Manager and any successor to the Initial Service Manager designated as the Service Manager by Franchisee in a writing delivered to Franchisor. "Principal Operator" means _____ and any successor who has been approved in writing by Franchisor. Any successor to the Principal Operator must be approved in writing by Franchisor. Franchisor's "Initial Franchisee Training Program" means the training conducted in accordance with the Confidential Operations Manual (as defined in Section 6.01 of this Agreement). Franchisee may be required to attend and pay for additional mandatory training as provided in Section 9.03 of this Agreement.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

- (b) Administrative Fees. Franchisee agrees to pay fees to Franchisor for financial and administrative services provided by Franchisor. The amount of the administrative fees will be set out in the Confidential Operations Manual.
- (c) IT Support Fee. Franchisor may provide Franchisee with information technology (“IT”) support such as web hosting and software/hardware support in return for a fee paid by Franchisee to Franchisor equal to an amount determined from time to time by Franchisor, in its sole discretion, and set forth in the Confidential Operations Manual. All fees paid in accordance with this Section are non-refundable, and subject to change in Franchisor’s sole discretion. Franchisor may modify the IT support services it provides or discontinue the provision of such services at any time.
- (d) Software Fees. Franchisor may provide Franchisee with certain software, including, without limitation, point-of-sale software, accounting software, and internet failover software, in return for fees to be established in Franchisor’s discretion and set forth in the Confidential Operations Manual or otherwise in writing, and payable by Franchisee. Related to the foregoing, Franchisor may further charge Franchisee for annual licensing or maintenance fees established in Franchisor’s discretion and set forth in the Confidential Operations Manual or otherwise in writing, and payable by Franchisee. All fees and charges paid in accordance with this Section 4.03(d) are non-refundable, and subject to change in Franchisor’s sole discretion. Franchisor may modify any such software it provides or discontinue the provision of such software at any time.

4.04 Application of Funds. If Franchisee is delinquent in the payment of any obligation to Franchisor, its subsidiaries, affiliates or designees, then Franchisor (or such subsidiaries, affiliates or designees), will have the right to apply any payment from Franchisee to any obligation due, including the oldest obligation due, whether under this Agreement or otherwise, notwithstanding any contrary designation by Franchisee as to such application.

4.05 Continuing Royalty. During the one-year period immediately following the Opening Date (the “Split Profits Review Period”), Franchisor and Franchisee will review the financial condition of the Franchisee at the end of each three-month period commencing on the Opening Date and determine whether any royalty payment shall be made to Franchisor from the Split Profits. No distribution or bonus from Split Profits shall be made to Franchisee without the prior written approval of Franchisor. After the end of the Split Profits Review Period, Franchisee must pay Franchisor a royalty fee each month calculated as follows:

- (a) From the date of this Agreement until the end of the Initial Term and each subsequent term thereafter, an amount equal to fifty percent (50%) of the “Split Profits” (as defined below).
- (b) “Split Profits” shall mean (x) all monies, revenues and items of value from all sources generated in connection with and/or in any way related to the Franchised Business, minus (y) the Approved Expense Items (as defined below). “Approved Expense Items” shall mean (i) those expense items calculated under Generally Accepted Accounting Principles (GAAP) and approved by Franchisor as set forth in the Confidential Operations Manual, (ii) all subsequent written budget adjustments that are approved in writing by Franchisor, and (iii) all adjustments

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

defined in the Confidential Operations Manual. Amendments to the Confidential Operations Manual that impact the Approved Expense Items will be effective upon the later of (a) receipt by Franchisee, or (b) the effective date that is designated in writing from Franchisor.

- (c) The amount of royalty fee due each month will be estimated during the following month, and due by the last day of the month in which the estimate is to be made. The estimated amount will be based on the year-to-date financial activity for the period then ended. A year end reconciliation or true up will be completed by January 31 of each succeeding year and paid accordingly by February 1st of the year during which the true up is completed. Any expense that is not an Approved Expense Item (each an “Unapproved Expense Item”), will require an equal amount of royalty fee payment to Franchisor, regardless of the Split Profits calculation, payable at the same time as the payment of the Unapproved Expense Item.
- (d) At any time the Franchisee pays an Unapproved Expense Item, a distribution, or a bonus of Split Profits for its own benefit, Franchisee must immediately make a royalty payment to Franchisor for the appropriate amount. Failure to immediately make a royalty payment to Franchisor is a material breach of this Agreement.

5. MARKS.

5.01 Franchisee Has No Interest in Marks. Nothing in this Agreement will be construed to give Franchisee any right, title or interest in or to any of the Marks except for a revocable privilege and license to display and use them during the term of and pursuant to the conditions contained in this Agreement. Franchisee expressly understands and agrees that it has not acquired and will not acquire any ownership interests, equitable rights, goodwill

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

or other interests in any Mark by virtue of this Agreement, the relationship with Franchisor, or Franchisee's use of any of the Marks, and will not represent that it has. Franchisee also understands and agrees that following the expiration or termination of this Agreement for whatever reason, it will not attribute any monetary amount to any goodwill associated with Franchisee's use of the Marks or any other property owned by Franchisor.

5.02 Franchisor's Ownership of Marks. Franchisee agrees that the Marks are the exclusive property of Franchisor, and Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof, and covenants that it will not contest Franchisor's ownership of the Marks or their validity. Franchisee will not do or permit any act or thing to be done in derogation of any of the rights of Franchisor in connection with the Marks, either during the term of this Agreement or thereafter.

5.03 Use of Marks. Franchisee shall use the Marks in such fashion and at such places as Franchisor designates in its Confidential Operations Manual (as defined in Section 6.01). Except as expressly provided in the Confidential Operations Manual, Franchisee shall not erect or display any signs, or display any other trademarks, logotypes, symbols or service marks in, upon, or in connection with the Franchised Business without Franchisor's prior written approval. Franchisor may, at its option, restrict or control the use of the Marks pursuant to the provisions of the Confidential Operations Manual, as such may be amended from time to time, without limiting the generality or the effectiveness of the provisions contained in this Agreement that restrict or control the use of the Marks.

5.04 Nonuse of Trade Name. Except as specifically authorized by Franchisor in writing, Franchisee shall not use Franchisor's Marks or its trade name, or any words or symbols similar thereto, in Franchisee's trade and/or entity name. In particular, Franchisee shall

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

not use the words “Christian Brothers”, “Christian Brothers Automotive”, or “Christian Brothers Automotive Corporation”, or any variant thereof as part of any such name, except as specifically authorized in writing by Franchisor.

- 5.05 White Page and Yellow Page Telephone Listing. Franchisee acknowledges and agrees that there will be substantial confusion to the general public if, after the expiration or termination of this Agreement, Franchisee continues to use any telephone number or numbers listed in the “Yellow Pages” or “White Pages” of a telephone directory or any online listing (such as, but not limited to Google or Yelp) under any of Franchisor’s Marks, including any Authorized Name (as defined herein) or any name incorporating the words “Christian Brothers” or “Christian Brothers Automotive” or any variation thereof, whether or not authorized by Franchisor (the “Listing”). Franchisee agrees that promptly after the expiration or Franchisor’s termination of this Agreement for any reason, Franchisee will immediately cease using such telephone number or numbers, and/or, upon demand by the Franchisor, Franchisee will direct the telephone company servicing the Franchised Business to transfer the Listing to Franchisor, or to such person and at such location as Franchisor shall direct. Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to direct the telephone company to make any such transfer and to sign any documents required by the telephone company in connection with such transfer.
- 5.06 Defense of Mark by Franchisor. If Franchisee learns of any claim, suit or demand against it on account of any alleged infringement, unfair competition, or similar matter relating to the Marks, Franchisee shall promptly notify Franchisor. Franchisor shall promptly take such action, if any, as it deems necessary to protect and defend Franchisee against any such claim and shall indemnify Franchisee against any loss, cost or expense incurred in

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: *Christian Brothers Automotive Corporation*

Property: _____

connection therewith. Franchisee shall not settle or compromise any such claim without the prior written consent of Franchisor, which consent may be withheld in Franchisor's sole and absolute discretion. Franchisor shall have the right to defend, compromise or settle any such claim at Franchisor's sole cost and expense, using attorneys of its own choosing, and Franchisee agrees to cooperate fully with Franchisor in connection with the defense of any such claim. Franchisee hereby irrevocably appoints Franchisor to defend or settle all such claims, demands or suits. Franchisee may participate at its own expense in such defense or settlement, but Franchisor's decisions shall be final and binding upon Franchisee. Notwithstanding anything herein to the contrary, Franchisor shall have no obligation to defend or indemnify Franchisee if the claim, suit or demand against Franchisee arises out of or relates to Franchisee's use of the Marks in violation of the terms of this Agreement or the law.

5.07 Prosecution of Infringers. If Franchisee learns of any use of the Marks which Franchisee believes is unauthorized, Franchisee shall promptly notify Franchisor of the facts relating to such use. Franchisor shall, in its sole and exclusive discretion, determine whether or not it wishes to take any action against such third person. In the event Franchisor takes any action against such third person, Franchisee agrees to cooperate fully (including without limitation participating in any legal proceeding) with Franchisor in connection with taking such actions against such third person as Franchisor deems appropriate. Franchisee shall have no right to make any demand against any such alleged infringer of Franchisor's Marks or to prosecute any claims of any kind or nature whatsoever against such alleged infringer of Franchisor's Marks for or on account of such infringement, unless Franchisor specifically authorizes Franchisee in writing to take such actions. Franchisor shall not be

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

liable to Franchisee or any other person on account of (a) Franchisor's decision to take action or not take action in respect of such use, or (b) Franchisee's decision to take any action in respect of such use where Franchisee has written authorization from Franchisor to take such action.

5.08 Discontinuance or Substitution of Marks. If Franchisor, in its sole discretion, decides to modify or discontinue use of any name or Mark and/or to adopt or use one or more additional or substituted names or marks, then Franchisee shall promptly conform its use of the Franchisor's names or marks as directed by the Franchisor. The sole obligation of Franchisor in any such event shall be to reimburse the Franchisee for its documented costs of compliance (such as changing signs, letterhead, etc.), and Franchisee waives any other claim arising from or relating to any such change, modification or substitution of Marks.

5.09 Use of Marks. Franchisee will use the Marks only in the manner directed from time to time by Franchisor. Franchisee is prohibited from using any Mark, or any part thereof, with any prefix, suffix, or other modifying words, terms, designs or symbols except as permitted in writing by Franchisor. Franchisee may not use any Mark in connection with the sale of any product or service not authorized in writing by Franchisor. Franchisee will use the Marks only for the operation of the Franchised Business. Any unauthorized use of the Marks will constitute an infringement of Franchisor's rights and a material breach of this Agreement.

5.10 Limited License Only; Rights Reserved. The right and license granted hereunder to Franchisee to utilize the Marks is limited and nonexclusive. As noted in paragraph 2.04 above, Franchisor has and retains the rights, among others, to itself use the Marks in connection with offering or selling any services and products; to grant other Mark licenses;

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

and, to develop and establish other systems using the same or similar Marks, or any other proprietary marks, and to grant licenses or franchises without any obligation to Franchisee.

5.11 Online Use of Marks. Franchisee shall not, without the prior written approval of Franchisor, use the Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements, solicitations, marketing information, promotional information or any other information whatsoever regarding Christian Brothers Automotive businesses by e-mail or any other Electronic Media without Franchisor's prior written consent and in accordance with such specific programs, policies, terms and conditions as Franchisor may from time to time establish. "Electronic Media" shall include, but not be limited to, blogs, microblogs, social networking sites (such as Facebook, LinkedIn, Twitter/X and Instagram), video-sharing and photo-sharing sites (such as YouTube, Vimeo and TikTok), review sites (such as Google or Yelp), marketplace sites (such as Facebook Marketplace, eBay and Craigslist), Wikis, chat rooms and virtual worlds. Franchisee agrees that (a) Franchisor exclusively owns the domains "cbac.com", "cbauto.net" and "christianbrothersauto.com" and all other domains now or hereafter related to the System, (b) any emails sent to or received by email addresses under those domains are exclusively owned by Franchisor, and (c) those domains and emails are subject to inspection by Franchisor at any time without notice to Franchisee.

5.12 Website Limitation. As used in this Agreement, the term "Website" means an electronic document, series of symbols, or otherwise, that is contained in, or accessible to, a network of computers linked by communications software. The term Website includes, but is not

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

limited to, Internet and World Wide Web home pages or a group of Internet or World Wide Web pages located under a domain name. In connection with any Website, Franchisee agrees to the following:

Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Marks, products and Services offered, the franchising of Christian Brothers Automotive businesses, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage. Franchisor shall also have the sole and exclusive right to discontinue operation of the website.

Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Franchised Business, with such web page(s) to be located within Franchisor's Website. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance and content of any such web pages; and Franchisor shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page.

Franchisee shall not establish a separate Website or email address in connection with the Franchised Business without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish a Website or separate email address in connection with the Franchised Business, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such Website or email address. Franchisee specifically acknowledges and agrees that any Website or email address owned or maintained by or for

the benefit of Franchisee shall be deemed “advertising” under this Agreement, and will be subject to (among other things) Franchisor’s approval under Section 8.04 below.

Franchisor shall have the right to modify the provisions of this Section 5.11 relating to Websites and email addresses as Franchisor shall solely determine is necessary or appropriate and shall be entitled to do so in the Confidential Operations Manual.

6. CONFIDENTIAL OPERATIONS MANUAL.

6.01 Access to Confidential Operations Manual. In order to protect the reputation and goodwill of Franchisor, to maintain uniform standards of service and operation under Franchisor’s Marks and System, to promote the goodwill of the System, and for the mutual benefit of Franchisor and Franchisee, Franchisor shall grant Franchisee online access to Franchisor’s Confidential Operations Manual (from time to time referred to as the “Confidential Operations Manual”).

6.02 Subject Matter of Confidential Operations Manual. The subject matter of the Confidential Operations Manual may include, but need not be limited to, standards, procedures, policies and specifications pertaining to the System and the operation of the Franchised Business. Franchisor may make additions to, deletions from and/or modifications of the Confidential Operations Manual as Franchisor deems appropriate, and all such changes will become part of the Confidential Operations Manual, and will be effective upon Franchisee’s receipt of notice of such change, which notice shall be deemed effective upon delivery via electronic mail. References in this Agreement to the “Confidential Operations Manual” shall include all additions to, deletions from, and modifications of the Confidential Operations Manual.

6.03 Business to Conform to Confidential Operations Manual. Franchisee shall conduct the operation of the Franchised Business in strict accordance with the operational systems,

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

procedures, policies, methods and requirements contained in the Confidential Operations Manual. Under the subject matter of Human Resources, the Confidential Operations Manual primarily makes recommendations and attempts to cover then-current employment law. State or federal law will override any matter in the manual. Other recommendations are guidelines and are at the option of the Franchisee to adopt and enforce. All employees of Franchisee are the responsibility of Franchisee, and Franchisee will be responsible for adopting procedures which if followed will prevent Franchisor from being considered a joint employer with Franchisee. Any template or recommendation provided by Franchisor is solely to assist Franchisee in preparing its own policies and procedures for its employees, is not required by Franchisor and does not require the approval of Franchisor.

6.04 Confidential Operations Manual Is Property of Franchisor. The Confidential Operations Manual, and all the information contained in it, shall at all times remain the sole property of Franchisor. Franchisee shall at all times treat the Confidential Operations Manual and the information contained therein as confidential, and must take all necessary precautions to maintain such information as secret and confidential. Franchisee acknowledges that the Confidential Operations Manual is confidential and includes trade secrets belonging to Franchisor. Franchisee will not at any time contest the confidentiality of the information in the Confidential Operations Manual or Franchisor's sole ownership of it. Franchisee shall not at any time copy, duplicate, record or otherwise reproduce the Confidential Operations Manual, in whole or in part, nor otherwise make it available to any unauthorized person. The Confidential Operations Manual must not be shared with any employee of Franchisee. Upon the expiration or other termination for any reason of this Agreement, Franchisee is immediately prohibited from accessing the Confidential Operations Manual, Franchisor

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

shall revoke Franchisee's login credentials, and Franchisee shall no longer have access to the online Confidential Operations Manual.

6.05 Keeping Up-To-Date on Confidential Operations Manual. Franchisee shall at all times be responsible for reading all additions to, deletions from and/or modifications of the Confidential Operations Manual and for complying with all of Franchisee's obligations in the Confidential Operations Manual.

6.06 Employee Handbook. Franchisor may, but is not obligated to, provide an optional sample or model Employee Handbook ("Employee Handbook") designed to help Franchisee manage its employment practices by providing examples of policies and practices that Franchisor and its affiliates use for employment purposes. Notwithstanding any language to the contrary herein, this Employee Handbook is provided as a guide only, is strictly optional and does not require Franchisor approval for its modification or use. Franchisees are not required to use any of the policies or practices described in this Employee Handbook, and are strongly advised to seek employment counsel and advice from independent advisors of their own choosing. If Franchisee chooses to implement any or all aspects of this Employee Handbook, Franchisee must modify the policies and practices that it decides to use to ensure that they comply with applicable federal, state, and local laws. Franchisee is solely and exclusively responsible for determining the terms and conditions of employment for its employees and for ensuring that its policies and practices comply with all applicable laws. It is understood, acknowledged and agreed that Franchisee's employees are not employees of Franchisor or its affiliates.

7. CONFIDENTIAL INFORMATION.

7.01 Non-Use and Non-Disclosure of Confidential Information. Except as otherwise stated herein, Franchisee shall not, during the term of this Agreement or at any time thereafter, communicate, divulge or use for the benefit of any other person, persons, partnership, association, corporation or entity the Confidential Operations Manual, any information, knowledge or Know-How concerning the systems of operation, products, services, procedures, policies, standards, criteria or Customers, Customer Information, Data and/or any other information which Franchisor designates in other sections of this Agreement or elsewhere as confidential (collectively “Confidential Information”). Franchisee may disclose Confidential Information that is required for the operation of the Franchised Business to its employees who must have access to it in order to perform their job duties for the operation of the Franchised Business. Franchisee shall take such precautions to ensure that its employees retain such information in confidence, including when Franchisor deems it appropriate, the execution by each such employee of a nondisclosure and noncompetition agreement provided by Franchisor (the “Nondisclosure Agreement”). If required by Franchisor, the Nondisclosure Agreement must (a) be executed at the earlier of the commencement of employment or the commencement of training of the respective employee, and (b) comply with the law of the state where the Franchised Business is located including without limitation all requirements pertaining to the validity and enforceability of the Nondisclosure Agreement. The Nondisclosure Agreement will be in a form prescribed by Franchisor and will include, without limitation, specific identification of Franchisor as a third-party beneficiary of the Nondisclosure Agreement with the

independent right to enforce it. Franchisee will submit copies of all such executed Nondisclosure Agreements to Franchisor within ten (10) days of their execution.

8. ADVERTISING AND MARKETING.

8.01 Advertising Standards. Franchisee will only use such advertising, identification and promotional materials and programs (including, but not limited to, printed and broadcast advertisements, stationery, business cards, press releases, signs, displays, leaflets, newspaper inserts, promotional mail outs and promotional literature) which have been furnished by Franchisor or been approved in advance by Franchisor in accordance with Section 8.04. All advertising by Franchisee shall be conducted in a dignified manner, shall conform to such standards, specifications and requirements as Franchisor may specify from time to time in writing, in its Confidential Operations Manual or otherwise, and shall not in any way detract from, reflect unfavorably upon, or denigrate the Marks, the System, the products, or Franchisor.

8.02 Administration of Franchisor's Marketing Program. Franchisor or its designee may administer Marketing Funds (as defined below) as follows:

- (a) As provided in Section 4.02 of this Agreement, if Franchisor establishes any Programs, Franchisee will pay to Franchisor a "Marketing Fee" of up to the Maximum Annual Cost per Program fund per year. The Marketing Fee will be combined with contributions made by all other franchisees of Franchisor that are members of that Program to create marketing funds (the "Marketing Funds").
- (b) Franchisor will have sole discretion over the creative concepts, materials and media used in such Program, and the placement and allocation of advertising. Franchisee acknowledges that the Marketing Funds are intended to further general public

recognition and acceptance of the Marks for the benefit of the System and that Franchisor and its designees undertake no obligation to make expenditures which are equivalent or proportionate to Franchisee's contributions. Franchisor cannot and does not represent or insure that each franchise member of a Program will benefit directly or on a pro rata basis from the placement of advertising in connection with a particular Program.

- (c) The Marketing Fund may be used to meet any and all costs of employing advertising agencies and administering, directing, preparing, placing and paying for regional and/or national advertising for the Program to which the Marketing Fund pertains, including public relations and promotional campaigns typically used in media such as direct mail advertising, newspapers, radio, and cable and local television. This sum may also be spent for items including conducting marketing studies, the production and purchase of advertising art, commercials, musical jingles, print advertisements, point of sale materials, media advertising, outdoor advertising art, and direct mail pamphlets and literature. This sum may further be spent for additional items such as marketing support for technician recruitment initiatives, testing new advertising tactics, national discount/offer funding, call performance tracking, online reputation management, online directory listings management, conducting market research, the development of customizable franchisee marketing resources, travel costs for the marketing team to visit with franchisees and attend marketing conferences that provide additional marketing training to keep up-to-date on the latest marketing trends, performing marketing vendor/solution audits and branded promotional items. Franchisor need not

maintain sums paid by franchisees to the Marketing Funds or income from the Marketing Funds in a separate account from the other funds of Franchisor. Franchisor may expend or allocate up to fifteen percent (15%) of the Marketing Funds on an annual basis for such reasonable administrative costs and overhead, if any, as Franchisor may incur in connection with the Marketing Funds. Franchisor shall, within one hundred twenty (120) days following the close of its fiscal year, prepare and distribute to all System franchisees an unaudited report certified as correct by an officer of Franchisor, setting forth Marketing Funds revenue and expenses for the fiscal year just ended.

- (d) Franchisor shall use its best efforts to expend the amounts contributed to the Marketing Funds during the fiscal year within which the contributions are made. If Franchisor expends less than the total amount of funds available in the Marketing Funds during any fiscal year, it may either expend such unused sum during the following fiscal year or, in its discretion elect to rebate all or a portion of such unused sum on a pro-rata basis to the franchisees who have contributed to the Marketing Funds. If Franchisor in any year expends an amount greater than the amount available in the Marketing Funds, Franchisor may be entitled to reimburse itself from the Marketing Funds during the next fiscal year for all such excess expenditures made during the preceding fiscal year.
- (e) Although the Marketing Funds are intended to be of perpetual duration, Franchisor maintains the right to terminate the Marketing Funds. The Marketing Funds shall not be terminated, however, until all monies in the Marketing Funds have been

expended for advertising and promotional purposes, or rebated to the franchisees who made contributions to such Marketing Funds.

(f) Franchisor is not obligated to pay for any part of the expenses of any Program, except as provided in Section 8.03 of this Agreement.

8.03 Franchisor-Owned Store Participation. Any franchise or outlet which is owned and operated by the Franchisor or any affiliate thereof will participate in or contribute to the Marketing Funds for the area in which such franchise or outlet is located on the same basis as the other franchises participating in the respective Program to which the Marketing Funds are related.

8.04 Submission of Proposed Local Advertisements, Identification and Promotional Materials. Except for suggested local advertising, identification and/or promotional materials furnished to Franchisee by Franchisor pursuant to this Agreement, Franchisee will, prior to use or dissemination, submit to Franchisor for its approval all proposed local advertising materials (irrespective of medium), and all identification and promotional materials or programs (including, without limitation, stationery, business cards, signs, displays, press releases, leaflets and mail-outs). Approval of such local advertising, identification or promotional materials or programs shall not be unreasonably withheld by Franchisor. Franchisee will be allowed to use promotional materials that have been approved unless and until Franchisor otherwise informs Franchisee in writing.

8.05 Local Advertising. Franchisee shall advertise the Franchised Business in accordance with the instructions and standards contained in the Franchisor's Confidential Operations Manual. Franchisor reserves the right to establish a minimum amount Franchisee must spend directly on local marketing, advertising and promotional efforts related to the

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: *Christian Brothers Automotive Corporation*

Property: _____

Franchised Business, in the manner directed by Franchisor in the Confidential Operations Manual or otherwise in writing.

- 8.06 Initial Advertising. Franchisee agrees to distribute materials furnished by Franchisor as instructed by Franchisor in connection with commencing the operation of its Franchised Business. Franchisor may require that Franchisee work with Franchisor's marketing department to develop a new store opening plan for the Franchised Business. The plan may include both pre- and post-opening activities such as the purchase of local market media, direct mail, digital marketing, collateral and signage printing, promotional giveaway items, community non-profit partnerships and hosting a grand opening event. Franchisee may be required to spend up to \$20,000 on such new store advertising activities recommended and approved by Franchisor's marketing department. This expenditure is in addition to the amount Franchisee spends on local advertising.
- 8.07 Franchised Business Listings. Franchisee will maintain a business telephone, and will list its Franchised Business continually under headings designated by Franchisor in the Confidential Operations Manual in the appropriate sections of any online listing site or platform (such as, but not limited to, Google or Yelp) designated by Franchisor. As with all advertising, Franchisee must obtain Franchisor's written approval prior to placing a listing.
- 8.08 Promotional Programs. Franchisee shall participate in promotional programs developed by Franchisor for the System, in the manner directed by Franchisor in the Confidential Operations Manual or otherwise in writing.

9. DUTIES OF FRANCHISOR.

9.01 Confidential Operations Manual. Subject to the requirements of Section 6, Franchisor shall grant Franchisee online access to Franchisor's Confidential Operations Manual, which access shall include additions to, deletions from, and modifications of the Confidential Operations Manual.

9.02 Method of Operations. In addition to any other training provided for herein, Franchisor shall from time to time furnish to Franchisee such information, instructions, techniques, data, instructional materials, forms and other operational developments pertaining to the offering and selling of services and products, as may be developed by Franchisor from time to time in connection with the operation of the System. Franchisor considers, and Franchisee acknowledges and agrees that the information provided by Franchisor to Franchisee in this Section 9.02 is Confidential Information subject to the provisions of Section 7.01 herein.

9.03 Training and Supervision. Franchisor agrees to provide Franchisor's Initial Franchisee Training Program to the Franchisee's Principal Operator and Franchisee's Initial Service Manager. Franchisee's Principal Operator and Franchisee's Initial Service Manager are required to personally attend and successfully complete, as determined in Franchisor's sole discretion, Franchisor's Initial Franchise Training Program. The Initial Training Program begins on the date Franchisee enters into the Receipt and Acknowledgement Letter Agreement. Franchisor will provide an orientation for Franchisee and will deliver materials to Franchisee. The Initial Training Program will include the Cornerstones of Excellence Training Program (as defined in the Confidential Operations Manual). Franchisee also will receive training in Franchisor's offices and in a designated training

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: *Christian Brothers Automotive Corporation*

Property: _____

facility regarding the operations, human resources and accounting aspects of the Franchised Business. A portion of the Initial Training Program will be conducted at the location of the Franchised Business and will begin prior to the Opening Date and will continue for one and one-half weeks during Franchisee's normal business hours. Franchisor will also provide such additional review and training as Franchisor deems appropriate near the six-month anniversary of the Opening Date of the Franchised Business. Franchisor will at its own cost provide the materials, supervision and instruction for the initial training session. Franchisee must pay all costs incurred by Franchisee's Principal Operator and the Initial Service Manager including all living and travel expenses (e.g. hotel, meals, airfare, employee compensation, etc.) incurred by Franchisee's Principal Operator and its Initial Service Manager, in connection with attending and participating in such training. Franchisor will assist Franchisee in the interviewing of an Initial Service Manager. Franchisor may, but is not required to, offer additional training. If Franchisor offers additional training, it may, in its sole discretion, make such additional training mandatory for the Franchisee's Principal Operator and Initial Service Manager or any successor to the Initial Service Manager. The additional training will take place at such locations as Franchisor reasonably selects, and Franchisee acknowledges and agrees that the reasonableness of the locations will be determined by Franchisor based on a wide variety of factors, including without limitation the locations of all franchisees participating in the training and the location of the available training facilities. Franchisor may establish such fees for the additional training, as Franchisor in its sole discretion deems appropriate. The Franchisee shall be responsible for the costs of such additional training, including all travel expenses, living expenses, and expenses of attendance and participation. Franchisee

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

will be charged, and agrees to pay, such fees as are established by the Franchisor from time to time for such additional training, and the price of training materials, as established by Franchisor, provided to the Principal Operator and Initial Service Manager. The Franchisor may require that any successor to the Initial Service Manager (a) attend and successfully complete, as determined in Franchisor's sole discretion, Franchisor's Initial Training Program, and (b) attend and successfully complete, as determined in Franchisor's sole discretion, any additional training that Franchisor determines is mandatory. Franchisee will pay all costs related to such training. Franchisor agrees that Franchisee will not be required to attend more than two mandatory training sessions during any twelve-month period. Franchisor considers, and Franchisee acknowledges and agrees that the information, materials and training content provided by Franchisor to Franchisee and Franchisee's employees in this Section 9.03 is Confidential Information subject to the provisions of Section 7.01 herein.

9.04 Bookkeeping. Franchisor shall furnish to Franchisee, as part of Franchisor's Confidential Operations Manual, standard bookkeeping procedures, software and Franchisee reporting forms that are required by Franchisor. Franchisor shall furnish to Franchisee such updates and replacements to the forgoing as Franchisor deems appropriate.

9.05 Pre-opening Assistance.

(a) Site Selection. Franchisor shall select the site for the location for the Franchised Business, construct the building from which the Franchised Business will be operated and lease or sublease the land and building to Franchisee pursuant to the terms of the Commercial Sub-Lease Agreement (as defined in Section 10.22 hereof).

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

- (b) Equipment and Furnishings. Franchisor shall provide Franchisee with information and direction concerning the proper equipment and decorations to be used in the Franchised Business.
- (c) Promotional Materials. Franchisor will advise Franchisee concerning Franchisee's pre-opening publicity. All of the costs and expenses of this publicity must be approved in writing by Franchisor in order to be considered an Approved Expense Item in the Split Profits calculation.

9.06 Additional Assistance.

- (a) During Start-Up Period. Beginning on the first business day of the third week of the Start-Up Period (as defined below) and continuing until the end of the Start-Up Period, a management member of Franchisor will be available during business hours to consult by phone with the Principal Operator and the Initial Service Manager. The Franchisor management member may, but is not obligated to, visit Franchisee's Franchised Business for the purpose of rendering advice, consultation and additional training with respect to the Franchised Business, its operation and performance, and compliance by Franchisee with the Confidential Operations Manual. If a management member does visit Franchisee's Franchised Business for any of the purposes set out above, Franchisee agrees to pay all travel and living expenses incurred in connection with such visit (excluding the six-month anniversary visit, if any, mentioned in Section 9.03). The "Start-Up Period" begins on the first day the Franchisee's Franchised Business is open to the public ("Opening Date") and ends twelve months from the Opening Date.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

(b) After Start-Up Period. If at any time after the end of the Start-Up Period, Franchisee requests on-site assistance from Franchisor, Franchisor may, but is not obligated to, provide such on-site assistance. If Franchisor does provide such on-site assistance, Franchisee will pay Franchisor's travel and living expenses incurred in connection with such assistance and such fees as are set out in the Confidential Operations Manual. The on-site assistance may include management support during the Principal Operator's vacation, the training of new employees and technical support Franchisor deems appropriate.

9.07 Sources of Supply. Franchisor agrees that where Franchisee is required to use a supplier or vendor designated by Franchisor, Franchisor will review any alternative supplier or product requested by Franchisee and determine whether Franchisee may use such supplier or product in lieu of the Franchisor designated supplier or product. Franchisor expressly reserves: (a) the right to test, analyze, inspect or randomly sample the product or service of any supplier including any supplier that is proposed by Franchisee, and (b) the right to modify the specifications for all equipment and supplies and qualifications for all service providers from time to time in its sole and exclusive discretion.

9.08 Pricing. Franchisor reserves the right to establish a schedule of minimum and maximum pricing for services and products. If such schedule of prices is established by Franchisor, Franchisor will keep Franchisee advised of Franchisor's schedule of prices for services and products and Franchisee agrees to utilize such pricing when providing services and products to its customers.

9.09 Unavoidable Delays. Delays in the performance of any duties hereunder which are not the fault nor within the reasonable control of the Franchisor, including but not limited to,

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

pandemics, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders or other matters beyond Franchisor's control, shall not give rise to a default by Franchisor hereunder. Franchisee shall extend the time of performance for the period of such delay.

10. DUTIES OF FRANCHISEE.

10.01 Payments to Franchisor. In addition to all other payments provided for herein, Franchisee must pay to Franchisor promptly when due:

- (a) All fees and royalties described in Sections 4.01, 4.02, 4.03, and 4.05 of this Agreement.
- (b) All fees and expenses set out in the Confidential Operations Manual.
- (c) The amount of all sales taxes, use taxes, personal property taxes, and similar taxes imposed upon, required to be collected or paid by Franchisor on account of goods or services furnished by Franchisor to Franchisee through sale, lease or otherwise, or on account of payments or initial franchise fees collected by Franchisor from Franchisee.
- (d) All amounts advanced by Franchisor or which Franchisor has paid, or for which Franchisor has become obligated to pay, on behalf of Franchisee for any reason whatsoever.
- (e) All amounts due to Franchisor for products or services purchased by Franchisee from Franchisor.

10.02 Purchases. Franchisee agrees to purchase all equipment required for the operation of the Franchised Business only from: (a) suppliers designated or approved in writing by Franchisor, or (b) from suppliers selected by Franchisee and approved by Franchisor. In

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

Section 9.07, Franchisor has expressly reserved the right to test, analyze, inspect or randomly sample the product or service of any supplier including any supplier that is proposed by Franchisee, and Franchisee agrees to reimburse Franchisor for its documented costs of testing, analyzing, inspecting or sampling the service or product of any supplier proposed by Franchisee regardless of whether such supplier is subsequently approved or rejected by Franchisor as an approved source of supply. Franchisee agrees that Franchisor may modify the specifications for all equipment and supplies and qualifications for all service providers from time to time in its sole and exclusive discretion.

10.03 Compliance With this Agreement, Laws, Rules and Regulations. Franchisee will:

- (a) comply with the terms and conditions included in this Agreement;
- (b) operate the Franchised Business in strict compliance with all applicable laws, rules and regulations of all governmental authorities;
- (c) comply with all applicable wage, hour and other laws and regulations of federal, state and/or local governments;
- (d) prepare and file all necessary tax returns and pay all taxes imposed upon Franchisee, Franchised Business, and Franchisee's property; and
- (e) obtain and keep in good standing all necessary licenses, permits or other required forms of governmental approval required of Franchisee to offer and sell those products and services which are part of the System or which may, in the future, be made a part of the System.

10.04 Franchisee and Principal Operator Participation in and Responsibility for the Operation of the Franchised Business. Although Franchisor retains the right to establish and periodically modify the System, which Franchisee has agreed to implement and maintain in the

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

operation of the Franchised Business, Franchisee retains the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of System standards at the Franchised Business. Franchisee acknowledges that it is solely responsible for all aspects of the Franchised Business's operations, including employee and human resources matters. Franchisee further acknowledges that any controls implemented by Franchisor are for the protection of the System and the Marks and not to exercise any control over the day-to-day operation of the Franchised Business. The Principal Operator is completely responsible for assuring that the daily operations of the Franchised Business are managed so that the Franchised Business complies with all the requirements of the law, this Agreement and the Confidential Operations Manual. If Franchisee is a business entity, the Principal Operator must own or control at least fifty-one percent (51%) of the ownership interest of such business entity and must have and maintain control of the business entity for as long as such entity is the Franchisee pursuant to the terms of this Agreement. Franchisee agrees to open the Franchised Business to provide services to the public on or before five days after receipt of notice from Franchisor that the Franchised Business is operational. Franchisee, its Principal Operator, and the spouse of the Principal Operator each agree not to campaign for nor hold any public office. The failure of the Principal Operator to comply with the terms of this section will constitute a material breach of this Agreement.

10.05 Qualifications of Franchisee's Employees. Franchisee shall be solely responsible for all employment decisions and functions of the Franchised Business, including those related to hiring, firing, wage and hour requirements, recordkeeping, scheduling, supervision, and discipline of employees, in addition to compliance with all applicable federal, state, and

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

local laws, rules and regulations. Subject to the foregoing, Franchisee is required to comply with all mandatory specifications, requirements and restrictions regarding the training of Franchisee's employees as are set forth in the Confidential Operations Manual.

10.06 Indemnification. Franchisee must defend, indemnify, and hold harmless Franchisor and its affiliates, and their successors and assigns, and each of their respective direct and indirect owners, directors, officers, managers, employees, agents, attorneys, and representatives (collectively, the "Indemnified Parties"), from and against all Losses (defined below) which any of the Indemnified Parties may suffer, sustain, or incur as a result of a claim asserted or threatened or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought, by a third party and directly or indirectly arising out of the Franchised Business's operation, Franchisee's conduct of business under this Agreement, Franchisee's breach of this Agreement, or Franchisee's noncompliance or alleged noncompliance with any law, ordinance, rule, or regulation, including any allegation that Franchisor or another Indemnified Party is a joint employer or otherwise responsible for Franchisee's acts or omissions relating to Franchisee's employees. Franchisor will promptly notify Franchisee of any claim that may give rise to a claim of indemnity under this provision, provided, however, that its failure to provide such notice will not release Franchisee from its indemnification obligations under this Section except to the extent Franchisee is actually and materially prejudiced by such failure.

Franchisee has the right, upon written notice delivered to the Indemnified Party within 15 days thereafter assuming full responsibility for Losses resulting from such claim, to assume and control the defense of such claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of such counsel's fees

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

and disbursements. If (a) the Indemnified Party has been advised by counsel that there are one or more legal or equitable defenses available to it that are different from or in addition to those available to Franchisee and, in the Indemnified Party's reasonable opinion, Franchisee's counsel could not adequately represent the interests of the Indemnified Party because such interests could be in conflict with Franchisee's interests, or (b) Franchisee does not assume responsibility for such Losses in a timely manner or fails to defend a claim with counsel reasonably satisfactory to the Indemnified Party as contemplated above, then the Indemnified Party will have the right to employ counsel of its own choosing, and Franchisee must pay the fees and disbursements of such Indemnified Party's counsel as incurred. In connection with any claim, the Indemnified Party or Franchisee, whichever is not assuming the defense of such claim, will have the right to participate in such claim and to retain its own counsel at such party's own expense. Franchisee or the Indemnified Party (as the case may be) agrees to keep the other reasonably apprised of, and respond to any reasonable requests concerning the status of the defense of any claim, and Franchisee and the Indemnified Party agree to cooperate in good faith with each other with respect to the defense of any such claim. Franchisee may not, without the Indemnified Party's prior written consent, (1) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written denial of and release from liability of such claim for the Indemnified Party and its affiliates, direct and indirect owners, directors, managers, employees, agents and representatives, or (2) settle or compromise any claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments which will be paid by Franchisee. No claim which is being defended in good faith by Franchisee in accordance

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

with this Section may be settled by the Indemnified Party without Franchisee's prior written consent. Notwithstanding anything to the contrary in this Section, if a claim for which indemnity is owed under this Section 10.06 involves the Marks, Franchisee agrees that Franchisor has the exclusive right to assume the defense of such claim, at Franchisee's expense with counsel selected by Franchisor, but reasonably satisfactory to Franchisee.

Franchisee has no obligation to indemnify or hold harmless an Indemnified Party for any Losses 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 gross negligence, willful misconduct, or willful wrongful omissions, 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 joint employment) or Franchisor's failure to compel Franchisee to comply with this Agreement.

For purposes of this Section, "Losses" include all obligations, liabilities, damages (actual, consequential, or otherwise), and defense costs that any Indemnified Party incurs. Defense costs include, without limitation, accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, and alternative dispute resolution.

Franchisee's obligations in this Section will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination for any reason. 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 Franchisee under this Section. Franchisee agrees 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 Franchisee under this Section.

10.07 Manner of Operation. Franchisee understands and hereby acknowledges that every component of the System is vital to Franchisor, to other franchisees of Franchisor and to the operation of the business franchised hereby, and that compliance with the System is of the essence of this Agreement. Franchisee shall at all times conduct the Franchised Business in compliance with the System, including all standards, procedures and policies as Franchisor may, from time to time, establish as though all were specifically set forth in this Agreement, and whether set forth in Franchisor's Confidential Operations Manual, bulletins, newsletters, emails, notices, or elsewhere. Franchisee agrees to operate its Franchised Business in a clean and wholesome manner which complies strictly with all recommendations and standards of quality, service and cleanliness as prescribed from time to time by Franchisor. Franchisee agrees to operate the Franchised Business in a manner that provides all the services and products which Franchisor designates from time to time to be component services or products of the System. Franchisee agrees to maintain the Franchised Business as provided in the Confidential Operations Manual. Franchisee's failure to comply with the terms of this section will constitute a material breach of this Agreement.

10.08 Advertising. Franchisee must comply with all the obligations, procedures and duties regarding advertising contained in Section 8 of this Agreement.

10.09 Hours of Operation. Franchisee's Franchised Business must be open for business during those hours prescribed in Franchisor's Confidential Operations Manual, bulletins,

newsletters, emails, notices, or otherwise in writing, unless prohibited by local laws, ordinances or regulations.

10.10 Equipment. Franchisee must at all times during the term of this Agreement, and at its sole expense, maintain such equipment as designated in writing by Franchisor including the requirements that are set forth in the Confidential Operations Manual. Franchisee must maintain all equipment used in the Franchised Business in good repair and must regularly service and maintain such equipment so as to keep it continually in safe and good working order. Lifts must be serviced by a qualified lift inspector at least as often as required by the then-current ANSI/ALI standards. Franchisee's failure to maintain the equipment as required by Franchisor will constitute a material breach of this Agreement.

10.11 Corporate or Other Entity Franchisee Records.

- (a) If Franchisee is a corporation or other legal entity, Franchisee must comply with the following requirements through the term of Agreement:
- (i) Franchisee must furnish the Franchisor with all of the following or its equivalent: Articles of Incorporation or Formation; Bylaws; Minutes of Shareholders' Meetings; Minutes of Directors' Meetings; Written Consents; Shareholder Agreements; Regulations; Company Agreements; and all other governing documents as amended from time to time; a list of all officers, directors, shareholders, partners, members and/or managers and any other documents the Franchisor may reasonably request and any amendment thereto.
 - (ii) Franchisee must limit its activities, and its governing documents, if any, exclusively to the operation of the Franchised Business.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

- (iii) Franchisee must place the following legend legibly and conspicuously on each security or evidence of ownership interest of Franchisee:

“The transfer of this stock (or other evidence of equity ownership in a legal entity) is subject to the terms and conditions of a Franchise Agreement with Christian Brothers Automotive Corporation, dated _____, 20 __. Reference is made to the provisions of that Franchise Agreement and to the Articles and governance documents of this entity.”

- (iv) Franchisee must comply with all federal and state laws and requirements concerning the issuance and sale of securities (the “Securities Requirements”). Franchisee acknowledges and agrees that Franchisor makes no representation concerning compliance by Franchisee with the Securities Requirements.
- (v) Franchisee must maintain a current list of all owners of record and all beneficial owners of any class of voting stock of the Franchisee, and must furnish the list to Franchisor upon request.

- (b) Franchisee shall promptly notify Franchisor of any change in any of the information or documents furnished to Franchisor pursuant to the terms of this Section 10.11.

10.12 Requirements Regarding, and Restrictions Relating to, Products and Services Sold by Franchisee. Franchisee will offer and sell all services and products which are part of the System, as amended or supplemented from time to time. Franchisee is expressly prohibited from offering or selling any service or product which is not a part of the System.

- 10.13 Inspection. Franchisor, or any of its authorized agents or representatives, may at any time during normal business hours enter upon the Franchised Business location for the purpose of examining and inspecting it, and the Franchisee's overall operations.
- 10.14 Submission of Nonfinancial Reports. Franchisee shall complete and submit to Franchisor weekly, monthly, semi-annual or other periodic reports regarding the activity of Franchisee's Franchised Business as Franchisor prescribes in its Confidential Operations Manual.
- 10.15 Insurance. To standardize insurance coverage and to afford Franchisee and Franchisor protection against insurable risks, Franchisor may prescribe minimum standards and limits for insurance coverage to be purchased by Franchisee. Such standards and limits may be set forth in the Confidential Operations Manual or by other written notice. Franchisee must promptly provide Franchisor with certificates of insurance evidencing such coverage and copies of the underlying policies, including all endorsements, no later than ten (10) days prior to the Opening Date, and Franchisee must again furnish Franchisor with those certificates and policies whenever any coverage is renewed and/or replaced. If Franchisee fails or refuses to purchase insurance conforming to the standards and limits prescribed by Franchisor, Franchisor may (but is not required to) obtain, through agents and insurance companies of its own choosing, such insurance as meets such standards. All costs for such insurance will be borne by Franchisee as provided in the Approved Expense Items and in the Confidential Operations Manual. Franchisee must reimburse Franchisor for all payments made by Franchisor in connection with obtaining such insurance. Franchisor is not and will not at any time be under an obligation to obtain or maintain any specific form, kind or amount of insurance. Franchisor has not and is not representing that insurance may

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

be obtained by Franchisee, or by Franchisor for Franchisee, that will insure Franchisee against any or all insurable risks of loss which may or can arise out of or in connection with the operation of Franchisee's Franchised Business. All insurance purchased by Franchisee must name Franchisor (and upon Franchisor's request, any lender of Franchisor or Franchisor's landlord, or Franchisor's Landlord's lender) as an additional insured on a primary and non-contributory basis, and must provide that Franchisor (and upon Franchisor's request, any lender of Franchisor or Franchisor's landlord, or Franchisor's Landlord's lender) will be given at least thirty (30) days' prior written notice of any termination, amendment, cancellation, or modification thereof.

10.16 Cooperation With Franchisor. Franchisee must act in good faith and use its best efforts to comply with its obligations under this Agreement, and to cooperate with Franchisor in accomplishing the purposes of this Agreement.

10.17 Minimum Performance Requirement. For purposes of this Section 10.17: "Net Ordinary Income" shall mean Total Income minus Cost of Goods Sold minus Total Expenses; "Total Income" shall mean ordinary income from all sources; "Cost of Goods Sold" shall mean all costs including all transportation, labor, parts, discounts and fees; and "Total Expenses" shall mean administrative and overhead expenses before amortization, depreciation and royalty expenses; "Startup Period" shall mean the first (1st) year of operation of the Franchised Business, or in the case of a transfer of the Franchised Business, the first (1st) year of operation of the Franchised Business by the transferee. The foregoing definitions are subject to change in Franchisor's discretion, as set forth in the Confidential Operations Manual from time to time, provided that such definitions are in accordance with prevailing accounting practices in the automotive service and repair industry. For purposes of Section

14.02(c), the requirements in each of subsections (a) and (b) of this Section 10.17 shall be referred to as a “Minimum Performance Requirement.”

(a) Rolling Six Months of Positive Net Ordinary Income. Following the Startup Period, Franchisee must maintain a rolling six (6) months of positive Net Ordinary Income, meaning the Net Ordinary Income must be equal to or exceed \$1. If the foregoing Minimum Performance Requirement is not maintained at any time during the term of this Agreement following the Startup Period, Franchisor, in its sole discretion, may terminate this Agreement and all rights granted hereunder without affording Franchisee an opportunity to cure the default, in accordance with Section 14.02(c), or Franchisor may elect, in lieu of terminating this Agreement, to allow Franchisee to enter into Franchisor’s Store In Distress Support Program by executing the Store In Distress Support Program Agreement attached hereto as Exhibit “D”.

(b) Net Ordinary Income Above Minimum Threshold. Following the Startup Period, and in addition to the requirements in subsection (a) above, Franchisee must not allow its Net Ordinary Income to fall thirty percent (30%) or more below the mean Net Ordinary Income of all mature Christian Brothers Automotive franchises for three (3) consecutive years (the “Minimum Threshold”). The mean franchise-wide Net Ordinary Income will be determined by the closed financial statements of all Mature Franchisees as of December 31 of each year. For purposes of this Section 10.17, a “Mature Franchisee” shall mean a franchisee whose Christian Brothers Automotive franchise location has been open to the public for a minimum of twelve (12) months as of December 31 of the year for which the mean Net Ordinary

Income is being calculated. If the foregoing Minimum Performance Requirement is not maintained at any time during the term of this Agreement following the Startup Period, Franchisor, in its sole discretion, may terminate this Agreement and all rights granted hereunder without affording Franchisee an opportunity to cure the default, in accordance with Section 14.02(c). Franchisor may modify the foregoing Minimum Threshold from time to time in its sole and absolute discretion. Any such modification of the Minimum Threshold shall be provided to Franchisee through the Confidential Operations Manual. In the event of a renewal, the three (3) consecutive years used to determine whether the Minimum Threshold is satisfied under this Section 10.17(b) shall include the period preceding the applicable Renewal Term, such that the period of three (3) consecutive years may span the date of renewal. For example, it shall be a breach of this Section 10.17(b) if Franchisee fails to meet the Minimum Threshold for a three (3) year period that includes the two (2) years immediately preceding the Renewal Term and the first year of the Renewal Term.

10.18 Continuing Training. Franchisee's Principal Operator and Service Manager will attend such continuing education and training programs as Franchisor notifies Franchisee are mandatory training programs, and Franchisee will pay all costs including training fees, travel expenses and living expenses incurred in connection with Franchisee's Principal Operator and Service Manager attending such programs.

10.19 Timely Payment of Amounts Due by Franchisee. Franchisee will timely pay (a) Franchisor all amounts due to Franchisor pursuant to this Agreement, and (b) all amounts due to each of its employees, vendors, third party landlords, lenders, taxing authorities, utility

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

providers, property owners' associations, and to any other parties that Franchisee is obligated to make payments related to the Franchised Business. Franchisee's failure to comply with the provisions of this Section will constitute a material breach of this Agreement.

10.20 Restriction On Transfer of Shares or other ownership interests of Franchisee. The Principal Operator will not sell, transfer or convey any or all of the shares or other ownership interests of Franchisee to any party except as provided in Section 13 of this Agreement. Principal Operator shall at all times continue to own or control at least fifty-one percent (51%) of Franchisee or such greater percent of the ownership interest of Franchisee as is necessary to control the decision-making process and governance of Franchisee.

10.21 Opening of Franchised Business. Franchisee must open the Franchised Business on the Opening Date.

10.22 Entering Into the Commercial Sub-Lease Agreement. Franchisee agrees to execute and deliver a commercial sub-lease agreement in the form attached hereto as Exhibit "C" (the "Commercial Sub-Lease Agreement") to Franchisor on or before ten (10) days after Franchisor notifies Franchisee that Franchisor is prepared to enter into the Commercial Sub-Lease Agreement. Franchisee agrees to perform any and all acts and to execute and deliver any and all documents that may be reasonably necessary to carry out this provision of this Agreement.

10.23 Pre-Opening Termination by Franchisor. Franchisee agrees that if during the period prior to the Opening Date: (a) any representations or warranties of Franchisee and/or the Principal Operator prove to be inaccurate or false, (b) the Principal Operator fails to take, successfully complete and pass any of Franchisor's required training, as determined in the

sole, but reasonable discretion of the Franchisor, (c) the Principal Operator and/or the Franchisee fails to submit to or pass, as determined in Franchisor's sole discretion, any credit or character check performed by or on behalf of the Franchisor, and/or (d) Principal Operator and/or Franchisee fail to timely or diligently perform any duties or obligations during the period prior to the Opening Date, then Franchisor shall have the right to immediately terminate this Agreement pursuant to Section 14.02(v) without providing any refund whatsoever.

10.24 Successor Principal Operator. Any successor Principal Operator must successfully complete the Initial Franchisee Training Program, or upon failing to do so, must make arrangements with Franchisor to retake the Initial Franchisee Training Program and successfully complete it within forty-five (45) days of any such failure.

10.25 Successor Service Manager. At Franchisor's request, any successor to the Initial Service Manager must successfully complete, in Franchisor's sole discretion, the Initial Franchisee Training Program within forty-five (45) days of first being hired by Franchisee.

10.26 Maintenance of Premises, Remodel and Approval of Improvements. Franchisee agrees to maintain the Premises (as defined in the Commercial Sub-Lease Agreement) in compliance with the standards set out by the Franchisor in the Confidential Operations Manual. Franchisor requires that the Premises be Remodeled every fifteen years commencing on the date that is fifteen years from the Premises' initial opening date and recurring every fifteen years thereafter, regardless of how long Franchisee has occupied the Premises as Franchisee. "Remodeled" means constructed, improved, modified and/or updated to the latest brand-standard design, processes, and requirements which shall be published by Franchisor in the Confidential Operations Manual or otherwise distributed to Franchisee.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

The Remodel requirements of this Section 10.26 are separate and in addition to the requirements for renewal pursuant to Section 3.05(b) herein. The costs of the Premises being Remodeled that are approved by Franchisor will be Approved Expense Items. Franchisee agrees to not make any improvements and/or changes to the Premises without first obtaining the written consent of Franchisor, which consent may be withheld in Franchisor's sole discretion.

10.27 Public Notice. During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a franchise agreement from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including exhibiting a notice of that fact in a conspicuous place at the Premises, the content of which Franchisor reserves the right to specify, including language identifying Franchisee as an independent business in all dealings with customers, employees, suppliers and others.

10.28 Data Privacy. A "Customer" is any person, entity or organization who solicits, inquires about, purchases, or may in the future purchase, Services, or provides Customer Information to Franchisee without regard to whether such person, entity or organization ultimately purchases any goods or Services from Franchisee. "Customer Information" means any information that Franchisee collects or is required by the Franchisor to collect from and/or maintain about a Customer in connection with the operation of the Franchised Business, including, without limitation, information collected from the point-of-sale systems installed at the Franchised Business. With respect to the privacy of Customer Information, Franchisee will: (i) comply with all applicable privacy laws ("Privacy Laws"); (ii) comply with all mandatory policies in the Confidential Operations Manual that relate

to Privacy Laws and the privacy and security of Customer Information; (iii) comply with any posted privacy policy and/or other representations made to Customers, and communicate any limitations required thereby to any authorized receiving party in compliance with all Privacy Laws; (iv) refrain from any action or inaction that could cause Franchisor to breach any Privacy Laws; (v) maintain reasonable physical, technical and administrative safeguards for Customer Information that is in Franchisee's possession or control in order to protect the same from unauthorized processing, destruction, modification, or use that would violate this Agreement or any Privacy Laws; and (vi) undertake any action(s) Franchisor deems necessary to keep Franchisor in compliance with the Privacy Laws. Franchisee will, upon Franchisor's request, provide Franchisor or Franchisor's representatives with access to Franchisee's systems, records, processes and practices that involve processing of Customer Information in order to mitigate a security incident or so that an audit may be conducted. Without limitation to any of the other indemnity obligations in this Agreement, Franchisee will indemnify, defend and hold Franchisor harmless from losses arising out of or relating to: (a) any theft, loss or misuse of Customer Information; and (b) Franchisee's breach of any of the terms, conditions or obligations relating to data security, privacy, or Customer Information set forth in this Agreement. Franchisee will immediately notify Franchisor upon discovering or otherwise learning of any theft, loss or misuse of Customer Information. Franchisee will, at Franchisor's direction, (x) undertake remediation efforts at Franchisee's sole expense, (y) undertake efforts to prevent the recurrence of the same type of incident, and (z) reasonably cooperate with any remediation efforts undertaken by Franchisor. Franchisee will not make any public comment regarding any data security incident without Franchisor's approval.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

Any notifications to the media or to Customers regarding theft or loss of Customer Information will be handled exclusively by Franchisor at Franchisor's discretion, and Franchisee may not contact Customers relating to such theft or loss unless Franchisee is under a legal obligation to notify Customers, in which event (1) Franchisee must notify Franchisor in writing promptly after concluding that Franchisee has the legal obligation to notify Customers and (2) Franchisee will limit the notices to Customers to those required by law or as pre-approved by Franchisor. Franchisee will reasonably cooperate in connection with any notices to Customers regarding theft or loss of Customer Information and Franchisee will assist with sending such notices if so requested.

10.29 Data. Franchisor may, from time-to-time, specify in the Confidential Operations Manual or otherwise in writing the Customer Information and other data that Franchisee shall collect and maintain in connection with the operation of the Franchised Business. All data created or collected by Franchisee in connection with the System, or otherwise provided by Franchisee, including, without limitation, data uploaded to, or downloaded from Franchisee's point-of-sale systems and accounts (collectively, "Data") is and will be owned exclusively by Franchisor, and Franchisor will have the right to use such Data in any manner that Franchisor deems appropriate without compensation to Franchisee. Copies and/or originals of Data must be provided to Franchisor upon Franchisor's request. Franchisor hereby licenses use of the Data back to Franchisee for the term of this Agreement, at no additional cost, solely for Franchisee's use in connection with the Franchised Business.

11. RECORDS, AUDITS AND REPORTING REQUIREMENTS.

11.01 Financial Statements and Reports. Franchisee must comply with all accounting, financial and reporting requirements set out in the Confidential Operations Manual or other similar correspondence. Franchisee’s failure to comply with all accounting, financial and reporting requirements set out in the Confidential Operations Manual or other similar correspondence shall constitute a material breach of this Agreement.

11.02 Records. Franchisee shall record and maintain records of its revenues and expenditures as set forth in the Confidential Operations Manual or otherwise. Franchisee’s failure to make and maintain records in such manner shall constitute a material breach of this Agreement.

11.03 Audits. Franchisor may during regular business hours enter Franchisee’s premises to inspect, audit and make copies of books of account, bank statements, documents, records, sales tax returns, papers, and files of Franchisee relating to the business transacted by Franchisee, and upon request by Franchisor, Franchisee shall make any such materials available for examination at Franchisee’s premises. If any such inspection and/or audit determines that Franchisee has paid Franchisor all amounts that should have been paid to Franchisor pursuant to the terms of this Agreement, all costs associated with conducting such inspection and/or audit shall be the responsibility of Franchisor. If any such inspection and/or audit determines that Franchisee has failed to pay Franchisor all amounts that should have been paid to Franchisor pursuant to the terms of this Agreement, then Franchisee shall pay all costs associated with conducting such inspection and/or audit and such amounts as are determined are owed by Franchisee together with interest at 18% per annum and any penalties provided by law or by the terms of this Agreement.

11.04 Online Access and Additional Information. Franchisee agrees to provide Franchisor view-only access to all of Franchisee’s accounts at all financial institutions. Franchisee also agrees to timely provide to Franchisor such financial information, records, reports and supporting information as Franchisor reasonably requests, and to comply with all information requests that are provided for in the Confidential Operations Manual.

12. RELATIONSHIP OF THE PARTIES.

12.01 Independent Contractor. Franchisee is an independent contractor. Franchisor and Franchisee are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other, except for Franchisor’s right to act as Franchisee’s attorney-in-fact pursuant to Sections 5.05 and 15.02 herein. No act or assistance given by either party to the other pursuant to this Agreement shall be construed to alter the relationship. Franchisee shall be solely responsible for compliance with all federal, state, and local laws, rules and regulations, and for Franchisee’s policies, practices, and decisions relating to the operation of the Franchised Business.

13. ASSIGNMENT, RIGHT OF FIRST REFUSAL AND AGREEMENTS OF FRANCHISEE.

13.01 Assignment by Franchisor. Franchisor may assign this Agreement, and all of its rights and privileges hereunder to any other person, firm or corporation; provided that, in respect to any assignment resulting in the subsequent performance by the assignee of the functions of the Franchisor:

- (a) the assignee shall, at the time of such assignment, in Franchisor's reasonable judgment, be economically and operationally capable of performing the obligations of Franchisor hereunder;
- (b) the assignee shall expressly assume and agree to perform such obligations; and
- (c) Franchisor shall be fully and finally released from the performance of such obligations.

13.02 Assignment by Franchisee. Franchisee acknowledges that Franchisor is entering into this Agreement in reliance upon and in consideration of the singular personal skill, character and qualifications of the Principal Operator of Franchisee and the trust and confidence placed in Franchisee by Franchisor or, in the case where a franchisee is a business organization of any nature, in its Principal Operator and equity owners. Subject to the provisions of this Agreement, neither rights in this Agreement, the Franchised Business, nor, in the case where a franchisee is a business organization of any nature, any Interest (as defined below) of an equity owner of Franchisee, may be sold, assigned or transferred without Franchisee first providing Franchisor the option to purchase such rights in this Agreement, the Franchised Business or Interest in Franchisee, as the case may be, pursuant to the same terms and provisions that have been offered in writing by an independent third party purchaser of the Franchised Business (the "Identified Offer"). Franchisee must deliver a written notice to Franchisor providing Franchisor with the option to such purchase on the same terms that are in the Identified Offer (the "Option Notice"). A copy of the Identified Offer must be included in the Option Notice. Franchisor will have thirty (30) days after receipt of the Option Notice to agree to such purchase on the terms contained in the Identified Offer, and one hundred fifty (150) days after the receipt of the Option Notice

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

to close the purchase. In the event Franchisor does not make such purchase, the Franchisee may assign its rights in this Agreement, the Franchised Business or Interest in Franchisee, as the case may be, subject to Franchisor's prior written consent to such assignment, which consent will not be unreasonably withheld. An "Interest" is defined to mean any shares, partnership or other ownership interests in or of Franchisee and any other equitable or legal right in any of Franchisee's stock, revenues, profits, rights or assets. To obtain Franchisor's consent to such assignment, the following conditions must be satisfied:

- (a) The assignee (or the principal officer, designated Principal Operator, shareholder or director of a corporate or other legal entity assignee) demonstrates that he or she has the skills, character, experience, business qualifications and economic resources necessary, in Franchisor's judgment, reasonably exercised, to conduct the business contemplated by this Agreement, and to fulfill his or her obligations to the assignor and to Franchisor.
- (b) As of the date of any assignment, the Franchisee shall have fully complied with all its obligations to Franchisor, whether under this Agreement or any other agreement, arrangement or understanding with Franchisor.
- (c) In the event of an assignment of this Agreement or the sale of the Franchised Business, Franchisee and the assignee shall execute a Consent to Assignment of Franchise Agreement and Commercial Sub-Lease Agreement in substantially the same form as attached hereto as Exhibit "E" whereby assignee assumes in writing for the benefit of Franchisor all the obligations of Franchisee under this Agreement and the Commercial Sub-Lease Agreement. Assignee must then execute a separate restated franchise agreement and Commercial Sub-Lease Agreement (the "New

Agreements”) in the form and on the terms and conditions then being offered by Franchisor to prospective Franchisees similarly situated (except that the assignee shall not be obligated to pay another Initial Franchise Fee). The terms of the New Agreements shall expire on the date of the expiration of this Agreement and the Initial Terms for the New Agreements will be the same as the Initial Term of this Agreement. The execution of the New Agreements shall, except for the post-term obligations of Franchisee hereunder, be deemed to terminate this Agreement and the Commercial Sub-Lease Agreement.

- (d) In the event of an assignment of this Agreement, the sale of the Franchised Business or an assignment of any Interest in Franchisee that results in a change of control of Franchisee, Franchisee shall pay the Franchisor a transfer fee (the “Transfer Fee”) equal to Thirty Thousand and No/100 Dollars (\$30,000.00). Franchisee acknowledges that the Transfer Fee is reasonably required to reimburse Franchisor for its expenses relating to said assignment, and which amount is payable as follows unless otherwise agreed to in writing by Franchisor: (i) a non-refundable amount of \$10,000.00 must be paid at the time the Franchisor approves in writing a term sheet or letter of intent agreed to and signed by the Franchisee and the assignee, and (ii) the remaining \$20,000.00 must be paid to Franchisor at the closing of the transaction between Franchisee and the assignee. In the event Franchisee authorizes Franchisor to find an assignee who is not then currently a franchisee of an operating Christian Brothers Automotive franchise location, Franchisee shall execute an agreement (the “Transaction Fee Agreement”) in the form attached hereto as Exhibit “F”, which agreement shall specify that Franchisee will be responsible for

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

paying Franchisor a transaction fee. The “Transaction Fee” will be the greater of 7% of the gross value of the business transaction or \$50,000.00 and will be payable as follows: (i) a non-refundable amount equal to the greater of \$10,000.00 or 1% of the listed price of the Franchised Business paid by Franchisee to Franchisor at the time Franchisee executes the Transaction Fee Agreement, and (ii) the balance of the Transaction Fee shall be payable upon the closing of the transaction between Franchisee and the assignee. This Transaction Fee is deemed earned upon closing of the transaction between Franchisee and the assignee, is nonrefundable, and is in addition to the Transfer Fee. Until all fees have been paid and Franchisor has executed its consent to the assignment, the assignment will not be valid. Neither the Transfer Fee nor the Transaction Fee will be considered an Approved Expense Item. The assignee must have satisfactorily paid for and completed the training then required of all new franchisees of Franchisor, unless such training is waived by Franchisor, in writing, by reason of said assignee’s prior experience or training.

- (e) The assigning Franchisee shall have executed a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor and its officers, directors, shareholders, members, managers, partners, employees and agents in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules and ordinances.
- (f) The Franchisee must provide to a prospective assignee and must follow any written guidelines of transfer issued from time to time by the Franchisor.

(g) Upon Franchisor's request, Assignee must provide to Franchisor a detailed five-year financial projection/budget which supports the ability of the assignee to thrive and make all needed necessary payments under the terms of the transfer.

Any transfer that results in the Principal Operator owning or controlling less than:

(i) fifty-one percent (51%) of the equity and/or voting power of any legal entity owning the Franchised Business (as such Franchisee was originally constituted at the time of the execution of this Agreement), or (ii) fifty-one percent (51%) of the sole general partner of the Franchisee, if the Franchisee is organized as a limited partnership, is deemed to be an assignment of this Agreement within the meaning of this Section 13.

13.03 No Encumbrance. Franchisee shall not have the right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement or the licenses granted hereunder in any manner whatsoever without the express prior written consent of Franchisor, which permission may be withheld for any reason whatsoever in the Franchisor's sole subjective judgment. Additionally, Franchisee shall not pledge, encumber, hypothecate or otherwise give any third party a security interest in Franchised Business, except to a lender in connection with a business loan approved by Franchisor.

THE FOLLOWING ARE ALTERNATIVES OF SECTION 13.04 FOR DIFFERENT TYPES OF ENTITIES. IF YOU DESIRE TO USE A TYPE OF ENTITY THAT IS NOT ONE OF THE FOLLOWING, YOU MUST REQUEST FRANCHISOR'S APPROVAL. IF FRANCHISOR APPROVES YOUR REQUEST, SECTION 13.04 WILL BE MODIFIED TO APPLY TO THAT TYPE OF ENTITY, BUT ALL MODIFICATIONS WILL IN FORM AND SUBSTANCE AS FRANCHISOR IN ITS SOLE DISCRETION DEEMS APPLICABLE.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

13.04 Corporate Franchisee.

(a) The name and address of each shareholder or other equity holder of Franchisee is set forth below:

<u>Name</u>	<u>Address</u>	<u>Percentage of Ownership Interest</u>
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(b) The name and address of each director of Franchisee is set forth below:

<u>Name</u>	<u>Address</u>	<u>Title</u>
		Director
		Director

(c) The address where Franchisee’s records are maintained is _____.

(d) The names, and addresses and titles of Franchisee’s principal officers are set forth below: Franchisee must designate which is the Principal Operator (See Section 4.03(a)).

<u>Name</u>	<u>Office Held</u>	<u>Address</u>
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(e) Franchisee shall notify Franchisor in writing within ten (10) days of any change in the information set forth in subparagraphs (a) through (d) above.

OR

13.04 Limited Liability Company Franchisee.

(a) The name and address of each member or other equity holder of Franchisee and his or her percentage of ownership in the limited liability company is set forth below:

<u>Name</u>	<u>Address</u>	<u>Percentage of Ownership Interest</u>
		___% interest
		___% interest

(b) The name and address of each member and/or manager of Franchisee is set forth below:

<u>Name</u>	<u>Address</u>	<u>Title</u>
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(c) The address where Franchisee’s records are maintained is _____.

(d) If Franchisee has officers, the names, addresses and titles of Franchisee’s officers are set forth below: Franchisee must designate the Principal Operator (See Section 4.03(a)) in this Subsection whether or not Franchisee has officers.

<u>Name</u>	<u>Office Held</u>	<u>Address</u>
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(e) Franchisee shall notify Franchisor in writing within ten (10) days of any change in the information set forth in subparagraphs (a) through (d) above.

13.05 Death of Principal Operator. If the Principal Operator dies or becomes disabled and is unable to reasonably and prudently manage the Franchised Business, and Franchisor declines to exercise its Step-In Rights defined in Section 14.05, Franchisor and Franchisee agree to either (a) complete a transfer in compliance with the provisions in Section 13.02,

or (b) provide Franchisor the option to acquire the Franchised Business pursuant to the same terms as contained in the Option in Section 15.08(a); provided the term “Determination Date” that is used in Section 15.08(a) when applied to this Section 13.05 shall be the date that is fifteen (15) days after the Principal Operator dies or becomes disabled. A Principal Operator will be classified as disabled when he or she is not cleared by a licensed physician to perform the normal duties of a Principal Operator for a period in excess of ninety (90) consecutive days.

14. DEFAULT AND TERMINATION.

14.01 Termination After Right to Cure. Except for the defaults described in Section 14.02, if Franchisee fails to perform any of its obligations set forth in this Agreement, such failure shall constitute a material breach of this Agreement, in which event Franchisor shall notify Franchisee that it is in default. If Franchisee cures such default within fifteen (15) days after receiving Franchisor’s notice, such default shall be cured. If Franchisee fails to cure such default within the fifteen (15) day period, then Franchisor shall have the option to immediately terminate this Agreement without any further notice to Franchisee. In the event a second default occurs within any eighteen (18) month period, Franchisee will have the same opportunity to cure, and Franchisor shall have the same option to immediately terminate this Agreement if the Franchisee fails to cure such default within the fifteen (15) day period after receiving Franchisor’s notice. If a third default occurs during any eighteen (18) month period, notwithstanding that prior defaults have been cured, this Agreement may be terminated immediately by Franchisor upon giving notice to Franchisee. Notwithstanding any other provision of this Agreement, if Franchisee’s default is by its

nature incapable of being cured, this Agreement may be immediately terminated by Franchisor.

14.02 Termination Without Right to Cure. Notwithstanding anything to the contrary contained herein, Franchisee understands and agrees that the occurrence of any of the following events, circumstances, or courses of conduct constitutes a material default under this Agreement, and Franchisor will have the right, but not the obligation, to immediately terminate this Agreement without giving any notice or opportunity to cure to the Franchisee, except as specifically provided in the respective subsection:

- (a) Franchisee or the Franchised Business is declared bankrupt or judicially determined to be insolvent; or all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor; or Franchisee admits its inability to pay its debts as they become due; or a petition in bankruptcy is filed against Franchisee which is not immediately contested or which is not dismissed within 120 days from its filing.
- (b) Franchisee fails to operate the business for five (5) consecutive days during which the Franchisee is required to operate the business under the terms of this Agreement.
- (c) Franchisee fails to meet any Minimum Performance Requirement set forth in Section 10.17 above.
- (d) Franchisor and the Franchisee agree in writing to terminate the Agreement.
- (e) Franchisee makes any material misrepresentation relating to the acquisition of the Franchised Business or engages in conduct which reflects materially and unfavorably upon the operation and reputation of the Franchised Business or Franchisor's reputation, services and/or products.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

- (f) Franchisee knowingly makes a material misrepresentation relating to the operation of the Franchised Business, knowingly maintains false books or records, or knowingly submits any false statements or reports to Franchisor, including, without limitation, any statement which knowingly results in a miscalculation of the Split Profits.
- (g) The Principal Operator accepts, receives, uses, distributes or misappropriates funds, equipment, business assets or other resources to himself or herself personally, or any other person, that were generated by, related to, or derived from the Franchisee's operations. This does not include distributions of Split Profits made in accordance with Section 4.05 herein.
- (h) Franchisee knowingly misclassifies an Unapproved Expense Item as an Approved Expense Item.
- (i) Franchisee represents as an Approved Expense Item wages or a salary or other payroll costs for any individual who is not an actual employee legitimately earning such wage or salary.
- (j) Franchisee fails, for a period of ten (10) days after notification of noncompliance by any person or entity, to comply with any federal, state, or local law or regulation applicable to the operation of the Franchised Business.
- (k) Franchisee, after curing any failure to comply with Section 14.02(j) above, engages in the same or similar noncompliance, whether or not such noncompliance is corrected after notice; provided the terms of this Section shall not apply to parking or speeding tickets.

- (l) The Franchised Business is seized, taken over, or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor, lienholder or lessor.
- (m) Franchisee fails to pay any franchise fees, royalty payments (including royalty payments for Unapproved Expense Items) or other amounts due to the Franchisor or its affiliates within five (5) days after receiving written notice that such amounts are past due.
- (n) The misuse or unauthorized use of the Marks and/or the material impairment of the goodwill associated with them or the Franchisor's rights in them.
- (o) The participation of Franchisee in any business, or the marketing by the Franchisee of any service or product, under a name or mark which, in the Franchisor's opinion, is confusingly similar to the Marks.
- (p) The Franchisee fails to comply with the covenants in Sections 16.01, 16.02 and/or 16.05 of this Agreement.
- (q) The unauthorized utilization or duplication of any aspect of Franchisor's business, services, products, Confidential Information and/or System.
- (r) The unauthorized disclosure by the Franchisee of any part of the Franchisor's business practices, procedures, Confidential Information and/or System.
- (s) The sale, assignment, or transfer of any interest in this Agreement, the Franchised Business, or Franchisee in violation of this Agreement.
- (t) Franchisee's violation of those requirements, duties and restrictions pertaining to the Marks set forth in Section 5 of this Agreement.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

- (u) Franchisee, or any owner or shareholder of a corporate or limited liability company Franchisee, or any partner of a Franchisee conducting business as a partnership, being charged with, convicted of, or pleading guilty or nolo contendere in a court of competent jurisdiction to a felony or any other crime of moral turpitude.
- (v) Franchisee is in breach of any of its obligations set forth in Section 10.23 of this Agreement.

14.03 Cross Default. Any default by Franchisee under the Commercial Sub-Lease Agreement or any other agreement between Franchisor and Franchisee or any lease agreement between Franchisee and any affiliate of Franchisor or any third party lessor will constitute a default under this Agreement, and any default under this Agreement will constitute a default under the Commercial Sub-Lease Agreement and under any and all other agreements between Franchisee and Franchisor or between Franchisee and any affiliates of Franchisor.

14.04 Notice Required by Law. Notwithstanding anything to the contrary contained in this Section 14, if applicable law or regulation limits Franchisor's rights of rescission or termination or requires longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon rescission or termination required by such laws and regulations. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or the rescission or termination thereof.

14.05 Step-In Rights. In order to prevent any interruption of the operations which would cause harm to the Franchised Business and/or the System, Franchisor has the right, but not the obligation, to step-in and designate an individual of its choosing (an "Interim Manager"),

for so long as Franchisor deems necessary and practical, to temporarily manage the Franchised Business until such time as the Franchised Business is transitioned to a new franchisee pursuant to Sections 13.02 or 15.08 or the Franchisor determines Franchisee can resume operation of the Franchised Business (the “Step-In Rights”). Franchisor may elect to exercise its Step-In Rights if: (i) Franchisee commits a non-curable default; (ii) Franchisee commits a default and fails to cure such default within the applicable cure period; (iii) Franchisor determines in its sole discretion that the Franchisee has materially failed to operate the Franchised Business in compliance with the standards, procedures and policies set forth in Franchisor’s Confidential Operations Manual or this Agreement, such that the operational deficiencies require that Franchisor assume the management of the Franchised Business; (iv) Franchisee abandons or fails to actively operate the Franchised Business; or (v) the Principal Operator dies or is temporarily or permanently disabled or incapacitated. If Franchisor exercises its Step-In Rights, then: (a) Franchisor shall keep in a separate account all monies generated by the operation of the Franchised Business, less the expenses of the Franchised Business, including reasonable compensation and expenses for Franchisor’s representatives (including an Interim Manager) as well as Franchisor’s other expenses incurred in exercising its rights; (b) Franchisee agrees to hold harmless Franchisor and its representatives for all actions occurring during the course of such temporary management of the Franchised Business and acknowledges that the Interim Manager and such representatives will have no liability to Franchisee, except to the extent directly caused by the gross negligence or willful misconduct of the Franchisor or Interim Manager; (c) Franchisee agrees to pay Franchisor a monthly management fee which shall be equal to \$5,000.00 per month; (d) Franchisee agrees to pay Franchisor (in addition to

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

the management fee) all of its reasonable costs and expenses, including, but not limited to, attorneys' fees incurred as a consequence of exercising its Step-In Rights; and (e) Franchisee acknowledges that Franchisor and Franchisor's representatives (including an Interim Manager) will have a duty to utilize only commercially reasonable efforts in the operation of the Franchised Business and will not be liable to Franchisee or Franchisee's principals or owners for any debts, losses, damages, or obligations Franchisee or the Franchised Business incurs, or to any of Franchisee's or the Franchised Business's suppliers, vendors or creditors for any supplies, products, or other assets or services Franchisee or the Franchised Business purchases, while managed by Franchisor or an Interim Manager. Nothing contained herein shall prevent Franchisor from exercising any other right which it may have under this Agreement, including, without limitation, termination. The foregoing shall be in addition to all other remedies available to Franchisor under this Agreement and at law, and nothing herein shall alter or affect Franchisee's obligations to indemnify Franchisor pursuant to Section 10.06 of this Agreement.

15. FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION OR EXPIRATION.

- 15.01 Discontinuance of Franchisor's Marks. Upon termination of this Agreement for any reason, Franchisee shall discontinue the use of the Marks and any part of them, including, but not limited to the Authorized Name and/or the words "Christian Brothers Automotive", "Christian Brothers", "CBAC" and "CBA" and shall not thereafter operate or do business under any name or in any manner that might reasonably give the general public the impression that it is operating a franchise of Franchisor, or any business similar thereto. Franchisee shall not thereafter use, in any manner, or for any purpose, directly or indirectly,

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

any of Franchisor's trade secrets, procedures, techniques, Confidential Information or materials acquired by Franchisee by virtue of the relationship established by this Agreement, including, without limitation, the information contained in Franchisor's Confidential Operations Manual, forms, advertising materials or strategies, Marks, devices, signs, insignia, slogans and designs used from time to time in connection with the Franchised Business, and any telephone number listed in any telephone directory under the Authorized Name or any similar designation or directory listing which relates to the Franchised Business. "Authorized Name" means the names set out on Exhibit "B" to this Agreement and any other name which the Franchisor provides the Franchisee with written authorization to use.

15.02 Execution of Documents. Franchisor may, if Franchisee fails or refuses to do so, execute in Franchisee's name and on Franchisee's behalf, any and all documents necessary to cause discontinuance of Franchisee's use of any Mark, including, but not limited to the name "Christian Brothers Automotive," or any other related name used hereunder, and Franchisee hereby irrevocably appoints Franchisor as Franchisee's attorney-in-fact to do so.

15.03 Franchisor's Rights Not Prejudiced. The expiration or termination of this Agreement shall be without prejudice to Franchisor's rights against Franchisee for obligations existing at the time of expiration or termination, nor will it terminate the obligations of Franchisee provided in Sections 5.01, 5.02, 5.05, 5.09, 6.04, 7.01, 10.06, 10.28, 15.01, 15.02, 15.03, 15.04, 15.05, 15.06, 15.07, 15.08, 15.09, 16.03, 16.05, 16.06, 20.03, 21.01, 23.01 and 24.01 of this Agreement, which specifically survive the expiration or termination of this Agreement.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

- 15.04 Franchisee's Cancellation of Names Incorporating Marks. Upon termination or expiration of this Agreement, Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains any name or mark identical, or confusingly similar with a Mark or any other name, trademark or service mark of Franchisor, and Franchisee shall furnish Franchisor with proof of discharge of this obligation within thirty (30) days following the termination or expiration of this Agreement.
- 15.05 Franchisee's Cancellation of Telephone Listings and Numbers. Upon termination or expiration of this Agreement, Franchisee shall immediately comply with the obligations contained in Section 5.05.
- 15.06 Return of Franchisor's Property. Upon the termination of this Agreement for any reason, Franchisee shall return, in good condition, all files, records, documents, computer records, studies, strategic plans, compilations of information, collected data, Customer Information, Data, pamphlets, brochures and similar items copying, embodying, derived from, or related to the Confidential Information that are in Franchisee's possession or under Franchisee's control.
- 15.07 Payment of Sums Due. Franchisee shall promptly pay all sums owing to Franchisor (and its subsidiaries, affiliates or designees, if any). In the event of termination for any default of Franchisee, such sums shall include all damages, costs, expenses (including reasonable attorney's fees) and liquidated damages incurred by Franchisor as a result of the default.
- 15.08 Franchisor's Option to Purchase Franchisee's Business. Upon the termination of this Agreement for any reason other than as a result of an assignment made in compliance with Section 13.02 of this Agreement, Franchisor will have the option (the "Option"), but not

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: *Christian Brothers Automotive Corporation*

Property: _____

the obligation, to purchase the Franchised Business pursuant to the provisions of this Section 15.08.

- (a) Termination Due to Store Performance or Expiration Without Renewal. In the event Franchisor terminates this Agreement due to Franchisee's failure to satisfy the provisions of Section 10.17 herein, or because the term of this Agreement expires without a renewal as defined in Section 3 herein, then within sixty (60) days after termination or expiration, Franchisor may purchase all or any part of the Franchised Business (including without limitation, all vehicles, equipment, inventory, working capital, supplies and improvements that have been made by and are owned by Franchisee) for an amount equal to the Appraised Value (as defined below). Any amounts owed by Franchisee to Franchisor or any of Franchisor's affiliates, subsidiaries and designees will be offset against the purchase price. If the parties cannot agree on the fair market value of the Franchised Business on or before fifteen (15) days after the termination or expiration of this Agreement (the "Determination Date"), an independent appraiser will be appointed as provided in the last paragraph of this Section, and the independent appraiser's determination of the fair market value of the Franchised Business will be binding on the Franchisor and the Franchisee. Franchisor and Franchisee will each pay one half of the cost of the appraisal. If the parties do not agree on the value of the Franchised Business on or before the Determination Date, Franchisor's option to purchase the Franchised Business will be extended to sixty (60) days from the later of (i) the date the parties agree to the value of the Franchised Business, or (ii) the date the appraiser determines the value of the Franchised Business and notifies the parties

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

of the value of the Franchised Business. Franchisor is entitled to specific performance of Franchisee's obligation to sell the Franchised Business as set out in this Section.

For purposes of this Agreement, "Appraised Value" means the value of the Franchised Business that is determined as follows: (i) the value that the Franchisor and Franchisee agree upon as the fair market value of the Franchised Business, or (ii) if Franchisor and Franchisee cannot agree upon a fair market value for the Franchised Business, then the fair market value determined by an appraiser who is either selected by the Franchisor and Franchisee or appointed by an arbitrator appointed pursuant to the provisions of Section 24 for the sole purpose of selecting such appraiser. The appraiser will determine the fair market value based on the value of the Franchised Business as a going concern. The arbitrator is hereby instructed to select an appraiser that the arbitrator determines has experience in establishing values for business of the nature of the Franchised Business or of similar businesses.

- (b) Termination Due to Any Other Breach. In the event Franchisor terminates this Agreement for any reason other than a reason specified in subsection (a) above or Section 13.05 ("Death of Principal Operator"), then within sixty (60) days after termination, Franchisor may purchase from Franchisee any or all of the furnishings, equipment, vehicles, signs, fixtures, supplies, inventory or improvements of Franchisee related to the operation of the Franchised Business (the "Assets"), at the lesser of Franchisee's cost or fair market value. The cost for the Assets shall be determined based upon a five (5) year straight-line depreciation of original costs.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

For Assets that are five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the Asset's original cost. If Franchisor elects to exercise the option herein provided, it shall have the right to set off all amounts due from Franchisee. If the parties cannot agree on the fair market value of the Assets on or before fifteen (15) days after the expiration of this Agreement (the "Determination Date"), an independent appraiser will be appointed as provided in the last paragraph of subsection (a) above, and the independent appraiser's determination of the fair market value of the Assets shall be based upon the foregoing calculation and will be binding on the Franchisor and the Franchisee. Franchisor and Franchisee will each pay one half of the cost of the appraisal. If the parties do not agree on the value of the Assets on or before the Determination Date, Franchisor's option to purchase the Assets will be extended to sixty (60) days from the later of (i) the date the parties agree to the value of the Assets, or (ii) the date the appraiser determines the value of the Assets and notifies the parties of the value of the Assets. Franchisor is entitled to specific performance of Franchisee's obligation to sell the Assets as set out in this Section.

15.09 Liquidated Damages. Franchisee acknowledges and agrees that Franchisor will suffer substantial damages by virtue of the termination of this Agreement as a result of a breach of the confidentiality obligations in Section 7 of this Agreement or the covenants in Section 16 of this Agreement, including, without limitation, lost competitive advantage, lost investment in developing the System, lost royalty payments, lost market penetration, lost goodwill, lost opportunity costs and the expense Franchisor will incur in developing another franchise for the Territory. Such damages are impractical and extremely difficult

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

to ascertain and/or calculate accurately, and the proof of which would be burdensome and costly, although such damages are real and meaningful to Franchisor and the System. Accordingly, in the event that Franchisee breaches its obligations under Section 7 of this Agreement or any covenant in Section 16 of this Agreement, Franchisee agrees to pay to Franchisor a lump sum, which represents a fair and reasonable estimate of Franchisor's foreseeable losses as a result of such a breach, and which is not in any way intended to be a penalty, in an amount equal to the monthly average of the royalty fees paid (or payable) (in accordance with Section 4.05 of this Agreement) over the past twelve (12) months times forty-eight (48) months or the number of full calendar months remaining in the term of this Agreement at the time of breach, whichever is less. If Franchisee has not operated the Franchised Business for at least twelve (12) months at the time of termination, then the average of the royalty fee payments will be calculated during the period that Franchisee operated the Franchised Business. Franchisee's payment to Franchisor under this Section will be in lieu of any direct monetary damages for a breach of Section 7 or any covenant in Section 16 that Franchisor may incur as a result of Franchisor's loss of royalty fee payments that would have been owed to Franchisor after the date of breach; however, such payment shall be in addition to all damages and other amounts arising under this Agreement, including, without limitation, damages arising from breach of the Franchisee's obligations under other Sections of this Agreement, Franchisor's right to injunctive relief, and any attorneys' fees and other costs and expenses to which Franchisor is entitled under this Agreement. The foregoing shall be in addition to all other remedies available to Franchisor under this Agreement and at law.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

16. COVENANTS NOT TO COMPETE.

16.01 Best Efforts. During the term of this Agreement, Franchisee covenants and agrees to expend its best efforts in the operation of the Franchised Business, and shall not engage in any directly or indirectly conflicting or competing enterprises or any other activities which would be detrimental to or interfere with the operation, reputation or goodwill of the Franchised Business, the Franchisor, the System or any other of Franchisor's franchisees.

16.02 Exclusive Relationship; During the Agreement Term. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable, specialized training and Confidential Information, including information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, partnership, joint venture, organization or legal entity:

- (a) Divert or attempt to divert any present or prospective vendor or Customer of any Christian Brothers Automotive branded business or franchise to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System;
- (b) Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any interest in (as owner or otherwise) any Competitive Business. A "Competitive Business" shall be considered (i) any business which offers or sells any product or service (or component thereof) which comprises or may in the future

comprise a part of the Services or the Franchised Business or which competes directly or indirectly with the Franchised Business or any franchise of Franchisor; and/or (ii) any business which is the same or substantially similar to the business carried on at a franchise of Franchisor, namely a business which generates substantially all of its revenue from the sale of Services or other products and services similar to the Services or those offered in the Franchised Business or a franchisee of Franchisor under the System.

16.03 After the Agreement and After a Transfer. Franchisee covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of three (3) years commencing upon the date of: (i) a transfer permitted under Section 13 of this Agreement; (ii) expiration or termination of this Agreement for any reason; or (iii) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 16.03:

- (a) Franchisee shall not directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, partnership, joint venture, organization or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is, or is intended to be, located (i) at the premises of the Franchised Business, (ii) within a radius of ten (10) miles of the Franchised Business, or (iii) within a radius of ten (10) miles of any other franchisee of Franchisor or any business owned or operated by Franchisor. This provision shall not apply to the operation by Franchisee or any

principal of Franchisee of any business under the System pursuant to a valid franchise agreement with Franchisor; and

- (b) Franchisee shall not sublease, assign, or sell Franchisee's interest in any lease, sublease, or ownership of the premises or assets of the Franchised Business to a third party for the operation of a Competitive Business, or otherwise arrange or assist in arranging for the operation by a third party of a Competitive Business.

16.04 Exception for Ownership in Public Entities. Sections 16.02 and 16.03 shall not apply to ownership by Franchisee or its shareholders, directors, officers, members, managers, partners or employees from owning for investment purposes up to an aggregate of five percent (5%) beneficial interest in the outstanding equity securities of any corporation which has securities registered under the Securities Exchange Act of 1934.

16.05 Procurement of Additional Agreements and Covenants. At Franchisor's request, Franchisee shall require and obtain the execution of confidentiality agreements and/or covenants not to compete in a form satisfactory to Franchisor from any or all of the following persons: (a) all Service Managers, Principal Operators, any spouse of Principal Operator, and any personnel employed by Franchisee who have received or will receive training from Franchisor (excluding any employees who are solely or primarily employed as mechanics); (b) all officers, directors, managers and holders of a beneficial interest of five (5%) percent or more of the securities or other evidence of ownership of Franchisee and of any legal entity directly or indirectly controlling Franchisee, if Franchisee is a legal entity; and (c) the general partners and any limited partners (including any corporation or other entity which controls, directly or indirectly, any general or limited partner, along with the officers, directors, managers and holders of a beneficial interest of five (5%) percent or

more of the securities or other evidence of ownership of any such corporation or other entity), if Franchisee is a partnership.

16.06 Enforcement of Covenants Not To Compete. Franchisee acknowledges that:

- (a) Franchisor would not grant Franchisee a license to operate the Franchised Business or provide Franchisee access to Confidential Information unless the Franchisor's business goodwill and Confidential Information could be protected by the Covenants Not to Compete in Section 16 of this Agreement and the Non-Use and Non-Disclosure of Confidential Information provision contained in Section 7.01 of this Agreement.
- (b) The existence of any claims Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the Covenants Not to Compete set forth in Section 16 of this Agreement or of the Non-Use and Non-Disclosure of Confidential Information set forth in Section 7.01 of this Agreement.
- (c) The foregoing provisions, and specifically the Covenants Not to Compete contained in Section 16 of this Agreement and the Non-Use and Non-Disclosure of Confidential Information contained in Section 7.01 hereof, when applied in tandem are fair and reasonable in light of all of the facts and circumstances of the relationship between the Franchisee and the Franchisor. The Franchisee expressly acknowledges that such provisions and covenants herein contained will not prevent the Franchisee from being able to earn a living or exist as an entity absent being a franchisee of the Franchisor. Franchisor has disclosed to Franchisee that Franchisor is interested in having Franchisee as the owner of the Franchised Business and

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

Franchisor is willing to provide Franchisee with ongoing access to Franchisor's Confidential Information only if Franchisor is assured by Franchisee that Franchisee will not use such Confidential Information to compete with Franchisor, nor disclose any such Confidential Information to any party without Franchisor's prior written consent.

- (d) The agreements and covenants contained herein are intended by the Franchisor and the Franchisee to be enforceable only to the extent permitted by law, and the Franchisor and the Franchisee agree that in any action or proceeding by the Franchisee challenging the enforceability of the provisions and covenants herein contained, the proper scope of any such challenge or proceeding shall be only the extent to which the provisions and covenants are sought to be enforced by the Franchisor. If, in any judicial proceeding or arbitration, a tribunal shall refuse to enforce as drafted all of the separate covenants and provisions included herein, such unenforceable covenants and provisions shall be reformed by the tribunal so as to fall within permissible legal limits and shall not by necessity invalidate the entire covenant. Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of Section 16 of this Agreement as if the resulting covenant were separately stated in and made a part hereof.
- (e) A breach or violation of the Covenants Not to Compete contained in Section 16 of this Agreement by Franchisee shall entitle the Franchisor, as a matter of right, without the posting of any bond, to an injunction issued by any court of competent jurisdiction, restraining any further or continued breach or violation of this covenant. Such right to an injunction shall be cumulative and in addition to, and

not in lieu of, any other remedies to which the Franchisor may show itself justly entitled.

- (f) During any period in which Franchisee is in breach of the Covenants Not to Compete in Section 16 of this Agreement, the time period of said covenant shall be extended and tolled for an amount of time that Franchisee is in breach thereof.

17. WAIVER AND DELAY.

17.01 Limited Effect of Any Waiver or Delay. No waiver or delay in the enforcement of any breach of any term, covenant or condition of this Agreement shall be construed as a waiver of any preceding or succeeding breach or delay in enforcement, or any other term, covenant or condition of this Agreement; and, without limitation upon any of the foregoing, the acceptance of any payment specified to be paid by Franchisee hereunder shall not be, nor be construed to be, a waiver of any breach of any term, covenant or condition of this Agreement.

18. INTEGRATION OF AGREEMENT.

18.01 No Prior Representations. This Agreement, and all other agreements executed contemporaneously with it, constitute the entire agreement between the Parties with reference to the subject matter hereof and supersedes all prior negotiations, understandings, representations and agreements, oral or written, if any. Franchisee acknowledges that it is entering into this Agreement as a result of its own independent investigation of the business and not as a result of any representations about the Franchisor by its agents, officers or employees that are contrary to the terms set forth here or that are contrary to the terms of any Disclosure Document, prospectus, disclosure document or other similar document required or permitted to be given to Franchisee pursuant to applicable law. Franchisee, on

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

behalf of itself, its agents, officers and owners, hereby waives and releases all claims, if any, that it has been fraudulently induced to enter into this Agreement and/or the Commercial Sub-Lease Agreement. Nothing in Section 18.01 is intended to disclaim any of the information contained in Franchisor's Franchise Disclosure Document or its attachments or exhibits.

18.02 No Oral Amendments. This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties to this Agreement. Franchisee expressly acknowledges that no oral promises or declarations were made to it and that the obligations of the Franchisor are confined exclusively to those set forth in this Agreement. Franchisee understands and assumes the business risks inherent in this enterprise.

19. NOTICES.

19.01 Notice. Except as expressly set forth to the contrary in this Agreement, all notices, requests or consents provided for or permitted to be given under this Agreement must be in writing and must be delivered to the recipient in person, by courier, certified mail return receipt requested or by similar transmission; and a notice, request or consent given under this Agreement is deemed delivered at the time of delivery by express courier or messenger service, 1 business day after sending by facsimile transmission or electronic mail and 3 business days after placed in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been advised, or to any other place designated by either party. Whenever any notice is required to be given by law or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

notice. All notices, requests and consents to be sent to Franchisor shall be addressed to Franchisor at:

17725 Katy Freeway
Houston, Texas 77094
Attention: Don Carr

19.02 Notice to Franchisee. Notices to the Franchisee shall be addressed as follows:

Attention: _____

20. MISCELLANEOUS.

20.01 Construction and Interpretation.

- (a) This Agreement is to be construed as to form, substance and procedure in accordance with the laws of the State of Texas, without regard for its choice of law provisions.
- (b) It is agreed that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other which would render the provision valid, then the provision shall have the meaning which renders it valid.
- (c) Since the words “Franchisor” and “Franchisee” herein may be applicable to one or more parties, the singular shall include the plural, and the masculine shall include the feminine and neuter. If there shall be more than one (1) party or person referred to as Franchisee hereunder, then their obligations and liabilities hereunder shall be joint and several.
- (d) Unless otherwise stated, Franchisor reserves the right to withhold its consent hereunder for any reason or no reason whatsoever.

(e) Each of the Parties hereby agrees that it has carefully reviewed this Agreement and has had ample opportunity to seek legal advice and input. Consequently, the rule of construction that ambiguities and unclear phrases are construed against the drafting party or in the light most favorable to the non-drafting party shall not apply.

20.02 Severability. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the Parties have no legal right to contract, the latter shall prevail, but in such event the provision of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirement of the law. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or the rescission or termination thereof. In the event that any section, article, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the entire Agreement shall not fail on account thereof and the balance of the Agreement shall continue in full force and effect.

20.03 Lien on Franchisee's Property. In the event of any judgment against Franchisee in favor of Franchisor, or of any default under this Agreement by Franchisee, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, inventory, fixtures or other assets owned and/or claimed by Franchisee and used in or related to the Franchised Business at the time of the judgment or default shall arise. Franchisee hereby grants and conveys a lien upon and a security interest in and to all of Franchisee's accounts, inventory, equipment, fixtures, furniture and other property of any

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

kind or nature now or hereafter acquired. Such lien amount shall be for the amount of the default or of the judgment, but said amount shall also include costs and expenses for collection (including reasonable attorney's fees) incurred by Franchisor as a result of the default. Said lien shall remain in effect until all amounts owing to Franchisor by Franchisee have been paid in full.

20.04 Force Majeure. Franchisor is not responsible for any failure to perform its obligations under this Agreement if Franchisor is prevented or delayed in performing those obligations by an event of Force Majeure. As used in this Section 20.04, "Force Majeure" means an act of God, war, civil disturbance, epidemic or pandemic, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, or any other cause beyond the reasonable control of Franchisor.

21. COSTS OF ENFORCEMENT.

21.01 Ability to Recover Litigation Costs. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, including but not limited to actions to obtain an injunction, seek declaratory relief, compel arbitration and/or to defend against claims made by the other party, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which the party may be entitled.

22. ACKNOWLEDGMENTS.

22.01 Franchisee's Acknowledgments, Warranties and Representations. Franchisee acknowledges, warrants and represents to Franchisor that:

- (a) No representation has been made by Franchisor (or any employee, agent or salesman thereof) and relied upon by Franchisee as to the future or past income,

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: *Christian Brothers Automotive Corporation*

Property: _____

expenses, sales volume or potential profitability, earnings or income of the business franchised hereby.

- (b) Prior to the execution of this Agreement, Franchisee has had the opportunity to contact existing franchisees of Franchisor.
- (c) Franchisee has had the opportunity to independently investigate, analyze and construe both the business opportunity being offered hereunder, and the terms and provisions of this Agreement itself, utilizing the services of attorneys, accountants or other advisors (if Franchisee so elects).
- (d) No representation or statement has been made by Franchisor (or any employee, agent or salesman thereof) and relied upon by Franchisee regarding the future growth of the customer base of the franchise network; the anticipated income, earnings and growth of Franchisor; or, the viability of the business opportunity conveyed hereunder.
- (e) Franchisor (or its affiliates) has certain rights reserved to it to grant franchises to others; to market any of Franchisor's System products at wholesale and retail; and, to otherwise use the System, Marks and Know-How, techniques and procedures, all as expressly set forth in Section 2.04 of this Agreement.
- (f) Franchisee has received a complete copy of this Agreement, the attachments hereto, and agreements relating thereto, if any, at least seven (7) calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that it received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising", otherwise known as the Franchise Disclosure Document

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

(FDD), at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment by Franchisee for the franchise rights granted under this Agreement. Franchisee further acknowledges that prior to receiving Franchisor's FDD, Franchisor advised Franchisee of the formats in which the FDD is made available, and any conditions necessary for reviewing the FDD in a particular format.

- (g) If a location for the premises of the business franchised hereby has been identified at the date of execution of this Agreement, Franchisee has had ample opportunity and the means to independently investigate, review and analyze said location; the shopping center, mall or other building in which it is contained; the market area in which it is located; and all other facts relevant to the selection of the site for Franchisee's Franchised Business, as well as the Commercial Sub-Lease Agreement for such location. If no location has been identified, Franchisee has the ability to accomplish the foregoing independent investigative measures, and covenants and agrees that it will do so prior to accepting any such lease. Franchisor's suggestions, selection or approval of any location neither imply nor constitute any representation or indication by Franchisor that such location will be profitable or successful. Franchisee understands that site selection is difficult, risky and not subject to quantification. Franchisor's experience in selecting sites (or in assisting Franchisee in selecting sites) does not mean that Franchisor has the ability to select, suggest or approve any sites that will be profitable or successful. No representation or statement has been made by Franchisor (or its agents and salesmen) and relied upon by Franchisee contravening the contents of this

subparagraph. Franchisee further covenants and agrees that no such future representation or statement, if any, will be relied upon by it.

- (h) Franchisee has been advised to consult with its own attorney and advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereunder, and the prospects for that business. Franchisee has either consulted with such advisors or has deliberately declined to do so.
- (i) Franchisee acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Franchisee's ability as an independent businessperson, its active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. Franchisor does not make any representation or warranty, express or implied as to the potential success of the business venture contemplated hereby.
- (j) Franchisee hereby irrevocably acknowledges, affirms, attests and covenants that Franchisee's employees are employed exclusively by Franchisee and in no fashion are any such employees employed, jointly employed or co-employed by Franchisor. Franchisee further acknowledges, affirms and attests that each of Franchisee's employees is under Franchisee's exclusive dominion and control and never under Franchisor's direct or indirect control in any fashion whatsoever. Franchisee alone hires each of Franchisee's employees; sets their schedules; establishes their compensation rates; and pays all salaries, wages, benefits and employment-related liabilities (such as workers' compensation insurance premiums/payroll taxes/Social Security contributions/unemployment insurance premiums). Franchisee alone has

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

the ability to discipline or terminate Franchisee's employees to the exclusion of Franchisor, and Franchisee acknowledges that Franchisor has no such authority or ability. Franchisee further acknowledges, attests and affirms that any minimum staffing requirements established by Franchisor are solely for the purpose of ensuring that the Franchised Business is at all times staffed at those levels necessary to operate the Franchised Business in conformity with the System and other Christian Brothers Automotive franchise attributes known to and desired by the consuming public and associated with the Marks. Franchisee acknowledges, affirms, warrants and understands that, subject to any Approved Expense Item guidelines or requirements in the Confidential Operations Manual or otherwise issued by Franchisor, Franchisee may staff the Franchised Business with as many employees as Franchisee desires at any time so long as Franchisor's minimal staffing levels are achieved. Franchisee also acknowledges, affirms and attests that any recommendations Franchisee may receive from Franchisor regarding salaries, hourly wages or other compensation for employees are recommendations only, and that Franchisee is entirely free to disregard Franchisor's recommendations regarding such employee compensation. Franchisee further acknowledges, affirms and attests that Franchisor has not offered Franchisee legal or other advice regarding whether any particular employees of Franchisee may or may not be exempt from particular wage and overtime laws, and that Franchisee alone, or in conjunction with legal counsel or advisors of Franchisee's choosing shall make any and all decisions regarding compensation paid to Franchisee's employees. Moreover, Franchisee acknowledges, affirms and attests that any training provided

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

by Franchisor to Franchisee's employees is for the purpose of imparting critical System and brand information to those employees, and in no fashion reflects any employment relationship between Franchisor and such employees. Finally, should it ever be asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agrees to assist Franchisor in defending such allegations, including (if necessary) appearing at any venue requested by Franchisor to testify on Franchisor's behalf (and, as may be necessary, submitting to depositions, other appearances and/or preparing affidavits dismissive of any allegation that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees). To the extent Franchisor is the only named party in any such investigation, action, proceeding, arbitration or other setting to the exclusion of Franchisee, should any such appearance by Franchisee be required or requested, Franchisor will recompense Franchisee the reasonable costs associated with Franchisee appearing at any such venue.

23. WAIVER OF CONSUMER RIGHTS.

23.01 Waiver of Consumer Rights. Franchisee waives any and all of Franchisee's rights under the Texas Deceptive Trade Practices-Consumer Protection Act, Section 17.41 et seq., of the Texas Business & Commerce Code, a law that gives consumers special rights and protections. After consultation with an attorney of Franchisee's own selection, Franchisee voluntarily consents to this waiver.

24. DISPUTE RESOLUTION AGREEMENT.

24.01 Dispute Resolution Agreement.

- (a) If a dispute, controversy or claim arises between or among any or all of the parties, including without limitation any dispute, controversy or claim that arises out of or relates to this Agreement or any other agreement, instrument, or relationship between the parties, or the breach, termination or invalidity of the Agreement or any such other agreement or instrument, AND including but not limited to a claim based on or arising out of a claim for tortious interference or other tortious or statutory claims arising before, during or after termination of this Agreement and including any dispute that involves any or all of the parties and any employee, officer, director, supervisor or member of management of either party hereto (collectively the “Dispute”), and if the Dispute cannot be settled through direct discussions, the parties agree to resolve the Dispute by binding arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules (the “Rules”), and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Any arbitration hereunder shall be pursuant to the applicable rules of the American Arbitration Association as set out above except to the extent modified in this Section. The parties acknowledge that this Agreement and/or the dealings of the parties involve interstate commerce and that the Federal Arbitration Act applies to any arbitration hereunder. **Any such arbitration shall be conducted before three (3) arbitrators unless the parties agree in writing to a different number. No arbitration shall be conducted before an even number of arbitrators.**

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

- (b) The parties expressly agree that any court with jurisdiction may order the consolidation of any arbitrable dispute, controversy or claim under this Agreement with any related arbitrable dispute, controversy or claim not arising under this Agreement, as the court may deem necessary in the interests of justice or efficiency or on such other grounds as the court may deem appropriate, provided that the consolidated disputes, controversies and claims are to be resolved in arbitration.
- (c) The site of the arbitration shall be in Houston, Texas, and shall take place in the offices of the American Arbitration Association or such other place as the parties may agree.
- (d) The parties agree that the federal and state courts located in the State of Texas and City of Houston shall have exclusive jurisdiction and venue over an action brought to enforce and/or challenge the rights and obligations created in or arising from this agreement to arbitrate, and each of the parties hereto irrevocably submits to the jurisdiction and venue of said courts. Notwithstanding the above, application may be made by a party to any court of competent jurisdiction wherever situated for confirmation and enforcement of any award and the entry of whatever orders are necessary for such confirmation and enforcement.
- (e) Process in any action arising out of or relating to this Agreement may be served on any party to the Agreement anywhere in the world by delivery in person or by registered or certified mail, return receipt requested.
- (f) To the fullest extent permitted by applicable law, the parties to this Agreement agree that neither party shall be entitled to any damages in the nature of punitive, exemplary or statutory damages in excess of compensatory damages or any form

of damages in excess of compensatory damages, and the parties hereby waive all rights to any damages in the nature of punitive, exemplary or statutory damages. Any arbitrator or arbitrators deciding any disputes hereunder will not have the authority to award and are specifically divested of any power to award any damages in the nature of punitive, exemplary or statutory damages or any other damages in excess of compensatory damages or any form of damages in excess of compensatory damages, and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of the Agreement.

- (g) Neither the parties nor the arbitrator(s) may disclose to any person not involved in the arbitration the existence, content, or results of any arbitration hereunder without the prior written consent of all parties.
- (h) The parties agree that all questions concerning the arbitrator(s)' jurisdiction shall be decided by the arbitrator(s).
- (i) A party or parties against whom any final award is entered by the arbitrator(s) agrees to pay the prevailing party all reasonable costs, charges and expenses, including but not limited to arbitration filing fees, arbitrator fees, reasonable attorney and expert fees, incurred and to be incurred in connection with said arbitration, any action to compel arbitration and/or compliance with the terms of this section, and/or the confirmation and enforcement of the arbitration award. The arbitrator(s) shall include such costs, charges and expenses as part of the final award. This agreement to arbitrate is intended to be binding upon the signatories hereto, their principals, successors, assigns, subsidiaries or affiliates.

- (j) The arbitrator(s) shall determine the rights and obligations of the parties according to applicable federal laws and to the substantive laws of the State of Texas (excluding conflicts of laws principles).
- (k) The arbitrator(s) is directed to consider any defense that all or part of the claim is not timely by reason of laches or statute of limitations as a preliminary issue and to render an award determining the merits of such claim before considering the substantive merits of the arbitration claim, unless the arbitrator(s) determines that the merits of such claim of laches or statute of limitations is so intertwined with the substantive merits of the arbitration claim as to make impractical the determination of the claim of laches or limitations as a preliminary matter.
- (l) The arbitrator(s) shall hear and determine any preliminary issue of law asserted by a party to be dispositive of any claim, in whole or part, in the manner of a court hearing a motion to dismiss for failure to state a claim or for summary judgment, pursuant to such terms and procedures as the arbitrator(s) deems appropriate.
- (m) It is the intent of the parties that, barring extraordinary circumstances, any arbitration shall be concluded within three months of the date the statement of claim is received by the arbitrator(s). Unless the parties otherwise agree, once commenced, hearings shall be held five days a week, four weeks a month, with each hearing day to begin at 9:00 A.M. and to conclude at 5:00 P.M. These time limits can be extended or altered by an agreement of the parties or by a determination of the arbitrator that such extension or alteration is in the interests of justice. The arbitrator(s) shall use his, her, or their best efforts to issue the final

award or awards within a period of thirty (30) days after closure of the proceedings, but failure to do so shall not be a basis for challenging the award.

- (n) The procedure to be followed in any arbitration hereunder shall be as prescribed herein and in such directives that shall be issued by the arbitrator(s) following consultation with the parties. Unless otherwise agreed by the parties, the procedures shall provide for the submission of briefs by the parties, the introduction of documents and the oral testimony of witnesses, cross-examination of witnesses, oral arguments, the closure of the proceedings and such other matters as the arbitrator(s) may deem appropriate. Further, the arbitrator(s) shall regulate all matters relating to the conduct of the arbitration not otherwise provided for in this Agreement or in the Rules.
- (o) In the event a party, having been given notice and opportunity, shall fail or shall refuse to appear or participate in an arbitration hereunder or in any stage thereof, the proceedings shall nevertheless be conducted to conclusion and final award. Any award rendered under such circumstances shall be as valid and enforceable as if all parties had appeared and participated fully at all stages.
- (p) The parties agree that discovery shall be limited and shall be handled expeditiously. Discovery procedures available in litigation before the courts shall not apply in an arbitration conducted pursuant to this Agreement. However, each party shall produce relevant and non-privileged documents or copies thereof requested by the other parties within the time limits set and to the extent required by order of the arbitrator(s). All disputes regarding discovery shall be resolved by the arbitrator.

- (q) It is the intent of the parties that the testimony of witnesses be subject to cross-examination. It is agreed that the direct testimony of a witness may be submitted by sworn affidavit, provided that such affiant be subject to cross-examination, and that such affidavit be produced to all parties not less than ten (10) days before the hearing or other proceeding in which the affidavit is submitted to the arbitrator(s).
- (r) Strict rules of evidence shall not apply in an arbitration conducted pursuant to this Agreement. The parties may offer such evidence as they desire and the arbitrator(s) shall accept such evidence as the arbitrator(s) deems relevant to the issues and accord it such weight as the arbitrator(s) deems appropriate.
- (s) No witness or party may be required to waive any privilege recognized at law.
- (t) The parties recognize that any violation of Sections 7 and/or 16 of this Agreement would cause irreparable injury to the party who would suffer from such violations, and therefore the parties agree that in addition to such other rights as may exist in favor of the party who would suffer from such violation and notwithstanding the agreement to arbitrate, the party who would suffer from such violation may apply to any court of law or equity having jurisdiction to enforce the specific performance of the foregoing provisions and for injunctive relief against any act that would violate any such provisions.
- (u) The parties expressly agree that prior to the selection of the arbitrator(s), nothing in this Agreement shall prevent the parties from applying to a court that has jurisdiction as provided in this Agreement for injunctive relief. After the arbitrator(s) is selected, he or she shall have the authority and jurisdiction to make such orders as are necessary to maintain the status quo and/or to preserve and

protect property, and such orders, by the arbitrator(s) may be immediately and specifically enforced by a court having jurisdiction over the parties as provided in this Agreement.

25. SUBMISSION OF AGREEMENT.

25.01 Submission of Agreement. The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Franchisee and the ratification and joinder by signature on Addenda A and B, as applicable. THIS AGREEMENT SHALL NOT BE BINDING ON THE FRANCHISOR UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF FRANCHISOR AND RATIFIED AND JOINED ON ADDENDA A AND B, AS APPLICABLE. THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS FRANCHISEE HAS BEEN FURNISHED BY FRANCHISOR SUCH DISCLOSURE, IN WRITTEN FORM, AS MAY BE REQUIRED UNDER OR PURSUANT TO APPLICABLE LAW.

26. COUNTERPARTS.

26.01 Counterparts and Electronic Signatures. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original and such counterparts shall together constitute but one and the same Agreement. The parties shall be entitled to sign this Agreement electronically or digitally and transmit electronic or digital copies of this Agreement (whether by facsimile, PDF or other email or electronic transmission), whereby such electronic signatures shall be binding on the party whose name is contained therein.

The remainder of this page is intentionally left blank; the signature page follows.

THE UNDERSIGNED HAS READ ALL OF THE FOREGOING AGREEMENT AND
HEREBY ACCEPTS AND AGREES TO EACH AND ALL OF THE PROVISIONS,
COVENANTS AND CONDITIONS THEREOF. THE UNDERSIGNED HEREBY
ACKNOWLEDGES RECEIPT OF A COPY OF THIS AGREEMENT.

FRANCHISEE:

By: _____
_____, _____

FRANCHISOR:

CHRISTIAN BROTHERS
AUTOMOTIVE CORPORATION

By: _____
Don Carr, President

ADDENDUM A

RATIFICATION OF FRANCHISE AGREEMENT

To be executed by each member, manager, shareholder, director, officer, principal, owner, partner, affiliate and parent of Franchisee, in the event that Franchisee is a corporation, limited liability company, partnership or other entity.

I, THE UNDERSIGNED MEMBER, MANAGER, SHAREHOLDER, DIRECTOR, OFFICER, PRINCIPAL, OWNER, PARTNER, PRINCIPAL, AFFILIATE, AND/OR PARENT OF FRANCHISEE, DO AS AN INDIVIDUAL OR OTHERWISE, JOINTLY AND SEVERALLY WITH FRANCHISEE AND ALL OTHER UNDERSIGNED SIGNATORS, ACKNOWLEDGE, ACCEPT AND AGREE TO ALL OF THE TERMS, PROVISIONS, COVENANTS AND CONDITIONS OF THE FRANCHISE AGREEMENT WITH CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION DATED _____, 20__, AND ACKNOWLEDGE RECEIPT THEREOF AS A CO-PARTY THERETO.

Signature: _____

Name: _____

Address: _____

Date: _____

Signature: _____

Name: _____

Address: _____

Date: _____

[Affiliate or Parent]

By: _____

Name: _____

Title: _____

Date: _____

[Affiliate or Parent]

By: _____

Name: _____

Title: _____

Date: _____

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

ADDENDUM B

SPOUSE’S CONSENT TO FRANCHISE AGREEMENT

To be executed by the spouse, common law partner or domestic partner of each member, manager, shareholder, director, officer, principal, owner and partner of Franchisee and any affiliate and/or parent of Franchisee, in the event that Franchisee is a corporation, limited liability company, partnership or other entity.

I, THE UNDERSIGNED SPOUSE OF _____, DO AS AN INDIVIDUAL, HEREBY ACKNOWLEDGE, CONSENT AND AGREE TO ALL OF THE TERMS OF THE FRANCHISE AGREEMENT WITH CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION DATED _____, 20__, AND THE EXECUTION THEREOF BY FRANCHISEE.

Signature: _____

Name: _____

Address: _____

Date: _____

**EXHIBIT “A” TO
FRANCHISE AGREEMENT
TERRITORY**

The territory will be the territory depicted inside the bold green lines below:

**EXHIBIT "B" TO
FRANCHISE AGREEMENT
THE MARKS**

Mark	Registration/Serial Number	Registration Date
	2995310	September 13, 2005
	4267726	January 1, 2013
Christian Brothers Automotive	4281956	January 29, 2013
Nice Difference. ®	4271293	January 8, 2013
CHRISTIAN BROTHERS	5010711	August 2, 2016
FIXING CARS, DRIVING JOY	97590575	Pending
NICE DIFFERENCE CARE+	98338524	Pending
NICE DIFFERENCE <i>care+</i>	98360584	Pending

And any variation of any of the above.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

**EXHIBIT "C" TO
FRANCHISE AGREEMENT**

COMMERCIAL SUB-LEASE AGREEMENT

See next page for start of Commercial Sub-Lease Agreement.

COMMERCIAL SUB-LEASE AGREEMENT

This Commercial Sub-lease agreement (this “**Lease**”) is made and entered into as of _____ (the “**Effective Date**”) between **CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION** (“**Lessor**”), and _____ (“**Tenant**”).

1. Premises. The Premises subleased by Tenant from Lessor consists of the land described on Exhibit “A” attached hereto together with the building and all other improvements, fixtures, and equipment located thereon and appurtenances thereto, and including, without limitation, the commercial building with an address of _____ (collectively, the “**Premises**”). The Lessor leases the Premises from _____ (“**Owner**”) pursuant to that certain Commercial Lease Agreement by and between Lessor and Owner dated _____ (together with any amendments, modifications, and supplements thereto, and such restatements or replacements thereof, whether now or hereafter existing, the “**Master Lease**”). In addition, subject to the Master Lease, Tenant shall have the non-exclusive right to use any common parking areas, driveways, public or private roads, and/or any other common elements of which the Premises is a part. For the avoidance of doubt, this Lease is subject and subordinate in all cases to the Master Lease, and additional provisions addressing the Master Lease are set forth in Section 26. The term “Owner” includes any subsequent owner of the Premises.
2. Term and Renewals.
 - a. Initial Term. The initial term of this Lease (the “**Initial Term**”) commences on _____ (the “**Commencement Date**”) and ends on _____, unless this Lease is earlier terminated pursuant to the terms hereof.
 - b. Renewals: Lessor grants Tenant three (3) consecutive options to extend the term of the Lease for five (5) year periods (each, a “**Renewal Term**”), provided that if the Lessor is unable to successfully obtain a necessary renewal of the Master Lease from the Owner, Tenant shall not be entitled to exercise any option where the renewal period will exceed the term of the Master Lease. To exercise an option, Tenant shall deliver written notice to Lessor of its intention to renew the Term (an “**Exercise Notice**”) on or before one hundred and eighty days (180 days) prior to the expiration of the Initial Term or then current Renewal Term. The Initial Term, together with any Renewal Term exercised pursuant to this Section 2, may be referred to herein as the “**Term**.”
3. Use of Premises. Tenant shall have the right to occupy and use the Premises solely for purposes of operating Tenant’s automotive repair business, and for the avoidance of doubt, Tenant shall occupy and use the Premises strictly in compliance with the Franchise Agreement dated _____ by and between Tenant and Christian Brothers Automotive Corporation (together with any amendments, modifications, or supplements thereto, the “**Franchise Agreement**”).
4. Possession. Tenant will take possession of the Premises within five days of receiving notice that the Premises are Substantially Completed (as such term is defined in the Master Lease).

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

5. Payment of Rent.

- a. Tenant will pay Lessor the following amounts during the following periods: (i) \$_____ per month commencing on the Commencement Date and on the first day of each calendar month thereafter through _____ (subject to the provisions of subsection (e), below); and (ii) beginning on _____, and on each one year anniversary of the Commencement Date thereafter, the rent for the next one year period of this Lease will be established by increasing the amount of the rent that was paid for the previous one year period by one and one-half percent. For example, on _____, the rent paid for the previous period (\$_____) will be multiplied by one hundred and one and one-half percent and the product (\$_____) will become the rent for the next one year period (x multiplied by $101.5\% = y$; where $x =$ rent for previous one year period and $y =$ rent for subsequent one year period); on _____, the rent for the previous period (\$_____) will be multiplied by one hundred and one and one-half percent and the product (\$_____) will become the rent for the next one year period. This process will be continued at the end of each one year period of the Lease (including all renewals and extensions) to establish the rent for the next one year period.
- b. Rent is payable in advance and without demand at Lessor's offices located at 17725 Katy Freeway, Houston, Texas 77094, on or before the 1st day of each month commencing on the Commencement Date, without a grace period (subject, however, to the provisions of subsection (e), below). If the Commencement Date occurs on a date other than the 1st day of a calendar month, then the first installment of rent shall be due on the Commencement Date (subject to the provisions of subsection (e), below), and shall be prorated for the actual number of days in such calendar month following the Commencement Date. If all rent is not paid on or before the 10th day of each month thereafter, Tenant must pay a late charge of \$200.00 plus \$10 per day until all past due rent is paid, and for the avoidance of doubt, Tenant shall be responsible for any late fees due under the Master Lease, to the extent that Tenant's delinquency causes Lessor to be delinquent in payment of rent under the Master Lease. Tenant further agrees to pay a \$20.00 charge for each rent check returned unpaid, and delinquent charges will accrue as if no check had been given until such check is made good. Notwithstanding any notations on a check, all payments by Tenant will be applied first to non-rent items due, if any, and then to rent.
- c. Lessor may require that all sums due under this Lease be paid in cash, money order, cashier's check or by automatic payment from Tenant's account. If requested by Lessor, Tenant agrees to execute and deliver to Lessor the authorizations, agreements and other documents and instructions necessary or appropriate to authorize automatic payment from Tenant's bank account of the rent due under this Lease each month. If the amount of the rent payment changes at any time during the term of this Lease or renewals, Lessor agrees to notify Tenant of the change and the amount of the new payment, and Tenant agrees to execute and deliver to Lessor any and all authorizations and agreements necessary to adjust the amount of such automatic payment, if needed.

- d. Tenant and Lessor agree that all rights of Tenant and all duties and obligations of Lessor in this Lease are conditioned on rent being paid on time. Tenant's right of possession and all of Lessor's obligations are expressly conditioned on prompt payment of rent, and use of the Premises by Tenant is conditioned on prompt payment of rent.
- e. Notwithstanding the foregoing provisions of this Section 5, so long as Tenant is occupying the Premises and is not in default of any of the provisions of the Lease, Tenant shall be entitled to an abatement of Rent for a period of six (6) months following the Commencement Date.
6. Security Deposit. Tenant is not required to pay any security deposit in connection with this Lease.
7. Condition of Premises. **Tenant agrees to thoroughly inspect and then accept the Premises as is (subject to any punch list items set out in a writing delivered to Lessor on or before the Commencement Date of this Lease), and from then on, Lessor makes no express or implied warranties as to the condition of the Premises. Tenant acknowledges that Tenant is solely responsible for maintaining all utilities in a good and safe condition and for maintaining the Premises in a safe and habitable condition.** Tenant agrees to surrender the Premises at the end of the term of this Lease and any extension thereof in the same condition as of the date of possession, reasonable wear and tear excepted. Reasonable wear and tear means wear which occurs without negligence, carelessness, accident or abuse.
8. Compliance. Tenant must strictly comply with all pertinent laws, ordinances, statutes, deed restrictions and regulations whatsoever, of any governmental body or subdivision, incident to its occupancy of the Premises and its use thereof. Without limiting the forgoing, Tenant agrees to not use, store or dispose of any Hazardous Materials on the Premises nor allow the use, storage or disposal of any Hazardous Substances on the Premises except for Permitted Hazardous Materials. Tenant covenants and agrees that its use, storage and disposal of Permitted Hazardous Materials shall be done in compliance with all Environmental Laws. "**Hazardous Materials**" means any materials and or substances (a) that are described or defined as hazardous, pollutants or dangerous by any Environmental Laws, or (b) the use, storage and/or disposal of which are regulated or prohibited by any Environmental Laws. "**Permitted Hazardous Materials**" means any Hazardous Materials that Tenant uses in the normal course of the business of Tenant, provided such use is in strict compliance with all Environmental Laws. "**Environmental Laws**" means any applicable federal, state and/or local environmental laws, rules and regulations, including, without limitation, the provisions of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601, et seq, as amended. Tenant will at the close of business each day to the extent possible, park vehicles in the available space in the building. Tenant will use its best efforts to not park nor store any vehicle outside of the building for more than two consecutive days. **If any Hazardous Materials are discovered on the Premises (other than Permitted Hazardous Materials) or any violations of Environmental Law on the Premises during the Term, Tenant shall indemnify, defend, and hold Lessor harmless from and against all costs and liabilities arising therefrom, including, without limitation, the cost to place**

the Premises and Tenant's operations thereon in compliance with Environmental Laws, all costs and burdens of defending against any and all claims, demands, judgments, damages, actions, causes of action, injuries, administrative orders, consent decrees and orders, liabilities, costs, expenses, fines and penalties of any kind whatsoever (including without limitation claims arising from or relating to injury to persons, property, business operations or natural resources), the cost of investigation, removal or remedial action required or incurred by federal, state, or other authorities, clean-up costs, fines, damages or penalties, in each case, incurred in connection with or arising from such Hazardous Materials or violations of Environmental Laws.

9. Alterations. Tenant shall not make any alterations in or additions to the Premises without the express written consent of Lessor. If Lessor consents to any alterations or additions to the Premises, such alterations shall be performed at Tenant's sole cost and expense and in strict accordance with the provisions of the Master Lease and the Franchise Agreement.
10. Assignment and Subletting. Tenant will not sublet or make an assignment, including any grant of a leasehold security interest, assignment of rents, deed of trust, mortgage, or other collateral assignment of all or any part of the Premises, without the prior written consent of Lessor. If Lessor grants such permission, Tenant will remain fully liable for any and all liabilities and/or damages that arise at any time that are related to or connected with such sublease or assignment.
11. Entry by Lessor or Owner. Lessor or Owner or other persons engaged to do so by Lessor or Owner may enter the Premises during reasonable times and for reasonable purposes, including, but not limited to the following purposes: inspections, repairs, preventive maintenance, emergency safety or fire inspections, prevention of property damage, enforcement of Lessor or Owner's lien, inspectors, fire marshals, lenders, appraisers or insurance agents.
12. Nonwaiver. Failure by Lessor to enforce or demand performance of any obligation of Tenant hereunder, or to seek remedy for breach thereof, will not operate to waive or excuse defaults of other obligations nor further defaults of the same obligation.
13. Status of Title to Premises. Tenant agrees to take the leasehold estate in the Premises subject to all matters of record on the date of this Lease. Tenant accepts this Lease subject and subordinate to any mortgage or deed of trust existing or hereafter placed upon the Premises, and to any renewals and extensions thereof; provided, however, Lessor agrees to use its reasonable efforts following the execution hereof to obtain a non-disturbance and attornment agreement ("SNDA") from Lessor's or Owner's present lender or mortgagee and any future lender or mortgagee, in form and substance reasonably satisfactory to Lessor and such lender or mortgagee. Tenant agrees to execute the SNDA and to execute an estoppel certificate if requested by Lessor, Owner or Lessor or Owner's lender or mortgagee.
14. Default by Lessor. Upon default by Lessor of any obligation imposed hereunder, Tenant shall have the right to enforce specific performance of this Lease and/or to recover Tenant's actual damages from Lessor as Tenant's exclusive remedies. Tenant shall not have the right to

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

terminate this Lease or to withhold or offset rent because of a default by Lessor. Before Lessor shall be considered in default, Tenant must give Lessor notice of such default and reasonable opportunity for Lessor to cure such default, which reasonable opportunity shall not be less than thirty (30) days and shall be extended for any defaults, the nature of which cannot reasonably be cured within such thirty (30) day period, so long as Lessor commences such cure and is using commercially reasonable diligence to effect such cure.

15. Default By Tenant.

- a. The following shall be a default by Tenant:
 - i) the failure to timely pay any amounts due hereunder; provided Lessor agrees to provide Tenant written notice of failure to pay such amounts due hereunder and five (5) days to cure such default; provided further Lessor is only obligated to provide such notice and opportunity to cure monetary defaults by Tenant once during any consecutive twelve (12) month period and thereafter any failure to timely pay any amounts due hereunder during that same period shall be an immediate default; and
 - ii) the breach of or failure to comply with any provision of this Lease (other than the monetary obligation described in subparagraph (a) above), and the failure to cure such breach within thirty (30) days from the earlier of (i) the date Lessor notifies Tenant in writing of such breach, or (ii) the date Tenant becomes aware of such breach, provided, however, that such thirty (30) day period may be extended for a period of up to ninety (90) days if the default is of such a nature that it cannot be cured within thirty (30) days and Tenant has commenced such cure and continues to use diligence to complete such cure.
 - iii) In addition to the other defaults set out in this Lease the following shall constitute defaults under this Lease: (A) the filing of bankruptcy or any other insolvency proceedings by Tenant; (B) the filing of an involuntary bankruptcy petition by creditors of Tenant; and (C) Tenant's giving notice of intent to vacate the Premises prior to the expiration of the Lease. In the event of Tenant's filing of bankruptcy or any other insolvency proceedings, abandonment of the Premises, or giving of notice of intent to vacate prior to the expiration of the Lease term, Lessor is not obligated to give Tenant notice of such default nor any opportunity to cure such a default.
 - iv) abandonment of the Premises (as described in Section 17, below).
 - v) any default by Tenant under the Franchise Agreement will also constitute a default under this Lease.
 - vi) Any default by Tenant under the Master Lease (or any default under the Master Lease caused by actions or inactions of Tenant) will also constitute a default under this Lease.
- b. In the event of any default hereunder by Tenant and the expiration of any applicable cure period, Lessor may, at Lessor's election:

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

- i) Terminate Tenant's possession of the Premises by giving Tenant one day's written notice to vacate and Lessor is entitled to possession by eviction suit. Such election will not relieve Tenant of the obligation to pay all rent due during the remainder of the Lease term.
 - ii) Declare all remaining rent through the end of the Lease term or renewal or extension period immediately due and payable in its entirety without the requirement of notice or demand to Tenant of Lessor's election to so accelerate the rent. Such right of acceleration is in lieu of having rental for the entire lease term payable at the beginning of the Lease.
 - iii) Declare this Lease forfeited and terminated. Tenant will lose all rights, titles, and interests in and to any improvements to the Premises made or caused to be made by Tenant. All rights and remedies given Lessor hereunder will be, to the extent not in conflict with each other, cumulative and exercisable at the election of Lessor. The exercise, or failure to exercise, any right or remedy of Lessor hereunder will not alter or diminish Lessor's right to exercise any other right or remedy given Lessor by this agreement or by law.
16. **Holdover.** If Tenant holds over and fails to vacate on or before the contracted move-out date (end of Lease term, or any renewal or extension period, or the move-out date agreed to by the parties), Tenant will be liable to pay rents for the holdover period and Tenant hereby indemnifies Lessor and/or prospective tenants or purchasers for damages (i.e., lost rentals or profits of sale, attorney's fees, holdover rent due under the Master Lease). Rents during the holdover period are due on a daily basis at a rate two times the rate of the previous term just ended.
17. **Abandonment.** Tenant will be conclusively deemed to have abandoned the Premises and all personal property located thereon or therein if Tenant has been evicted by judicial process or Tenant remains absent from the Premises for five consecutive days while Tenant is in default of any obligation hereunder. **Upon such abandonment, Lessor may remove and make such disposition of any and all personal property found upon the Premises as provided for in Section 18 below.** Such right of Lessor is without prejudice to Lessor's right to elect to exercise Lessor's landlord's lien rights. In the event Tenant's abandonment of the Premises is caused by a Force Majeure (as defined in the Master Lease), Tenant shall not be deemed to have abandoned the Premises for the purposes of this Section provided that: (i) Tenant gives Lessor written notice of the Force Majeure within twenty-four hours of the occurrence of the Force Majeure, and (ii) Tenant uses all reasonable diligence to remove the Force Majeure as quickly as practicable.
18. **Contractual Lien.** **All personal property on the Premises (except property exempt by statute) is hereby subjected to a contractual lien in favor of Lessor to secure payment of rent and of any damages occasioned by Tenant's default.** In order to enforce said lien, Lessor may peacefully enter the Premises and remove and store all non-exempt property therein. Lessor is entitled to reasonable charges for packing, removing and storing property

taken hereunder. If Tenant is not present when property is removed hereunder, written notice of Lessor's entry will be left at the Premises. Lessor may sell all property subject to Lessor's lien at public or private sale after giving Tenant ten (10) days written notice by certified mail of the time and place of such sale. If Tenant fails to furnish Tenant's address to Lessor, said sale may be held without notice to Tenant; provided, however, that Tenant will be informed as to the time and place of said sale upon request. Sale will be to the highest cash bidder and Lessor will credit the proceeds thereof first to all costs and expenses incident to the removal, storage and sale of the property and then in mitigation of other damages hereunder. Any excess realized from such sale over said expenses and damages will be mailed to Tenant at such address as Tenant may furnish, or, if no address is furnished, will be held for delivery to Tenant for thirty (30) days following the date of the sale, after which time, if Tenant has not requested payment, Tenant will be deemed to have abandoned any right thereto and such excess will become the property of Lessor. The foregoing lien rights may be exercised by Lessor with or without resort to judicial proceedings. The contractual lien provided herein is in addition to, and not in lieu of, any landlord's or other lien provided by law. Lessor and Owner agree to and do hereby subordinate their liens to (a) any liens now existing or hereafter created or arising in favor of a lending bank for Tenant's operating assets, and (b) any purchase money security interests ("PMSI") but only as such PMSI pertain to specific goods or pieces of equipment owned by Tenant and financed by the beneficiary of such liens.

19. **Notices.** Except as expressly set forth to the contrary in this Lease, all notices, requests or consents provided for or permitted to be given under this Lease must be in writing and must be delivered to the recipient in person, by courier or mail or by email, or similar transmission; a notice, request or consent given under this Lease is effective on receipt by the Person to receive it. Notices given by telecopy shall be deemed to have been received (a) on the day on which the sender receives answer back confirmation if such confirmation is received before or during normal business hours of any business day, or (b) on the next business day after the sender receives answer back confirmation if such confirmation is received (i) after normal business hours on any business day, or (ii) on any day other than a business day. Notices given by email shall be deemed to have been received (c) on the day on which the sender transmits such notice if the sender receives confirmation the email has been received before or during normal business hours of any business day, or (d) on the next business day after the sender transmits such notice if such notice is transmitted (i) after normal business hours on any business day or (ii) on any day other than a business day. All notices, requests and consents to be sent to a party to this Lease must be sent to or made at the addresses, telecopy number and/or email address given for that party below or such other address, telecopy number or email address as that party may specify by notice to the other parties to this Lease. Whenever any notice is required to be given by law or this Lease, a written waiver thereof, signed by the party entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Except as may be otherwise required herein or specified by law, all notices required or permitted hereunder to be given to Tenant shall be given to Tenant at the Premises; provided, however, that Tenant may furnish Lessor such other address as Tenant may elect and require notice as provided above to such address. All written notices required or permitted to be given to Lessor must be given by certified mail, return receipt requested, addressed to or by personal delivery to 17725 Katy Freeway, Houston, Texas

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

77094, Attention: Don Carr; provided Lessor may furnish Tenant such other address as Lessor may elect and require notice as provided above to such address. Tenant and Lessor shall furnish each other with email and/or telecopy contact information to be used for the purposes of delivering notices pursuant to this Section 22.

20. Liability, Indemnity and Insurance. Neither the Lessor nor Owner is liable to Tenant, Tenant's employees, guests or other occupants or persons on the Premises for personal injury, property damage or other losses to such persons or their property caused by other persons, theft, burglary, assault, other crimes, intoxication, fire, water, wind, rain, smoke, drowning, or any other causes.
- a. Indemnity. Subject to the waiver of subrogation in Section 20.f, below, Tenant agrees to indemnify, defend and hold harmless Lessor and Owner from and against any and all injury, loss or damage of whatever nature, to persons or property arising out of the use or occupancy of the Premises, or out of any act, omission or negligence of anyone including without limitation, the Owner, Lessor, Tenant and/or any of their respective agents, servants, representatives, employees, contractors, invitees and licensees whether with or without the express or implied consent of Owner, Lessor, or Tenant. **TENANT AND LESSOR AGREE AND ACKNOWLEDGE THAT THE INDEMNITY CONTAINED IN THIS SECTION 20.A SHALL APPLY, AND TENANT'S INDEMNITY OBLIGATIONS SHALL NOT BE WAIVED OR DIMINISHED, EVEN IF THE INJURY, LOSS OR DAMAGE IS CAUSED BY THE NEGLIGENCE, OR ALLEGED NEGLIGENCE, OF OWNER OR LESSOR OR ANY OF ITS OR THEIR AGENTS, EMPLOYEES, CONTRACTORS, OR AFFILIATES.**
- b. Insurance. Tenant shall, during the Term of this Lease commencing on the date hereof, procure and maintain, at its own cost and expense, all such insurance coverage and policies required pursuant to the Master Lease, endorsed to name the Lessor and the Owner (and upon Lessor's request any lender of Lessor and/or Owner) each as an additional insured and loss payee on a primary and non-contributory basis. Tenant shall also obtain and maintain twelve (12) months of business interruption insurance in such amounts as are determined appropriate by Lessor. Tenant shall obtain and maintain a business or commercial automobile liability policy covering all vehicles used in Tenant's business operations with limits of not less than One Million Dollars (\$1,000,000.00) per each accident and endorsed to name the Lessor and the Owner (and upon Lessor's request any lender of Lessor and/or Owner) each as an additional insured on a primary and non-contributory basis. Where such is required by Lessor and/or by Owner, Tenant shall obtain and also maintain earthquake insurance and flood insurance covering the Premises with each type of insurance covering the full replacement cost of the Premises and all improvements thereto and thereon or the maximum available under a national insurance program (if such insurance is required in Tenant's area). Tenant shall obtain and also maintain workers' compensation insurance with statutory limits, and employers' liability insurance with limits of not less than One Million Dollars (\$1,000,000) per occurrence. All of the policies evidencing the foregoing coverage must be endorsed as required under

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

any state, federal, or other applicable law. Tenant must also obtain and maintain all of the types of insurance and in the amounts required in Lessor's most current Confidential Operations Manual, made available in writing from time to time.

- c. All policies of insurance described in this Section 20 which Tenant is required to procure and maintain will be issued by responsible insurance companies, having a claims-paying ability rating of "A" or higher as ascribed by S&P, be considered equivalent to a NAIC 1 or other rating acceptable to the Securities Valuation Office of the National Association of Insurance Commissioners, and in all other respects be reasonably acceptable to Lessor and qualified and licensed to do business in the state in which the Premises are situated. Tenant acknowledges that it is obligated to obtain and maintain all of the insurance required in this Section 23 and that such obligation shall not be diminished by a change in the ownership of the Premises. If Tenant fails to acquire or maintain the insurance required pursuant to this Lease or to pay the premiums for such insurance and deliver the certificates of coverage after notice from Lessor, such failure is a default hereunder and Lessor may, in addition to other rights and remedies available to Lessor, acquire such insurance and/or pay the requisite premiums therefor. Such premiums so paid by Lessor will be reimbursable and payable by Tenant immediately upon written demand therefor made to Tenant by Lessor.
- d. The types of insurance required by Lessor hereunder can be expanded and the amounts of insurance required by Lessor hereunder can be increased at any time by Lessor notifying Tenant of the type and amount of insurance that must be obtained and/or the amount by which an existing policy must be increased. Tenant must obtain such increased insurance coverage (type and/or amount) as promptly as is reasonably possible. Where a provision in this section requires insurance coverage to be in the full replacement cost of the insured property, the full replacement cost shall be an amount sufficient in Lessor's determination to completely cover the replacement cost of such insured property.
- e. Tenant must deliver to Lessor copies of the insurance policies, any endorsements required by Lessor or Owner, and certificates of such insurance certifying that the same is in full force and effect. Tenant hereby releases Lessor and Owner to the extent of Tenant's insurance coverage, from any and all liability for any loss or damage caused by fire or any of the extended coverage casualties, even if such fire or other casualty are brought about by the fault or negligence of Lessor or Owner, its servants or agents, provided, however, this release will be in force and effect only with respect to loss or damage occurring during such time as Tenant's policies of fire and extended coverage contain (or would contain, if Tenant had made a reasonable effort to obtain same) a clause to the effect that this release will not affect policies or the right of Tenant to recover thereunder. Tenant agrees that its fire and extended coverage insurance policies will include such a clause so long as the same is obtainable without extra cost, or if extra cost is chargeable therefore, so long as Lessor or Owner pays such extra cost. If extra cost is chargeable, then Tenant will advise Lessor thereof, and the amount thereof, and Lessor or Owner may pay the same but is not obligated to do so. Tenant should maintain such insurance on its contents as it deems necessary or advisable. To the extent any lender that has financed or refinanced Owner's acquisition and improvement of the Leased Premises ("**Lender**") is listed as a co-insured or additional

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: *Christian Brothers Automotive Corporation*

Property: _____

insured, Lessor will subordinate its rights in any insurance proceeds to the Lender. Lessor or Owner may insure the Premises with such insurance as it deems necessary or advisable.

- f. Waiver of Subrogation. Lessor and Tenant each waive any and all rights to recover against the other or the other's agents or employees for any loss or damage to such waiving party arising from any cause covered by any property insurance required to be carried pursuant to this Section 20 or any other property insurance actually carried by such party to the extent of the limits of such policy. Tenant, from time to time, will cause its insurers to issue appropriate waiver of subrogation rights endorsements with respect to all property and liability insurance policies carried in connection with the Premises or the contents of the Premises.

In the event Tenant retains or requests Lessor's or Owner's employees or contractors to render services not contemplated in this Lease, or without the prior knowledge and consent of Lessor or Owner expressed in writing, such employees or contractors are deemed to be the agents of Tenant whether or not compensated by Tenant, Lessor or Owner, and Tenant agrees to hold harmless and indemnify Lessor or Owner for and from all liability for the acts or omissions of such persons.

21. General. This Lease, including all exhibits, schedules, and attachments hereto, contains the entire agreement of the parties. **No oral agreements or representations have been made.** Tenant waives and releases all claims, if any, of misrepresentation and/or fraudulent inducement. This Lease may be modified only in writing signed by all parties. A declaration by an arbitrator of the invalidity of any part of this Lease or any attachment hereto will not invalidate the remainder. Tenant may not withhold rent or offset against rent. This Lease is to be construed under and in accordance with the laws of the State of Texas. This agreement is binding upon and inures to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns.
22. Condemnation. If the whole or any part of the Premises shall be taken or condemned by a competent authority for a public or quasi-public use or purpose, Tenant shall have no right to terminate this Lease, and the Term of this Lease shall be terminated or modified only to the extent the Master Lease is terminated or modified. If this Lease is terminated as a result of any taking, then any rent paid in advance of such date shall be refunded to Tenant, and neither party shall have any further obligation to the other hereunder. If this Lease is not terminated, then the Term shall continue and rent shall be apportioned appropriately as to the portion of the Premises taken.
23. Destruction. In the event the Premises are partially or totally destroyed or damaged by fire or other casualty, whether or not covered by insurance, then, at Lessor's discretion, (a) Tenant shall be obligated to rebuild or restore or at Lessor's discretion, (b) Lessor may use the available insurance proceeds to rebuild or restore the Premises to substantially the condition they were in prior to such destruction or damage and pursuant to the plans and specifications provided by Lessor, and in either event, all insurance proceeds shall be available to Lessor or Tenant for such purpose and there shall be no abatement of rent; provided, however, that if

such destruction or damage occurs during the last twelve months (12) months of the initial Term or any extension term, Tenant shall have the right, at its option, to terminate this Lease by giving written notice of such termination to Lessor within sixty (60) days after such destruction or damage, provided that Lessor shall be entitled to all of the insurance proceeds. Any and all insurance proceeds not applied to rebuild the Premises as stated above shall be payable to Lessor.

24. Dispute Resolution. Lessor and Tenant agree that any and all disputes between Tenant, Lessor and Owner will be resolved pursuant to the Dispute Resolution Agreement attached as Exhibit “B” to and made a part of this Lease.

25. State Specific Provisions.

None

26. Master Lease Provisions.

- a. A true and correct copy of the Master Lease (subject to certain redactions) is attached hereto as Exhibit “C” and made a part hereof for all purposes. Tenant hereby assumes and agrees to perform all obligations of Lessor as “Tenant” under the Master Lease relating to the Premises, and Tenant agrees to abide by and comply with all of the provisions of the Master Lease during the term of this Lease, except that the Excluded Provisions (as defined below) shall not be incorporated herein and will not be applicable to Tenant. Tenant hereby acknowledges that Tenant has read and is familiar with the terms and conditions of the Master Lease, and that (a) this Lease is and will remain expressly subject to all of the terms and conditions of the Master Lease, (b) except as otherwise specifically set forth in this Lease, Lessor expressly retains and reserves all rights and benefits applicable to Lessor as “Tenant” under the Master Lease. The term “**Excluded Provisions**” shall mean the following referenced Sections contained in the Master Lease: [Section 2 (Term and Renewals), Section 3 (Use of Premises), Section 4 (Construction of Improvements), Section 5 (Possession), Section 6 (Payment of Rent), Section 10 (Right of First Refusal/Purchase Option), Section 13 (Subletting), and Section 19 (Default by Landlord)].
- b. In the event of any conflict between the provisions of the Master Lease and the provisions contained in this Lease, the provisions of this Lease will be controlling as it relates to Lessor’s and Tenant’s rights or obligations to the other. Tenant hereby agrees to be bound to Lessor by, and to comply with all of the terms and conditions of, the Master Lease and to assume toward Lessor and perform all of the covenants, obligations and responsibilities that Lessor by the Master Lease assumes toward the Owner.
- c. Notwithstanding anything herein contained to the contrary, the only services or other rights to which Tenant is entitled under this Lease are those to which Lessor is entitled under the Master Lease. No default of Owner under the Master Lease will affect this Lease or waive or defer the performance of any of Tenant’s obligations hereunder. However, upon any such default or failure by Owner, Lessor agrees, upon Lessor’s receipt of written notice thereof from Tenant, and at Tenant’s expense, to make demand upon Owner to perform

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

Owner's obligations under the Master Lease in accordance with the terms of the Master Lease (but without obligation of Lessor to take any other action or incur any expense to enforce Owner's obligations under the Master Lease except as otherwise expressly provided for herein). Tenant must pay all costs and expenses, including reasonable attorneys' fees, incurred by Lessor in enforcing the provisions of this Lease or in enforcing Owner's obligations under the Master Lease if requested to do so by Tenant.

27. Counterparts. This Lease may be executed in any number of counterparts, each of which so executed shall be deemed to be an original and such counterparts shall together constitute but one and the same Lease. The parties shall be entitled to sign this Lease electronically or digitally and transmit electronic or digital copies of this Lease (whether by facsimile, PDF or other email or electronic transmission), whereby such electronic signatures shall be binding on the party whose name is contained therein.

The remainder of this page is intentionally left blank; the signature page follows.

EXECUTED effective as of _____.

LESSOR:

CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION

17725 Katy Freeway
Houston, Texas 77094

By: _____

Name: Don Carr

Title: President

TENANT:

By: _____

_____, _____

EXHIBIT "A" TO
COMMERCIAL SUB-LEASE AGREEMENT

Legal description:

Street Address:

**DISPUTE RESOLUTION AGREEMENT
ATTACHED AS EXHIBIT “B” TO AND MADE A PART OF THE
COMMERCIAL SUB-LEASE AGREEMENT BETWEEN CHRISTIAN BROTHERS
AUTOMOTIVE CORPORATION AND _____**

DISPUTE RESOLUTION AGREEMENT.

- 1. If a dispute, controversy or claim arises between or among any or all of the parties, including without limitation any dispute, controversy or claim that arises out of or relates to this Lease, the Franchise Agreement or any other agreement, instrument, or relationship between the parties, or the breach, termination or invalidity of the Lease, the Franchise Agreement or any such other agreement or instrument, AND including but not limited to a claim based on or arising out of a claim for tortious interference or other tortious or statutory claims arising before, during or after termination of this Lease or the Franchise Agreement and including any dispute that involves any or all of the parties and any employee, officer, director, supervisor or member of management of either party hereto (collectively the “Dispute”), and if the Dispute cannot be settled through direct discussions, the parties agree to resolve the Dispute by binding arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules (the “Rules”), and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Any arbitration hereunder shall be pursuant to the applicable rules of the American Arbitration Association as set out above except to the extent modified in this Section. The parties acknowledge that this Lease, the Franchise Agreement and/or the dealings of the parties involve interstate commerce and that the Federal Arbitrations Act applies to any arbitration hereunder. Any such arbitration shall be conducted before three (3) arbitrators unless the parties agree to more or fewer. Under no circumstances shall any arbitration be conducted before an even number of arbitrators.**
- 2. The parties expressly agree that any court with jurisdiction may order the consolidation of any arbitrable dispute, controversy or claim under this Lease or the Franchise Agreement with any related arbitrable dispute, controversy or claim not arising thereunder, as the court may deem necessary in the interests of justice or efficiency or on such other grounds as the court may deem appropriate, provided that the consolidated disputes, controversies and claims are to be resolved in arbitration.**
- 3. The site of the arbitration shall be in Houston, Texas, and shall take place in the offices of the American Arbitration Association or such other place as the parties may agree.**
- 4. The parties agree that the federal and state courts located in the State of Texas and City of Houston shall have exclusive jurisdiction and venue over an action brought to enforce and/or challenge the rights and obligations created in or arising from this agreement to arbitrate, and each of the parties hereto irrevocably submits to the jurisdiction and venue of said courts. Notwithstanding the above, application may be made by a party to any court of competent jurisdiction wherever situated for confirmation and enforcement of**

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

any award and the entry of whatever orders are necessary for such confirmation and enforcement.

5. Process in any action arising out of or relating to this Lease or the Franchise Agreement may be served on any party to the Lease or the Franchise Agreement anywhere in the world by delivery in person or by registered or certified mail, return receipt requested.
6. To the fullest extent permitted by applicable law, the parties to this Lease agree that neither party shall be entitled to any damages in the nature of punitive, exemplary or statutory damages in excess of compensatory damages or any form of damages in excess of compensatory damages, and the parties hereby waive all rights to any damages in the nature of punitive, exemplary or statutory damages. Any arbitrator or arbitrators deciding any disputes hereunder will not have the authority to award and are specifically divested of any power to award any damages in the nature of punitive, exemplary or statutory damages or any other damages in excess of compensatory damages or any form of damages in excess of compensatory damages, and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of the Lease and the Franchise Agreement.
7. Neither the parties nor the arbitrator(s) may disclose to any person not involved in the arbitration the existence, content, or results of any arbitration hereunder without the prior written consent of all parties.
8. The parties agree that all questions concerning the arbitrator(s)' jurisdiction shall be decided by the arbitrator(s).
9. A party or parties against whom any final award is entered by the arbitrator(s) agrees to pay the prevailing party all reasonable costs, charges and expenses, including but not limited to arbitration filing fees, arbitrator fees, reasonable attorney and expert fees, incurred and to be incurred in connection with said arbitration, any action to compel arbitration and/or compliance with the terms of this section, and/or the confirmation and enforcement of the arbitration award. The arbitrator(s) shall include such costs, charges and expenses as part of the final award. This agreement to arbitrate is intended to be binding upon the signatories hereto, their principals, successors, assigns, subsidiaries or affiliates.
10. The arbitrator(s) shall determine the rights and obligations of the parties according to applicable federal laws and to the substantive laws of the State of Texas (excluding conflicts of laws principles).
11. The arbitrator(s) is directed to consider any defense that all or part of the claim is not timely by reason of laches or statute of limitations as a preliminary issue and to render an award determining the merits of such claim before considering the substantive merits of the arbitration claim, unless the arbitrator(s) determines that the merits of such claim of laches or statute of limitations is so intertwined with the substantive merits of the

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: *Christian Brothers Automotive Corporation*

Property: _____

arbitration claim as to make impractical the determination of the claim of laches or limitations as a preliminary matter.

12. The arbitrator(s) shall hear and determine any preliminary issue of law asserted by a party to be dispositive of any claim, in whole or part, in the manner of a court hearing a motion to dismiss for failure to state a claim or for summary judgment, pursuant to such terms and procedures as the arbitrator(s) deems appropriate.
13. It is the intent of the parties that, barring extraordinary circumstances, any arbitration shall be concluded within three months of the date the statement of claim is received by the arbitrator(s). Unless the parties otherwise agree, once commenced, hearings shall be held five days a week, four weeks a month, with each hearing day to begin at 9:00 A.M. and to conclude at 5:00 P.M. These time limits can be extended or altered by an agreement of the parties or by a determination of the arbitrator that such extension or alteration is in the interests of justice. The arbitrator shall use his or her best efforts to issue the final award or awards within a period of thirty days after closure of the proceedings, but failure to do so shall not be a basis for challenging the award.
14. The procedure to be followed in any arbitration hereunder shall be as prescribed herein and in such directives that shall be issued by the arbitrator(s) following consultation with the parties. Unless otherwise agreed by the parties, the procedures shall provide for the submission of briefs by the parties, the introduction of documents and the oral testimony of witnesses, cross-examination of witnesses, oral arguments, the closure of the proceedings and such other matters as the arbitrator(s) may deem appropriate. Further, the arbitrator(s) shall regulate all matters relating to the conduct of the arbitration not otherwise provided for in this Agreement or in the Rules.
15. In the event a party, having been given notice and opportunity, shall fail or shall refuse to appear or participate in an arbitration hereunder or in any stage thereof, the proceedings shall nevertheless be conducted to conclusion and final award. Any award rendered under such circumstances shall be as valid and enforceable as if all parties had appeared and participated fully at all stages.
16. The parties agree that discovery shall be limited and shall be handled expeditiously. Discovery procedures available in litigation before the courts shall not apply in an arbitration conducted pursuant to this Agreement. However, each party shall produce relevant and non-privileged documents or copies thereof requested by the other parties within the time limits set and to the extent required by order of the arbitrator(s). All disputes regarding discovery shall be resolved by the arbitrator(s).
17. It is the intent of the parties that the testimony of witnesses be subject to cross-examination. It is agreed that the direct testimony of a witness may be submitted by sworn affidavit, provided that such affiant be subject to cross-examination, and that such affidavit be produced to all parties not less than ten (10) days before the hearing or other proceeding in which the affidavit is submitted to the arbitrator(s).

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: *Christian Brothers Automotive Corporation*

Property: _____

- 18. Strict rules of evidence shall not apply in an arbitration conducted pursuant to this agreement. The parties may offer such evidence as they desire and the arbitrator(s) shall accept such evidence as the arbitrator(s) deems relevant to the issues and accord it such weight as the arbitrator(s) deems appropriate.**
- 19. No witness or party may be required to waive any privilege recognized at law.**
- 20. The parties expressly agree that prior to the selection of the arbitrator(s), nothing in this agreement shall prevent the parties from applying to a court that has jurisdiction as provided in this Lease or the Franchise Agreement for injunctive relief and/or to determine the immediate right to possession of the Premises. After the arbitrator(s) is/are selected, he and/or she shall also have the authority and jurisdiction to make such orders as are necessary to determine the immediate right to possession of the Premises, to maintain the status quo and/or to preserve and protect property, and such orders by the arbitrator(s) may be immediately and specifically enforced by a court having jurisdiction over the parties as provided in this Lease or the Franchise Agreement.**

EXHIBIT “C” TO
COMMERCIAL SUB-LEASE AGREEMENT

MASTER LEASE

[To be inserted]

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

**EXHIBIT “D” TO
FRANCHISE AGREEMENT**

STORE IN DISTRESS SUPPORT PROGRAM AGREEMENT

See next page for start of Store In Distress Support Program Agreement.

STORE IN DISTRESS SUPPORT PROGRAM AGREEMENT

THIS STORE IN DISTRESS SUPPORT PROGRAM AGREEMENT (this “**Agreement**”), entered into as of the ___ day of _____, 20__ (the “**Effective Date**”), by and between Christian Brothers Automotive Corporation, a Texas corporation (“**Franchisor**”), and _____, a _____ (“**Franchisee**”).

BACKGROUND INFORMATION:

WHEREAS, Franchisee is a party to that certain Franchise Agreement between Franchisee and Franchisor, dated on or about _____, 202_ (such Franchise Agreement, together with all exhibits, amendments and addendums thereto, being collectively referred to in this Agreement as the “**Franchise Agreement**”), pursuant to which Franchisee obtained the right to develop and operate a Christian Brothers Automotive franchise at _____ (the “**Franchised Business**”);

WHEREAS, _____ are the guarantors of the Franchise Agreement (collectively, the “**Guarantor**”);

WHEREAS, Franchisee and Guarantor acknowledge that the Franchised Business is in distress and that Franchisee has materially breached Section 10.17(a) of the Franchise Agreement for failure to meet the Minimum Performance Requirement (the “**Default**”) and Franchisee and Guarantor hereby acknowledge that each has been provided with notice of the Default;

WHEREAS, in accordance with Section 14.02(c) of the Franchise Agreement, Franchisor has the right to terminate the Franchise Agreement, provided Franchisor may allow Franchisee an opportunity to cure the Default pursuant to this Agreement;

WHEREAS, in the event Franchisee fails to cure the Default pursuant to this Agreement, the Franchise Agreement shall automatically terminate, which termination Franchisee and Guarantor agree not to contest; and

WHEREAS, the parties wish to establish the terms and conditions on which Franchisee may cure the Default and avoid termination of the Franchise Agreement.

NOW THEREFORE, in consideration of the foregoing recitals and of the mutual promises hereinafter set forth, the parties agree as follows:

1. **Background Information; Definitions.** Franchisor, Franchisee and Guarantor each agree that the background information is true and correct, incorporated herein, and this Agreement must be construed in accordance with such background information. Capitalized terms used but not otherwise defined in this Agreement shall have the same meanings as set forth in the Franchise Agreement.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

2. **Opportunity to Cure the Default; Termination of Franchise Agreement.**

During the term of this Agreement, Franchisor shall provide Franchisee the opportunity to improve the performance of its Christian Brothers Automotive franchise in full compliance with the Minimum Performance Requirement in accordance with Section 4 hereof, thereby curing the Default. In the event Franchisee fails to fully comply with Section 4 hereof, this Agreement and the Franchise Agreement shall automatically terminate with no further notice to Franchisee, and Franchisor shall enforce its post termination contractual rights. In the event Franchisee fully complies with Section 4 hereof in all respects and timely meets the Minimum Performance Requirement, Franchisee shall be deemed to have cured the Default and the Franchise Agreement shall remain in full force and effect.

3. **Term and Termination of Franchise Agreement.** The term of this Agreement shall begin on the Effective Date and shall continue for a period of one (1) year, provided that this Agreement and the Franchise Agreement shall automatically terminate at the end of any three-month period during which Franchisee fails to adequately reduce the Deficiency Gap, pursuant to Section 4(b) hereof. Franchisor may extend the term of this Agreement and the Franchise Agreement in its sole and absolute discretion.

4. **Franchisee Duties.**

a. **Training and Guidance.** Franchisee's Principal Operator, Service Manager, and additional persons as Franchisor may require, shall attend such continuing education and training programs as Franchisor specifies, and Franchisee will pay all costs including training fees, travel expenses and living expenses incurred in connection therewith.

b. **Performance Requirements.** During the term of this Agreement Franchisee agrees that it must achieve the following performance requirements: by the end of the first three-month period following the Effective Date, Franchisee must reduce the Deficiency Gap (defined below) by a total of at least fifteen percent (15%); by the end of the second three-month period following the Effective Date, Franchisee must reduce the Deficiency Gap by a total of at least forty percent (40%); by the end of the third three-month period following the Effective Date, Franchisee must reduce the Deficiency Gap by a total of at least sixty-five percent (65%); and by the end of the term of this Agreement, Franchisee shall achieve an NOI of at least \$10,000. "**Deficiency Gap**" shall mean the difference between the Franchised Business' current NOI and \$10,000. For purposes of this Agreement: "**Net Ordinary Income**" or "**NOI**" shall mean Total Income minus Cost of Goods Sold minus Total Expenses; "**Total Income**" shall mean ordinary income from all sources; "**Cost of Goods Sold**" shall mean all costs including all transportation, labor, parts, discounts and fees; and "**Total Expenses**" shall mean administrative and overhead expenses before amortization, depreciation and royalty expenses. The foregoing definitions are subject to change in Franchisor's discretion, as set forth in the Confidential Operations Manual from time to time, provided that such definitions are in accordance with

prevailing accounting practices in the automotive service and repair industry. The parties acknowledge and agree that Franchisee's Deficiency Gap as of the Effective Date is \$ _____.

5. **Franchisor Duties.** Franchisor agrees to provide support, training and guidance, as it determines, in order to assist Franchisee in meeting the Minimum Performance Requirement during the term of this Agreement.

6. **Franchisor's Option to Purchase the Franchised Business.** In the event Franchisee fails to fully comply with Section 4 hereof, and this Agreement and the Franchise Agreement terminate, Franchisor, in addition to all other post termination contractual rights, may exercise its option to purchase the Franchised Business in accordance with Section 15.08 of the Franchise Agreement.

7. **Franchisee's Representations.** During the term of this Agreement, Franchisee covenants, represents and warrants that:

a. **Consent to Enter into Store In Distress Support Program.** Franchisee acknowledges and agrees that its execution of this Agreement and consent to enter into the Store In Distress Support Program has been voluntarily given and Franchisee has had the opportunity to consult with its legal counsel with respect to the same;

b. **Compliance with the Franchise Agreement.** Franchisee will comply with all provisions of the Franchise Agreement to the extent this Agreement does not explicitly supersede such Franchise Agreement;

c. **No Contest of Termination.** Franchisor has the right to terminate the Franchise Agreement. In the event the Franchise Agreement is terminated, Franchisee and Guarantor agree not to contest the effectiveness of such termination on any basis, including but not limited to Franchisor's failure to afford Franchisee any period to cure any alleged defaults under the Franchise Agreement;

d. **Standards.** Franchisee will operate its Christian Brothers Automotive franchise in accordance with the operating standards and guidelines established by Franchisor;

e. **Post-Termination Obligations.** In the event the Franchise Agreement is terminated, Franchisee will comply with all obligations after termination set forth in the Franchise Agreement;

f. **Legal Entity.** Franchisee is a legal entity duly formed and organized and validly existing under the laws of its jurisdiction of formation;

g. **Power to Contract.** Franchisee has all necessary organizational power to own and hold its property and assets and to carry on its business as presently conducted, and it is duly and properly qualified to carry on its business in those jurisdictions where qualification is necessary for the conduct of its business;

h. **Performance Authority.** Franchisee has all necessary legal power to enter into this Agreement and to perform its obligations hereunder and the execution and delivery of this Agreement and the completion of the transactions contemplated in this Agreement have been duly authorized by all necessary organizational actions on its part; and

i. **Legal Obligation.** This Agreement constitutes a legal, valid and binding obligation of Franchisee enforceable in accordance with its terms.

8. **Departure from System.** Franchisee agrees that upon termination of the Franchise Agreement, Franchisee and Guarantor shall remove themselves from the Christian Brothers Automotive System in all aspects and roles relating directly or indirectly to any part of the Christian Brothers Automotive franchise business, including, but not limited to, franchise owner, investor, manager, consultant or employee, unless Franchisee receives the prior written consent of Franchisor.

9. **Remedies on Breach.**

a. **Termination.** In the event Franchisee breaches this Agreement, Franchisor shall have the right to immediately terminate this Agreement and the Franchise Agreement.

b. **Injunctive Relief.** The parties agree and understand that any breach of this Agreement will result in irreparable harm to the other, for which monetary damages may be an inadequate remedy. In the enforcement of this Agreement or to remedy any breach, a party may seek injunctive or equitable relief without the necessity of proving irreparable harm or inadequate remedy at law and without the need to post a bond (other than its corporate bond without the need for a surety thereon). A request for injunctive relief does not foreclose Franchisor's ability to pursue other remedies, as provided hereunder or under applicable law.

c. **Fees.** In the event Franchisee breaches this Agreement, Franchisor shall be entitled to recovery of its reasonable costs, including attorney's fees incurred in connection with any litigation to enforce its rights hereunder.

10. **Assignment.** The parties agree that this Agreement between Franchisee and Franchisor is a result of the unique relationship between Franchisee and Franchisor. Franchisee may not assign any rights or obligations under this Agreement without the prior written consent of Franchisor.

11. **Confidentiality and Non-Disparagement.** Franchisee and Franchisor agree that the existence and terms of this Agreement, including the discussions leading thereto, shall be considered confidential and neither Franchisee nor Franchisor shall cause or permit the disclosure of any such information to a third party. In addition, Franchisee and Franchisor shall not, in any communications with the press or other media or any franchisee, customer, client or supplier of Franchisor, criticize, ridicule or make any statement which disparages or is derogatory of Franchisee or Franchisor, their affiliates or any of their respective employees, directors or officers.

12. **Release of Claims.** In consideration of the execution of this Agreement, Franchisee and Guarantor on behalf of (i) themselves, their affiliates and their respective officers, directors, shareholders, members, managers, agents, and employees, and the predecessors, successors, assigns, heirs, administrators and executors of it and any or all of them, (ii) all other persons acting on their behalf or claiming under them, and (iii) all entities in which Franchisee and/or Guarantor have or have had an ownership interest (collectively, the “**Releasing Parties**”), release and forever discharge Franchisor, its affiliates and their respective officers, directors, shareholders, members, managers, agents, and employees, and the predecessors, successors, assigns, heirs, administrators and executors of it and any or all of them (collectively, the “**Franchisor Parties**”) from any claims, debts, liabilities, demands, obligations, costs, expenses, actions, and causes of action, known and unknown, vested or contingent, which the Releasing Parties now have, have ever had, or may ever have, based on any transaction, event, or circumstance up to the Effective Date. Franchisee and Guarantor covenant, warrant, and agree that each is fully authorized to execute and perform this Agreement, and that each has the authority to bind the Releasing Parties to this Agreement as provided herein. Further, Franchisee and Guarantor, on behalf of themselves and the Releasing Parties, covenant not to sue any of the Franchisor Parties on any of the claims released hereunder. This Section 12 does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

13. **Governing Law; Dispute Resolution.** All questions concerning the validity, interpretation, performance, termination, breach, or threatened breach of this Agreement shall be governed by and decided in accordance with the statutory and common law of Texas (excluding Article 2 of the Uniform Commercial Code and laws and principles relating to the conflicts of law) and applicable federal laws. The parties hereto agree that all actions or proceedings arising in connection with this Agreement shall be tried and litigated in accordance with the dispute resolution provisions of the Franchise Agreement.

14. **Entire Agreement, Amendment, Waiver.** This Agreement and the Franchise Agreement constitute the entire agreement of the parties relating to this subject matter, and supersedes any prior or contemporaneous understandings, agreements or representations. No supplement, modification, amendment or waiver of this Agreement shall be binding unless executed in writing by both parties. No waiver of any of the provisions of this Agreement shall constitute a waiver of any other provision (whether or not similar) nor shall any such waiver constitute a continuing waiver unless otherwise expressly provided. Franchisor’s stay of the enforcement of the termination of the Franchise Agreement is not, and shall not be deemed to be,

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: *Christian Brothers Automotive Corporation*

Property: _____

a waiver of such termination or the right to enforce such termination following any termination of this Agreement.

15. **Severability.** In the event that any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had never been contained herein, unless the deletion of such provision or provisions would result in such a material change so as to cause completion of the transactions contemplated herein to be unreasonable.

16. **Acknowledgment.** This Agreement is not a promise by Franchisor that Franchisee will be able to sell its rights under the Agreements or obtain any specific sales price. Nor is this Agreement a promise by Franchisor that it will allow further extensions or other time for Franchisee to sell such rights. Franchisee further acknowledges that Franchisor has not made any representations or promises related to Franchisee's sale of such rights. The parties further agree that with regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence and failure to comply with such dates and time periods shall be a material breach of this Agreement.

17. **Counterparts; Signature.** This Agreement may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The parties hereto agree to accept facsimile or electronic signatures. This Agreement may be accepted by each of the parties signing a counterpart bearing the facsimile or electronically transmitted signature of the other party and transmitting the Agreement by telecopy or email. Signatures transmitted by facsimile and/or electronically transmitted signatures shall have the same force and effect as original signatures and shall serve as original signatures.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date first written above.

FRANCHISOR:
CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION

FRANCHISEE:

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

GUARANTOR:

Signature: _____
Name: _____

EXHIBIT "E" TO
FRANCHISE AGREEMENT

CONSENT TO ASSIGNMENT OF FRANCHISE AGREEMENT AND COMMERCIAL
SUB-LEASE AGREEMENT

See next page for start of Consent to Assignment of Franchise Agreement and Commercial Sub-Lease Agreement.

**CONSENT TO ASSIGNMENT OF
FRANCHISE AGREEMENT AND COMMERCIAL SUB-LEASE AGREEMENT**

This Consent to Assignment of Franchise Agreement and Commercial Sub-Lease Agreement (the "Agreement") is entered into effective as of _____ by and between _____, a _____ ("Franchisee"), _____, a _____ ("Buyer"), and CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION, a Texas corporation ("CBAC").

WHEREAS, Franchisee desires to sell its CBAC franchised business located at _____ (the "Franchised Business") to Buyer with a proposed closing date of _____ (the "Closing Date"); and

WHEREAS, in conjunction with Franchisee's sale of the Franchised Business to Buyer, Franchisee desires to assign and Buyer desires to assume the remaining terms of the Franchise Agreement by and between Franchisee and CBAC dated _____ (the "Franchise Agreement") and the Commercial Sub-Lease Agreement by and between Franchisee and CBAC dated _____ (the "Sub-Lease"); and

WHEREAS, pursuant to Section 13.02 of the Franchise Agreement, certain procedures must be followed by Franchisee to obtain CBAC's consent to Franchisee's transfer of the Franchised Business to Buyer; and

WHEREAS, pursuant to Section 11 of the Sub-Lease, CBAC must approve of Franchisee's assignment of the Sub-Lease; and

WHEREAS, the parties hereto desire to enter this Agreement to document Franchisee's and Buyer's actions, and CBAC's accompanying consents in accordance with the requirements of the Franchise Agreement and Sub-Lease; and

THEREFORE, for a Transfer Fee in the amount of \$30,000.00 paid by Franchisee to CBAC in accordance with Section 13.02 of the Franchise Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Franchisee and Buyer acknowledge and agree that CBAC has provided each with online access to a Pre-Close Tasks Sheet defining various tasks each party must complete prior to the Closing Date. CBAC's consent to the assignments defined herein is contingent upon Franchisee and Buyer completing all tasks assigned to them or their principals in the Pre-Close Tasks Sheet.
2. CBAC conducted an on-site audit on _____ (the "OSA") to assess the Franchised Business for CBAC brand standards and service readiness compliance. The report from such OSA has been provided to both Franchisee and Buyer. Franchisee and Buyer acknowledge and agree that CBAC's consent to the assignments defined herein is

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

contingent upon Buyer satisfactorily completing, prior to the Closing Date, all modifications, updates, replacements and/or repairs required by CBAC in the OSA report.

3. Subject to any items identified in the OSA report, CBAC hereby acknowledges that, to the best of CBAC's actual knowledge, Franchisee has fully complied with all its obligations to CBAC under the Franchise Agreement, Sub-Lease, and any other agreements by and between Franchisee and CBAC.
4. Franchisee and Buyer acknowledge and agree that CBAC's consent to the assignments defined herein is contingent upon Buyer satisfactorily completing, prior to the Closing Date, all pre-closing training required by CBAC.
5. Buyer acknowledges and agrees that CBAC has disclosed Buyer with its current form of Franchise Disclosure Document ("FDD"), which FDD includes the current form of Franchise Agreement and Commercial Sub-Lease Agreement offered by CBAC.
6. Franchisee, Buyer and CBAC hereby agree to execute an Assignment and Assumption of Franchise Agreement in the form attached hereto as Exhibit "A" whereby Franchisee will assign and Buyer will assume the remaining terms of the Franchise Agreement and _____ shall be the Principal Operator. CBAC's consent to this assignment is contingent upon Buyer entering into a Restated Franchise Agreement in the form and on the terms and conditions currently being offered by CBAC, which form is included in the FDD, except that Buyer shall not be obligated to pay another Initial Franchise Fee and the Restated Franchise Agreement shall be modified to reflect Buyer is purchasing an existing business as opposed to a new location. In the event Buyer has paid a deposit to CBAC towards the Initial Franchise Fee, such deposit shall be returned to Buyer. CBAC shall provide Buyer a draft of the Restated Franchise Agreement redlined against the blank form included in the FDD, in accordance with all requirements of the FTC Rule. The Assignment and Assumption of Franchise Agreement and Restated Franchise Agreement shall each be dated effective as of the Closing Date.
7. Franchisee, Buyer and CBAC hereby agree to execute an Assignment and Assumption of Commercial Sub-Lease Agreement in the form attached hereto as Exhibit "B" whereby Franchisee will assign and Buyer will assume the remaining terms of the Sub-Lease. CBAC's consent to this assignment is contingent upon Buyer entering into a Restated Commercial Sub-Lease Agreement in the form and on the terms and conditions currently being offered by CBAC, which form is included in the FDD. CBAC shall provide Buyer a draft of the Restated Commercial Sub-Lease Agreement redlined against the blank form included in the FDD, in accordance with all requirements of the FTC Rule. Rent under the Sub-Lease shall be \$ _____ and will increase by 1.5% annually beginning _____ and on each one year anniversary thereafter. The Assignment and Assumption of Commercial Sub-Lease Agreement and Restated Commercial Sub-Lease Agreement shall each be dated effective as of the Closing Date.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: *Christian Brothers Automotive Corporation*

Property: _____

8. On or before the Closing Date, Franchisee agrees to pay a Transaction Fee to CBAC in the amount of \$ _____, as required by the Transaction Fee Agreement dated _____ by and between Franchisee and CBAC. CBAC acknowledges it has received a down payment towards the Transaction Fee in the amount of \$ _____. The remaining \$ _____ of the Transaction Fee must be paid to CBAC no later than the Closing Date.
9. Buyer acknowledges and agrees that the debt service obligations related to its acquisition loan for the purchase of the Franchised Business may not be an Approved Expense Item as defined in the Restated Franchise Agreement. Specifically, CBAC will only consider the following payments to be Approved Expense Items:

Months of Loan	Payment Amount	Approved Expense	Unapproved Expense
		\$0.00	

Accordingly, Buyer agrees to execute an Acknowledgement of Unapproved and Unshared Expenses agreement outlining Buyer's obligations to pay additional royalties to CBAC based upon Buyer's estimated debt repayment obligations, a draft of which will be provided by CBAC to Buyer. Buyer further acknowledges that the precise amounts for approved and unapproved expenses is contingent upon the final loan amount, which may not be determined until a later date. Buyer shall be responsible for paying additional royalties to CBAC based on the final loan amount. CBAC's approval of the assignments defined herein is expressly contingent upon Buyer executing such letter on or prior to the Closing Date.

10. Franchisee, Buyer and CBAC agree that the agreements and consents of Franchisee, Buyer and CBAC contained herein are made in reliance upon each of the other parties' promises and agreements, and consequently, the failure of a party to perform any of its obligations hereunder shall constitute grounds for the other parties hereto to not be obligated to continue to perform any of its obligations that have not yet been performed and CBAC may withdraw its consents to the assignments defined herein.
11. This Agreement shall be construed and enforced in accordance with the laws of the State of Texas, without regard to its choice of law provisions. Any dispute arising out of this Agreement shall be resolved pursuant to the dispute resolution procedures defined in Section 24 of the Franchise Agreement or Restated Franchise Agreement (as the case may be).
12. If any provision of this Agreement or its application to any person or circumstance shall be determined by any court of competent jurisdiction or arbitration panel to be invalid and/or unenforceable to any extent, the remainder of this Agreement and the application of such provision to any person or circumstance other than those as to which it is so determined invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be valid and shall be enforced to the fullest extent permitted by law.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK.
SIGNATURE PAGE AND EXHIBITS TO FOLLOW.**

Franchise Agreement (Ver 04-15-2024)
Franchisee: _____
Franchisor: Christian Brothers Automotive Corporation
Property: _____

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.

FRANCHISEE

A _____

By: _____ Date
_____, _____

BUYER

A _____

By: _____ Date
_____, _____

CBAC

CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION

A Texas Corporation

By: _____ Date
Don Carr, President

Exhibit A
Assignment and Assumption of Franchise Agreement

[see attached]

ASSIGNMENT AND ASSUMPTION OF FRANCHISE AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION OF FRACHISE AGREEMENT (this “Agreement”) is made and entered into as of _____ (the “Effective Date”), by and between _____, a _____ formed in the State of _____ (“Assignor”), and _____, a _____ formed in the State of _____ (“Assignee”).

RECITALS:

WHEREAS, Assignor entered into that certain franchise agreement dated _____ (the “Franchise Agreement”) with Christian Brothers Automotive Corporation (“CBAC”), as Franchisor (as defined in the Franchise Agreement) and Assignor, as Franchisee (as defined in the Franchise Agreement); and

WHEREAS, Assignor and Assignee have requested that CBAC approve Assignor’s assignment to Assignee of all of Assignor’s rights, titles and interests in and to the Assigned Interest (as defined below); and

WHEREAS, CBAC has agreed to consent to such assignment contingent upon (i) Assignee’s agreement to assume the liabilities, duties and obligations of Assignor under the Franchise Agreement and related to the Assigned Interest, (ii) Assignor and Assignee’s compliance with all the terms, conditions and terms of this Agreement, and (iii) Assignee’s agreement to enter into a Restated Franchise Agreement with CBAC.

AGREEMENT:

NOW, THEREFORE, for good and valuable consideration, including without limitation the covenants and agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Assignment and Assumption.** Assignor does hereby SELL, ASSIGN, TRANSFER and DELIVER to, and vest in, Assignee, to the extent permitted by law, all its right, title and interest in and to the Assigned Interest. Assignee hereby assumes complete and absolute responsibility and liability for all the Assumed Liabilities (as defined below). All Assignor’s liabilities, duties and obligations arising directly or indirectly in connection with and/or related to the Assigned Interest will be collectively referred to from time to time as the “Assumed Liabilities.” All Assignor’s rights, titles and interests in and under the Franchise Agreement and/or the other documents and agreements entered into or to be entered into in connection with the Franchise Agreement will be collectively referred to from time to time as the “Assigned Interest.” This assignment is made for good and valuable consideration, is coupled with an interest, and is therefore irrevocable.

Assignor and Assignee acknowledge and agree that CBAC would not consent to this assignment of the Assigned Interest unless and until the Assignee assumes all of the Assumed Liabilities without any reservation or limitation. Assignor hereby represents and warrants that it

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

is the owner of the Assigned Interests, free and clear of all liens and encumbrances. Assignee hereby assumes complete and absolute responsibility for the payment, performance and satisfaction of the Assumed Liabilities.

2. **Consent by CBAC.** CBAC hereby consents to the assignment from Assignor to Assignee as provided in this Agreement contingent upon the Assignor's and Assignee's execution and delivery of this Agreement together with any other documents or agreements requested by CBAC in connection with this Assignment, the Franchise Agreement and/or CBAC's relationship with Assignor and Assignee.

3. **Release of Assignor and CBAC.** Upon the assignment of the Franchise Agreement, CBAC and Assignor will be released from their obligations and duties under the Franchise Agreement except for any Continuing Obligations. "Continuing Obligations" shall include any obligations intended by CBAC and Assignor to survive the termination of the Franchise Agreement, including, but not limited to Articles 5, 6, 7, 15, 16, 21, 23 and 24 of the Franchise Agreement. With the exception of the Continuing Obligations, CBAC and Assignor hereby release, relinquish, discharge and waive any and all claims, demands, actions, causes of actions, suits, debts, costs, dues, sums of money, accounts, covenants, contracts, controversies, agreements, promises, trespasses, damages, judgments, executions, expenses and liabilities whatsoever, known or unknown, at law or in equity, irrespective of whether such arise out of contract, tort, violation of laws or regulations or otherwise, which the parties (and their respective successors, assigns, legal representatives, heirs, executors or administrators) ever had, now have or hereafter can, may or shall have against the other parties or their officers, directors, employees, representatives, agents, trustees, shareholders, partners, members, contractors, advisors, attorneys, subsidiaries, affiliates, predecessors, successors or assigns by reason of any matter, cause or thing whatsoever now existing or hereafter arising and including anything arising out of, relating to, or in connection with, the Franchise Agreement, or the transactions contemplated hereunder, whether known or unknown as of the date hereof. CBAC and Assignor agree to indemnify, defend and hold each other harmless and do hereby defend and hold each other harmless from any liabilities, obligations, claims, costs and/or expenses that arise in connection with or related to any claim, whether now existing or hereafter arising against the other parties that are based in whole or in part on that party's actions or failure to act where a duty to act is owed. Each party's obligation to indemnify, defend and hold harmless any other party pursuant to this provision is not in any way limited by the amount of insurance such party may have to cover such obligation to indemnify, defend and hold harmless. This Section 3 does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

4. **General Provisions.**

4.1 **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their successors and assigns.

4.2 **Capitalized Terms.** Capitalized terms not defined herein shall have the same meanings ascribed to them in the Franchise Agreement.

4.3 **Counterparts; Governing Law.** This Agreement may be executed and delivered (including by facsimile or Portable Document Format (pdf) transmission) in any number of

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

counterparts with the same effect as if all signatories had signed the same document. The parties shall be entitled to sign this Agreement electronically or digitally and transmit electronic or digital copies of this Agreement (whether by facsimile, PDF or other email or electronic transmission), whereby such electronic signatures shall be binding on the party whose name is contained therein. Each counterpart shall be deemed an original but all counterparts shall be construed together to constitute one and the same instrument. This Agreement shall be governed by the laws of the State of Texas.

4.4 Further Assurances. Assignor and Assignee each agree to take all such further action and execute such further documents as may be reasonably necessary or advisable to perfect Assignee's right, title and interest to and in the Assigned Interests and to otherwise carry out the provisions of this Agreement.

4.5 Rule of Construction. The parties hereto hereby acknowledge that each of the parties and their counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

4.6 Dispute Resolution. If a dispute, controversy or claim arises between the parties, including without limitation any dispute, controversy or claim that arises out of or relates to this Agreement or any other agreement or instrument between or among any of the parties to this Agreement (collectively the "parties"), or the breach, termination or invalidity of the Agreement or any such other agreement or instrument, AND including but not limited to a claim based on or arising out of a claim for tortious interference or other tortious or statutory claims arising before, during or after termination of the Agreement (all of the foregoing shall be collectively referred to as "Dispute"), the parties agree to resolve the Dispute by binding arbitration pursuant to the Dispute Resolution Agreement set out in the Franchise Agreement.

4.7 Effective Date. The parties acknowledge and agree that this Agreement shall only become effective on the Effective Date of this Agreement, regardless of when this Agreement is executed by the parties hereto.

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK.
SIGNATURE PAGE TO FOLLOW.**

IN WITNESS WHEREOF, Assignor and Assignee have executed this Agreement by and through the duly authorized representatives, to be effective on the Effective Date.

ASSIGNEE:

By: _____
_____, _____

ASSIGNOR:

By: _____
_____, _____

EXECUTED FOR THE SOLE PURPOSE OF CONSENTING TO THE ASSIGNMENT AND ASSUMPTION PURSUANT TO THE TERMS OF THIS AGREEMENT:

FRANCHISOR:

CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION

By: _____
Don Carr, President

Exhibit B
Assignment and Assumption of Commercial Sub-Lease Agreement

[see attached]

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

**ASSIGNMENT AND ASSUMPTION OF
COMMERCIAL SUB-LEASE AGREEMENT**

THIS ASSIGNMENT AND ASSUMPTION OF COMMERCIAL SUB-LEASE AGREEMENT (this "Agreement") is made and entered into as of _____ (the "Effective Date"), by and between _____, a _____ formed in the State of _____ ("Assignor") and _____, a _____ formed in the State of _____ ("Assignee").

RECITALS:

WHEREAS, Assignor entered into that certain commercial sub-lease agreement dated _____ (the "Sub-Lease") with Christian Brothers Automotive Corporation ("CBAC"), as Lessor and Assignor, as Tenant (as those terms are defined in the Sub-Lease); and

WHEREAS, Assignor and Assignee have requested that CBAC approve Assignor's assignment to Assignee of all of Assignor's rights, titles and interests in and to the Assigned Interest (as defined below); and

WHEREAS, CBAC has agreed to consent to such assignment contingent upon (i) Assignee's agreement to assume the liabilities, duties and obligations of Assignor under the Sub-Lease and related to the Assigned Interest, (ii) Assignor and Assignee's compliance with all of the terms, conditions and terms of this Agreement, and (iii) Assignee's agreement to enter into a Restated Commercial Sub-Lease Agreement with CBAC.

AGREEMENT:

NOW, THEREFORE, for good and valuable consideration, including without limitation the covenants and agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

5. **Assignment and Assumption.** Assignor does hereby SELL, ASSIGN, TRANSFER and DELIVER to, and vest in, Assignee, to the extent permitted by law, all its right, title and interest in and to the Assigned Interest. Assignee hereby assumes complete and absolute responsibility and liability for all the Assumed Liabilities (as defined below). All Assignor's liabilities, duties and obligations arising directly or indirectly in connection with and/or related to the Assigned Interest will be collectively referred to from time to time as the "Assumed Liabilities." All Assignor's rights, titles and interests in and under the Sub-Lease and/or the other documents and agreements entered into or to be entered into in connection the Sub-Lease, if any, will be collectively referred to from time to time as the "Assigned Interest." This assignment is made for good and valuable consideration, is coupled with an interest, and is therefore irrevocable.

Assignor and Assignee acknowledge and agree that CBAC would not consent to this assignment of the Assigned Interest unless and until the Assignee assumes all the Assumed Liabilities without any reservation or limitation. Assignor hereby represents and warrants that it is the owner of the Assigned Interests, free and clear of all liens and encumbrances. Assignee

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

hereby assumes complete and absolute responsibility for the payment, performance and satisfaction of the Assumed Liabilities.

6. **Consent by CBAC.** CBAC hereby consents to the assignment from Assignor to Assignee as provided in this Agreement contingent upon the Assignor's and Assignee's execution and delivery of this Agreement together with any other documents or agreements requested by CBAC in connection with this Agreement.

7. **Release of Assignor and CBAC.** Upon the assignment of the Sub-Lease, CBAC and Assignor will be released from their obligations and duties under the Sub-Lease. CBAC and Assignor hereby release, relinquish, discharge and waive any and all claims, demands, actions, causes of actions, suits, debts, costs, dues, sums of money, accounts, covenants, contracts, controversies, agreements, promises, trespasses, damages, judgments, executions, expenses and liabilities whatsoever, known or unknown, at law or in equity, irrespective of whether such arise out of contract, tort, violation of laws or regulations or otherwise, which the parties (and their respective successors, assigns, legal representatives, heirs, executors or administrators) ever had, now have or hereafter can, may or shall have against the other parties or their officers, directors, employees, representatives, agents, trustees, shareholders, partners, members, contractors, advisors, attorneys, subsidiaries, affiliates, predecessors, successors or assigns by reason of any matter, cause or thing whatsoever now existing or hereafter arising and including anything arising out of, relating to, or in connection with, the Sub-Lease, or the transactions contemplated hereunder, whether known or unknown as of the date hereof. CBAC and Assignor agree to indemnify, defend and hold each other harmless and do hereby defend and hold each other harmless from any liabilities, obligations, claims, costs and/or expenses that arise in connection with or related to any claim, whether now existing or hereafter arising against the other parties that are based in whole or in part on that party's actions or failure to act where a duty to act is owed. Each party's obligation to indemnify, defend and hold harmless any other party pursuant to this provision is not in any way limited by the amount of insurance such party may have to cover such obligation to indemnify, defend and hold harmless.

8. **General Provisions.**

8.1 **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their successors and assigns.

8.2 **Capitalized Terms.** Capitalized terms not defined herein shall have the same meanings ascribed to them in the Sub-Lease.

8.3 **Counterparts; Governing Law.** This Agreement may be executed and delivered (including by facsimile or Portable Document Format (pdf) transmission) in any number of counterparts with the same effect as if all signatories had signed the same document. The parties shall be entitled to sign this Agreement electronically or digitally and transmit electronic or digital copies of this Agreement (whether by facsimile, PDF or other email or electronic transmission), whereby such electronic signatures shall be binding on the party whose name is contained therein. Each counterpart shall be deemed an original but all counterparts shall be construed together to constitute one and the same instrument. This Agreement shall be governed by the laws of the State of Texas.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

8.4 Further Assurances. Assignor and Assignee each agree to take all such further action and execute such further documents as may be reasonably necessary or advisable to perfect Assignee's right, title and interest to and in the Assigned Interests and to otherwise carry out the provisions of this Agreement.

8.5 Rule of Construction. The parties hereto hereby acknowledge that each of the parties and their counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

8.6 Dispute Resolution. If a dispute, controversy or claim arises between the parties, including without limitation any dispute, controversy or claim that arises out of or relates to this Agreement or any other agreement or instrument between or among any of the parties to this Agreement (collectively the "parties"), or the breach, termination or invalidity of the Agreement or any such other agreement or instrument, AND including but not limited to a claim based on or arising out of a claim for tortious interference or other tortious or statutory claims arising before, during or after termination of the Agreement (all of the foregoing shall be collectively referred to as "Dispute"), the parties agree to resolve the Dispute by binding arbitration pursuant to the Dispute Resolution Agreement set out in the Sub-Lease.

8.7 Effective Date. The parties acknowledge and agree that this Agreement shall only become effective on the Effective Date of this Agreement, regardless of when this Agreement is executed by the parties hereto.

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK.
SIGNATURE PAGE TO FOLLOW**

IN WITNESS WHEREOF, Assignor and Assignee have executed this Agreement by and through the duly authorized representatives, to be effective on the Effective Date.

ASSIGNEE:

By: _____
_____, _____

ASSIGNOR:

By: _____
_____, _____

EXECUTED FOR THE SOLE PURPOSE OF CONSENTING TO THE ASSIGNMENT AND ASSUMPTION PURSUANT TO THE TERMS OF THIS AGREEMENT:

FRANCHISOR:

CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION

By: _____
Don Carr, President

EXHIBIT "F" TO
FRANCHISE AGREEMENT
TRANSACTION FEE AGREEMENT

See next page for start of Transaction Fee Agreement.

TRANSACTION FEE AGREEMENT

THIS TRANSACTION FEE AGREEMENT (this “**Agreement**”) is made and entered into as of _____ (the “**Effective Date**”), by and among _____ (hereinafter “**you**” or “**Franchisee**”) and Christian Brothers Automotive Corporation, a Texas corporation (hereinafter “**we,**” “**us,**” or “**CBAC**”).

INTRODUCTION

WHEREAS, we and you are parties to that certain “Franchise Agreement” dated on or about _____ (“**Franchise Agreement**”), pursuant to which you were granted the license to develop and operate a Christian Brothers Automotive business (the “**Business**”) located at _____;

WHEREAS, you have developed and are now operating such Business; and

WHEREAS, you wish to sell the Business to a CBAC-approved buyer, and engage us to assist in locating a potential buyer.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **CBAC Sales Assistance.** In return for the Transaction Fee (as defined below) we agree to use commercially reasonable efforts to locate and/or assist you in locating a buyer. Our efforts may consist of some or all of the following, but our efforts are not necessarily limited to such:

- a. List the business on our national franchise site as an available opportunity.
- b. Market the business to our existing database.
- c. Provide a Seller’s Manual to provide assistance in marketing and selling your business.
- d. List your business on certain websites such as www.BizBuySell.com.
- e. Inform and educate existing candidates on the opportunity.
- f. Market the business through local Chambers of Commerce.

2. **No Warranties or Guarantees.** We make no warranties or guarantees that we will be able to locate a qualified buyer, that you will be able to sell the Business for the desired amount, or that any potential buyer will satisfactorily complete CBAC training, qualify for financing or consummate a sale. We will have no liability to you if we are unable to locate a qualified buyer or if you are unable to locate a qualified buyer based on our assistance. Any attempt by us to locate a buyer shall not relieve you of any obligation to locate a buyer yourself. We reserve the right to

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

approve any buyer or subsequent franchisee in our sole discretion pursuant to the terms of the Franchise Agreement and our brand standards for ownership of a CBA franchise.

3. **Transaction Fee.** Pursuant to the CBAC Franchise Resale Manual, and subject to the contingencies herein, you agree to pay us a non-refundable deposit of the greater of \$10,000.00 or 1% of the listed price of the Business (the “**Deposit**”) at the time you sign this Agreement. In the event that we are able to locate or provide assistance to you in locating a buyer who is not currently an operating CBAC franchisee, you will be responsible for paying us a transaction fee equal to the greater of 7% of the gross value of the business transaction (as defined below) or \$50,000 (the “**Transaction Fee**”). The Transaction Fee is earned and payable upon closing of the sale transaction between you and the buyer, and is in addition to the transfer fee (and any other fees) due and payable to us under the terms of the Franchise Agreement. The Deposit will be applied to the Transaction Fee at the closing of the transaction. For purposes of this Agreement, we will have located or assisted you in locating a buyer if the buyer resulted from a lead generated directly or indirectly by us or by anyone other than you. This would include, but not be limited to, a buyer already engaged or intending to be engaged in our franchisee application or discovery process for a different CBAC location, or a candidate introduced to us by another franchisee or anyone other than you. However, if you recommended the buyer contact us about the opportunity to purchase your business, you would not owe the Transaction Fee. If there is any dispute as to whether or not (i) we were responsible for locating a buyer, or (ii) that the assistance we provided to you resulted in you locating a buyer, there shall be a rebuttable presumption that we did locate the buyer or our assistance did result in you locating the buyer, as the case may be. The burden will then be yours to demonstrate our efforts did not result in the location of the buyer. The “**gross value of the business transaction**” shall mean the gross value of the tangible and intangible assets acquired by the buyer. In the event an entity owned by CBAC or CBA Transition Holdings, LLC purchases your Business, you must pay CBAC a Transaction Fee of (A) the greater of 3.5% of the gross value of the business transaction or \$25,000.00 if no suitable candidate is located to attend a CBAC Discovery Day, or (B) the greater of 7% of the gross value of the business transaction or \$50,000.00 if a suitable candidate is located, such candidate attends Discovery Day, but is rejected as a candidate by CBAC.

4. **Term.** This Agreement shall commence on the Effective Date and unless extended by mutual written agreement of the parties shall automatically end (without any further action) on the earlier of (i) the closing of a sale of the Business to a buyer acceptable to you and us, (ii) notice from you that you have decided against the sale of the Business or (iii) notice from us that we have decided to terminate our efforts to assist you in locating a buyer. In the event we terminate this agreement pursuant to subpart (iii) of this section, we will provide an explanation in writing as to why we are terminating our efforts to assist you in finding a buyer.

5. **Related Agreements.** Prior to or at the closing of the sale of the Business as contemplated herein, you agree to execute all related agreements in the forms prescribed by us, and comply with all applicable assignment and transfer provisions and conditions set forth in the Franchise Agreement and the CBAC Confidential Operations Manual, including the CBAC Franchise Resale Manual.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

6. **Confidentiality.** You and we agree to keep confidential the terms of this Agreement and the terms of any Purchase/Sale Agreement, and further agree not to disclose such Agreements or their terms to any person except upon order by a court of competent jurisdiction, or as may be necessary to enforce respective rights under this Agreement, or as required by law. In addition, you and we agree not to make any disparaging or derogatory statements about the other party to this Agreement and may state only that this matter has been resolved on a basis satisfactory to all concerned.

7. **Release.** In consideration of the execution of this Agreement, you, for yourself and your affiliates, and for your and their respective officers, directors, shareholders, members, managers, agents, and employees, and the predecessors, successors, assigns, heirs, administrators and executors of you and any or all of them (collectively, the “**Releasing Parties**”), release and forever discharge us, our affiliates and our and their respective officers, directors, shareholders, members, managers, agents, and employees, and the predecessors, successors, assigns, heirs, administrators and executors of us and any or all of them (collectively, the “**Released Parties**”) from and against any and all obligations, debts, liabilities, demands, claims, actions, causes of action, losses, and damages (actual, consequential, multiplied, exemplary, enhanced, punitive, or otherwise), of any nature or kind, contingent or fixed, known or unknown, at law or in equity or otherwise (collectively “**Claims**”), which arise out of or are related to the sale of your Business, including any Claims arising out of or related to CBAC’s ability or inability to locate a buyer or failure or refusal to approve any buyer that is located by you or us. You, on behalf of yourself and on behalf of the other Releasing Parties, further covenant that you and they have not assigned any such claims to any individual or entity who is not bound by the foregoing. This Section 7 does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

8. **Miscellaneous.**

(a) **Amendments.** No amendment or variation of the terms of this Agreement or the Franchise Agreement shall be valid unless made in writing and signed by the parties hereto.

(b) **Reaffirmation of Franchise Agreement.** Except as amended or modified herein, all of the terms, conditions and covenants of the Franchise Agreement shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copied herein in full. If there is a conflict between the terms of the Franchise Agreement and this Agreement, the terms of the Franchise Agreement shall control.

(c) **Notice.** Notice requirements shall be governed by the Franchise Agreement.

(d) **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, administrators, successors and permitted assigns. We may transfer, assign or subcontract any of our rights and/or obligations under this Agreement without your prior written consent. Neither this Agreement nor any of your rights or obligations, may be assigned, transferred or subcontracted in whole or in part except with our written consent.

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: *Christian Brothers Automotive Corporation*

Property: _____

(e) Choice of Law. This Agreement shall be construed and interpreted in under and in accordance with the laws of the State of Texas.

(f) Severability. If any provision of this Agreement or application to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or circumstances, other than those as to which it is so determined invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be valid and shall be enforced to the fullest extent permitted by law.

(g) Captions. The captions in this Agreement are solely for the convenience and for the purpose of referencing sections, in no way do the captions define, limit, describe or construe the contents of such sections or the intent or scope of this Agreement or any part thereof.

(h) Counterparts. This Agreement may be executed in several counterparts, each of which shall constitute an original, but all of which shall be taken together and shall constitute one and the same agreement. Facsimile transmission of any signed original document and the retransmission of any signed facsimile transmission, shall be the same as delivery of the original signed document.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this TRANSACTION FEE AGREEMENT as of the date first written above.

CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION:

By: _____
Don Carr, President

FRANCHISEE:

By: _____
Name:
Title:

[Name]

[Name]

**EXHIBIT “G” TO
FRANCHISE AGREEMENT**

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

See next page for start of Franchisee Disclosure Acknowledgment Statement.

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

Do not sign the Acknowledgment Statement if you are a resident of Maryland or the business is to be operated in Maryland.

As you know, Christian Brothers Automotive Corporation (the “**Franchisor**”) and you are preparing to enter into a franchise agreement (the “**Franchise Agreement**”) for the establishment and operation of a Christian Brothers Automotive Corporation franchise (“**CBAC franchise**”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor (“**Broker**”) that have not been authorized, or that were not disclosed in the Franchise Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor. This acknowledgment does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

In the event that you are intending to purchase an existing CBAC franchise from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing CBAC franchise from an existing Franchisee?

Yes _____ No _____

2. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

4. Have you received and personally reviewed the Franchisor’s Franchise Disclosure Document (“**Disclosure Document**”) that was provided to you?

Yes _____ No _____

5. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

6. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

7. Have you discussed the benefits and risks of establishing and operating a CBAC franchise with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

8. Do you understand that the success or failure of your CBAC franchise will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

9. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular CBAC franchise operated by the Franchisor or its franchisees (or of any

group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating a CBAC franchise that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue a CBAC franchise will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating a CBAC franchise that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a CBAC franchise?

Yes _____ No _____

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes _____ No _____

15. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

16. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: Christian Brothers Automotive Corporation

Property: _____

Yes _____ No _____

17. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? _____

If you have answered No to question 8, or Yes to any one of questions 9-16, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 8, and No to each of questions 9-16, please leave the following lines blank.

I signed the Franchise Agreement and Addendum (if any) on _____, 20____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

The name of the salesperson or salespersons that handled this franchise sale was:

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

Franchise Agreement (Ver 04-15-2024)

Franchisee: _____

Franchisor: *Christian Brothers Automotive Corporation*

Property: _____

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

D. 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.

Acknowledged this _____ day of _____, 20_____.

INDIVIDUAL

CORPORATION, LIMITED LIABILITY
COMPANY OR PARTNERSHIP

Signature
Print Name: _____

Print Name of Legal Entity

Signature
Print Name: _____

By: _____
Signature
Print Name: _____
Title: _____

EXHIBIT C
TABLE OF CONTENTS OF CONFIDENTIAL OPERATIONS MANUAL

Attached as Exhibit C is the Table of Contents of CBAC’s Confidential Operations Manual, which is an online Manual. The total number of web pages in this Manual is 450.

1 Introduction to the Manual

- 1.1 Welcome Letter**
- 1.2 History of the Company**
- 1.3 Who to Call**
- 1.4 Manual Organization**
- 1.5 Ownership of the Manual**
- 1.6 Purpose of this Manual**
- 1.7 Importance of Confidentiality**
- 1.8 Keeping the Manual Current**
- 1.10 Disclaimer**

2 World Class Culture

- 2.1 Mission**
- 2.2 Vision**
 - 2.2.1 The Hedgehog Concept
- 2.3 Values & Stewardship**
 - 2.3.1 Core Values and Culture Commitments
- 2.4 CBA Franchising Business Model**
 - 2.4.1 Franchising Definition
 - 2.4.2 Unified Thinking
 - 2.4.3 Building Brand Loyalty
 - 2.4.4 Guest Centricity
 - 2.4.5 Purpose of CBA Franchise Business
- 2.5 Goal Setting and Business Planning**
- 2.6 Cornerstones of Excellence (RPMS)**
 - 2.6.1 Relationships Cornerstone
 - 2.6.2 Profitability Cornerstone
 - 2.6.3 Marketing Cornerstone
 - 2.6.4 Service Experience Cornerstone

3 Store Operations

- 3.1 Introduction & Purpose**
- 3.2 Policy & Expectations**
 - 3.2.1 Who We Are
 - 3.2.1.1 Clean & Inviting Environment
 - 3.2.1.2 Polite & Courteous Staff
 - 3.2.1.3 Friendly & Upbeat Greeting
 - 3.2.1.4 Honesty & Integrity
 - 3.2.1.5 When Bad Things Happen
 - 3.2.1.6 Truth in Recommendations
 - 3.2.2 How We Operate
 - 3.2.2.1 Hours & Days of Operation
 - 3.2.2.2 The Receiving Process
 - 3.2.2.3 Recording Accurate Information

- 3.2.2.4 Asking for Email
- 3.2.2.5 Asking Inquiry Questions
- 3.2.2.6 The Approval Policy
- 3.2.2.7 The Test Drive Policy
- 3.2.2.8 Consistent Guest Communications
- 3.2.2.9 Excellence in the Little Things
- 3.2.3 What We Provide
 - 3.2.3.1 Simple, Understandable Recommendations
 - 3.2.3.2 Courtesy Shuttle
 - 3.2.3.3 Courtesy Inspections
 - 3.2.3.4 Highest Quality Parts
 - 3.2.3.5 Knowledgeable & Experienced Technicians
 - 3.2.3.6 Direct Access to the Franchise Owner
 - 3.2.3.7 Nice Difference Warranty
 - 3.2.3.8 Inter-Company Warranty
- 3.2.4 How We Provide It (Required Tools)
 - 3.2.4.1 Shop Management System (SMS)
 - 3.2.4.2 Digital Vehicle Inspections (DVI) & Workflow Management (WFM)
 - 3.2.4.3 Automotive System Animation & Guest Education Tool
 - 3.2.4.4 Online Training Learning Management System (LMS)
 - 3.2.4.5 PCI DSS Compliance Tool
 - 3.2.4.6 Data & Information Ownership

3.3 Operating Procedures

- 3.3.1 External (Guest Related) Procedures
 - 3.3.1.1 Managing Expectations
 - 3.3.1.2 Guest Complaints
 - 3.3.1.3 Comebacks (No Fault & At-Fault)
 - 3.3.1.4 Pinch Situations
 - 3.3.1.5 Payment for Service
 - 3.3.1.6 Early Payments
 - 3.3.1.7 Fleet Guests
 - 3.3.1.8 Warranty Co./Payment Service/Insurance Co
 - 3.3.1.9 Price Shoppers & Phone Quotes
 - 3.3.1.10 Outsourcing Labor (Sublets)
 - 3.3.1.11 Guests Who Wait
 - 3.3.1.12 Buying Time with a Guest
- 3.3.2 Internal (Staff, CBA-Related) Procedures
 - 3.3.2.1 Pricing
 - 3.3.2.2 Labor
 - 3.3.2.3 Sublet
 - 3.3.2.4 Unpaid Repair Orders & Accounts Receivable Balances
 - 3.3.2.5 Bounced Checks (NSF Fees)
 - 3.3.2.6 Excess Vehicle Workload
 - 3.3.2.7 Employee Problems
 - 3.3.2.8 Lack of Staff
 - 3.3.2.9 Terminating Employees
 - 3.3.2.10 Employee Family Member's Vehicle Repair
 - 3.3.2.11 Bartering
 - 3.3.2.12 Opening & Closing
 - 3.3.2.12.1 Opening Procedures
 - 3.3.2.12.2 Closing Procedures

- 3.3.2.13 The CBA Workflow Process
 - 3.3.2.13.1 Greeting
 - 3.3.2.13.2 Receiving
 - 3.3.2.13.3 Dispatching
 - 3.3.2.13.4 Estimating
 - 3.3.2.13.5 Approval
 - 3.3.2.13.5.1 The Five Step Sales Process
 - 3.3.2.13.6 Repair
 - 3.3.2.13.7 Finishing
 - 3.3.2.13.8 Finalizing
 - 3.3.2.13.9 Follow Up

4 Recordkeeping & Reporting

4.1 Introduction & Purpose

4.2 Policy & Expectation

- 4.2.1 General
- 4.2.2 Accuracy of Records
- 4.2.3 Timeliness of Entries
- 4.2.4 Traceability of Transactions
- 4.2.5 Accounting Services
- 4.2.6 Owner Services (optional)
- 4.2.7 Automatic Debits
- 4.2.8 Company Credit Card Usage
- 4.2.9 Required Tools
 - 4.2.9.1 Accounting Software
 - 4.2.9.2 SMS Connector
 - 4.2.9.3 Payroll Processing

4.3 Procedures

- 4.3.1 Daily
- 4.3.2 Weekly
- 4.3.3 Bi-Weekly
- 4.3.4 Monthly
- 4.3.5 Quarterly
- 4.3.6 Yearly
- 4.3.7 Year-End Tax Planning

4.4 References

4.5 Reporting Troubleshooting

5 Human Resources

5.1 Introduction & Purpose

5.2 Employment Law Basics

- 5.2.1 Employee Rights/Employer Responsibilities
- 5.2.2 Federal Regulations on Employment Relationships
- 5.2.3 State Employment Laws
- 5.2.4 Federal Standards
- 5.2.5 State OSHA Programs

5.3 CBA Staffing Policies

5.4 Preparing to Hire Your First Employees

5.5 Job Responsibilities & Ideal Employee Profiles

- 5.5.1 Responsibilities
- 5.5.2 Profiles of Ideal Employees

5.6 Finding Qualified Staff

- 5.6.1 Sources of Employee Candidates
- 5.6.2 Job Advertisements
- 5.6.3 No Requirement to Advertise Open Positions
- 5.7 Job Applications**
 - 5.7.1 Application Form
 - 5.7.2 Confidentiality of Applications
- 5.8 Interviewing Job Applicants**
 - 5.8.1 Preparing for Interviews
 - 5.8.2 Conducting Successful Interviews
 - 5.8.3 Position-Specific Questions
 - 5.8.4 Questions to Avoid
- 5.9 Background Checks on Job Applicants**
 - 5.9.1 General Tips on Background Checks
 - 5.9.2 Special Rules for Certain Records
- 5.10 Pre-Employment Testing**
- 5.11 Hiring**
- 5.12 Making Job Offers**
- 5.13 Miscellaneous Hiring Issues**
- 5.14 New Employee Paperwork**
- 5.15 Additional Steps in the Hiring Process**
- 5.16 New Employee Orientation**
- 5.17 New Employee Training**
- 5.18 Dress Code**
- 5.19 Uniforms**
 - 5.19.1 Shirts
 - 5.19.2 Slacks/Pants/Shorts
 - 5.19.3 Hats or Visors
 - 5.19.4 Socks & Shoes
 - 5.19.5 Belt
- 5.20 Grooming Standards**
- 5.21 Personnel Policies**
 - 5.21.1 Personnel Policies Introduction
 - 5.21.2 Communicating Work Rules
 - 5.21.3 Modifying Your Employee Handbook
- 5.22 Wages**
 - 5.22.1 Minimum Wage
 - 5.22.2 Overtime Pay
 - 5.22.3 Employee Compensation Guideline
- 5.23 Benefits**
 - 5.23.1 Employee Paid Holidays
 - 5.23.2 Employee Sick Days
 - 5.23.3 Employee Vacation
 - 5.23.4 Holidays
 - 5.23.5 Group Health Insurance
 - 5.23.6 Approved Retirement Plan
- 5.24 Employee Morale & Motivation**
 - 5.24.1 Factors of Good Morale
 - 5.24.2 Signs of Bad Morale
 - 5.24.3 Improving Morale & Motivation
- 5.25 Performance Reviews**
- 5.26 Employee Discipline**

5.27 Resignation & Termination

- 5.27.1 Resignation
- 5.27.2 Termination
- 5.27.3 Termination Tips
- 5.27.4 Post-Separation Procedures
- 5.27.5 Final Paychecks
- 5.27.6 Explaining Termination to Other Employees
- 5.27.7 Giving References

5.28 When to Replace & When to Hire Additional Staff

5.29 Summary of Good Employee Management Practices

5.30 Getting Legal Help with Employment Law Issues

5.31 Owner/Manager Policies

- 5.31.1 Franchisee Vacation and On-Site Requirements

5.32 References

- 5.32.1 Forms
- 5.32.2 Required Postings

5.33 Troubleshooting

5.34 Best Practices

6 Marketing

6.1 Overview

- 6.1.1 Introduction
- 6.1.2 Business Goals & Marketing Objectives

6.2 Christian Brothers Automotive Brand

- 6.2.1 Content
- 6.2.2 Protecting the Visual Brand
 - 6.2.2.1 Brand Guidelines
 - 6.2.2.2 Artwork Requirements
 - 6.2.2.3 Promotional Materials

6.3 Public Relations

- 6.3.1 Crisis Communications

6.4 Budget

- 6.4.1 Your Local Marketing Budget
 - 6.4.1.1 Local Marketing Spend & Range Limits
 - 6.4.1.2 Budget Tracking Sheet
- 6.4.2 Regional Marketing
- 6.4.3 National Marketing Fund

6.5 Marketing Initiatives

- 6.5.1 Digital Marketing
 - 6.5.1.1 Website Management
 - 6.5.1.2 Search Engine Marketing (SEM)
 - 6.5.1.3 Additional Digital Advertising
- 6.5.2 Social Media
 - 6.5.2.1 Social Media Policy
 - 6.5.2.2 Social Media Advertising
 - 6.5.2.3 Media Release Form
- 6.5.3 Customer Relationship Management
- 6.5.4 Direct Mail
- 6.5.5 Grassroots Marketing
- 6.5.6 Sponsorships
- 6.5.7 Contests & Promotions

- 6.5.8 Traditional/Other Marketing
- 6.5.9 Reputation Management
- 6.6 Approved & Unapproved Vendors
- 6.7 Metrics
 - 6.7.1 Tracking Phone Numbers
 - 6.7.2 Guest Satisfaction Measurement Tools

7 Safety Regulations

- 7.1 Introduction & Purpose**
- 7.2 Policy & Expectations**
 - 7.2.1 Required Tools
- 7.3 Procedures**
 - 7.3.1 Safety Data Sheets
- 7.4 Guidelines**
 - 7.4.1 Safety Guidelines
 - 7.4.2 Fluids
 - 7.4.3 Hazardous Chemical Spills & Clean Up
 - 7.4.4 Posting
- 7.5 Reference**

8 Business Performance

- 8.1 Introduction & Purpose**
 - 8.1.1 Introduction
 - 8.1.2 Purpose
- 8.2 Stewardship & Commitment**
 - 8.2.1 Stewardship
 - 8.2.2 Good to Great Commitment
- 8.3 Financial Glossary**
- 8.4 Expense Expectations, Policy & Guidelines**
 - 8.4.1 Expense Expectations
 - 8.4.2 Expense Policy
 - 8.4.3 Expense Guidelines
 - 8.4.3.1 Capital Expenditures & Business Improvements
 - 8.4.3.2 Accounts Receivable from Shareholder or Employer
 - 8.4.3.3 Repeating Unapproved Expenses
 - 8.4.3.4 Small Tools & Equipment
 - 8.4.3.5 Advertising
 - 8.4.3.6 Auto Purchase Expenses
 - 8.4.3.7 Auto Operation & Maintenance Expenses
 - 8.4.3.8 Auto Insurance
 - 8.4.3.9 Bad Debt Expense
 - 8.4.3.10 Cell Phones
 - 8.4.3.11 Consulting
 - 8.4.3.12 Donations
 - 8.4.3.13 Dues & Subscriptions (6080)
 - 8.4.3.14 Dues & Subscriptions (6085)
 - 8.4.3.15 Entertainment
 - 8.4.3.16 Gifts
 - 8.4.3.17 Janitorial Cleaning
 - 8.4.3.18 Laundry Service
 - 8.4.3.19 Lawn Care & Landscaping

- 8.4.3.20 Meals In Shop
- 8.4.3.21 Office Expense & Supplies
- 8.4.3.22 Approved Retirement Plan Guidelines
- 8.4.3.23 Bonus for Employees
- 8.4.3.24 Training
- 8.4.3.25 Annual Convention Travel
- 8.4.3.26 Liability & Worker's Compensation Insurance
- 8.4.3.27 Key Man Insurance
- 8.4.3.28 Health Insurance
- 8.4.4 Other Expense Policy
 - 8.4.4.1 Multi-Shuttle
 - 8.4.4.2 Loaner Vehicle Multi-Shuttle
 - 8.4.4.3 Expense Associated with Using a 401(k) to

Purchase Business

- 8.5 Multi-Unit Franchise Performance Requirements
- 8.6 Analyzing Business Performance
 - 8.6.1 Key Performance Indicators
 - 8.6.2 Weekly Break-Even
 - 8.6.3 Metrics Tracking
 - 8.6.4 Improving Business Performance
 - 8.6.5 Available Tools
 - 8.6.5.1 Business Intelligence (BI) Tool
 - 8.6.5.2 Audit Tool
- 8.7 Underperforming Stores
 - 8.7.1 Troubleshooting Your Business Performance
 - 8.7.2 Commitment to Help
 - 8.7.3 Store in Distress Support Program

9 Equipment

9.1 Introduction & Purpose

- 9.1.1 Purpose
- 9.1.2 CBAC's Role in Purchasing
- 9.1.3 Equipment Definitions

9.2 Required Equipment

- 9.2.1 Computers
- 9.2.2 Networking
- 9.2.3 Battery Backups
- 9.2.4 Phones
- 9.2.5 Anti-Virus
- 9.2.6 Remote Management & Monitoring Software (RMM)
- 9.2.7 Remote Tech Support Software
- 9.2.8 Security Camera Systems
- 9.2.9 Replacement Cycle
- 9.2.10 Support Levels
- 9.2.11 Support Commitment Based on Urgency
- 9.2.12 Vendor-Supported Systems
- 9.2.13 Unsupported Systems
- 9.2.14 Disallowed Items

9.3 Purchase Approval

- 9.3.1 Evaluation Process

- 9.3.2 Approval Process
- 9.3.3 Purchasing Spending Limits

9.4 Unapproved Purchases

9.5 Equipment Inspections & Maintenance Schedules

- 9.5.1 Lifts
- 9.5.2 Air Compressor
- 9.5.3 Floor Scrubber
- 9.5.4 Waste Oil - Grease Trap

9.6 Equipment Updates

10 Building & Grounds Maintenance

10.1 Introduction & Purpose

10.2 Policy & Expectations

10.3 Site Inspections

10.4 Building Exterior

- 10.4.1 Yearly Exterior Inspection
- 10.4.2 Exterior
 - 10.4.2.1 Monthly Exterior Inspection
- 10.4.3 Grounds
- 10.4.4 Dumpster Enclosure
- 10.4.5 Parking Lot
- 10.4.6 Grease Trap Servicing

10.5 Building Interior

- 10.5.1 Lobby & Bathroom
- 10.5.2 The Shop

10.6 Maintenance Requests

- 10.6.1 Building Repairs During the One Year Warranty Period
- 10.6.2 Building Repairs After the One Year Warranty Period

10.7 Improvement Requests

10.8 Reference

- 10.8.1 Construction Vendor Contact List

11 Transitions

11.1 Transitions

- 11.1.1 Selling Your Business

11.2 Renewals

12 Insurance

12.1 Introduction & Purpose

12.2 “Key Man” Life Insurance

12.3 Business Casualty Insurance

- 12.3.1 General Requirements
- 12.3.2 Required Insurance Coverages
- 12.3.3 Required Insurance Endorsements
- 12.3.4 Minimum Insurance Requirements
- 12.3.5 Group Policy Option “BOVINCO”

12.4 Health Insurance Coverages

- 12.4.1 General Requirements
- 12.4.2 Expense Guidelines
- 12.4.3 CBA Healthcare Plan

12.5 Other Insurance

EXHIBIT D
CURRENT FRANCHISEES CONTACT INFORMATION

Attached as Exhibit D is the Current Franchisee's Contact Information (Schedule D.1) and the names of Current Franchisees who are not yet operating a franchise (Schedule D.2).

D.1-Current Franchisee/Operator Contact Information as of December 31, 2022

Franchise	Franchisee	Address	Phone
Alabama			
CBA -Trussville	Whitten Automotive, LLC/Baker Whitten	5635 Chalkville Road Birmingham, AL 35235	(205) 848-8161
CBA - Hoover	BB Fisher, LLC/Brandon Fisher	1800 Southpark Dr. Hoover, AL 35244	(205) 987-6620
CBA - Madison	Jeremiah 29:11, Inc./Chris Davis	7264 Hwy 72 W. Madison, AL 35758	(256) 721-4704
CBA - Montgomery	WarpSpeed, LLC/Eric Wesch	10885 Chantilly Drive Montgomery, AL 36117	(334) 244-4200
CBA - Hampton Cove	6Strong, LLC/Jeff Cole	6324 Highway 431 South Owens Cross Roads, AL 35763	(256) 692-1020
CBA - Tattersall Park	Loyd Automotive Repair, Inc, /Austin Loyd	6612 Tattersall Lane Birmingham, AL 35242	(205) 778-1880
Arizona			
CBA - Ocotillo	Renovo Automotive Services, Inc./Tony Schottenbauer	290 E. Ocotillo Rd Chandler, AZ 85249	(480) 634-1443
CBA - Queen Creek	Sandchise, Inc./Mark Dillehay	21143 E Rittenhouse Rd Queen Creek, AZ 85142	(480) 382-7050
CBA - Gilbert-Baseline	Cornerstone Automotive Services, LLC/Randy Maestre	1618 N. Higley Rd. Gilbert, AZ 85234	(480) 466-7080
CBA - Peoria-Thunderbird	CBA Pascanu, LLC/Cal Pascanu	13675 N 75th Avenue Peoria, AZ 85381	(623) 302-7255
CBA - Litchfield Park	The ABL Service Group, LLC/Mike Hassenger	12337 W Camelback Rd. Litchfield Park, AZ 85340	(623) 234-9163
CBA – Gilbert-San Tan	My Lane, LLC/Lisa Jankovic	1245 E Pecos Road Gilbert, AZ 85295	(480) 590-1272
CBA – Happy Valley	Happy Valley Auto Repair, LLC/Matt Hunter	5400 W Happy Valley Road Glendale, AZ 85083	(623) 248-8494

CBA - North Scottsdale	Carlson CBA, LLC/John Carlson	7225 E. Williams Dr. Scottsdale, AZ 85255	(480) 591-8188
CBA - Mesa Gateway	Pursuit Automotive Repair, LLC/Greg Dickson	5627 S Power Rd Mesa, AZ 85212	(480) 576-9045
CBA – Goodyear	CBA Goodyear, LLC/Mike Hassenger	16800 W Yuma Road Goodyear, AZ 85338	(623) 269-8100
CBA – Surprise	CBA Surprise, LLC/Cal Pascanu	13930 N. Reems Road Surprise, AZ 85379	(623) 269-8844
CBA – Ahwatukee	Grace Endeavors, LLC/Jeremy Gottberg	4075 E. Cottonwood Ln Phoenix, AZ 85048	(480) 863-9990
CBA – McQueen & Guadalupe	Keystone Automotive Repair, LLC/Randy Maestre	763 N. McQueen Rd. Gilbert, AZ 85233	(480) 919-8200
CBA - Buckeye	Vector3, INC/Stacey Jarrett	23385 W. Yuma Road Buckeye, AZ 85326	(623) 269-9194
CBA - Prescott	CBA Prescott Gateway, LLC/Silas Kyler	260 Lee Blvd Prescott, AZ 86303	(928) 582-8001
Arkansas			
CBA - Bentonville	Beadel Enterprises, Inc./Tom Beadel	600 SE Walton Blvd. Bentonville, AR 72712	(479) 464-7711
CBA - W. Little Rock	Miller’s For Christ, LLC/Rick Miller	15516 Chenal Parkway Little Rock, AR 72211	(501) 228-2000
CBA - Maumelle	Central Automotive Repair Service, LLC/Sid Moore	12701 Maumelle Blvd Maumelle, AR 72113	(501) 851-8200
CBA – Fayetteville	CBA Fayetteville, LLC/Michael Fridge	2870 E. Joyce Blvd Fayetteville, AR 72703	(479) 249-8485
Colorado			
CBA - Arapahoe	Mark 923 CBA Arapahoe, LLC/Greg Post	14755 E. Arapahoe Rd Aurora, CO 80016	(303) 699-3527
CBA - Castle Rock	Integrity Automotive Services, LLC/Steve Peterson	5721 New Abbey Ln Castle Rock, CO 80108	(303) 814-7792
CBA - Woodmen	Falcon CBA, Inc./Michael Tyler	7355 Duryea Dr. Colorado Springs, CO 80923	(719) 593-2302
CBA - Greeley	CBA Greeley Co./Lance Dismang	6601 29 th St. Greeley, CO 80634	(970) 324-0552

CBA - Highlands Ranch	Highlands Ranch CBA, LLC/Greg Joseph	1340 Town Center Drive Highlands Ranch, CO 80129	(303) 683-8707
CBA - Lafayette	Overton Trading, LLC/Don Overton	517 Stacy Court Lafayette, CO 80026	(303) 926-8496
CBA - Ken Caryl	Colorado Automotive Swadley, LLC/AnneMarie Smith	5828 South Swadley S Littleton, CO 80127	(303)0933-9294
CBA - Monument	KC Monument, Inc./Kyle Baker	16130 Jackson Creek Parkway Monument, CO 80132	(719) 488-8030
CBA - Parker	CBA-VIP, Inc./Sarah Vowell	9864 Mangano Ln Parker, CO 80134	(720) 420-9448
CBA - Windsor	Dismang Oil Company, LLC/Lance Dismang	1635 Main Street Windsor, CO 80550	(970) 460-9508
CBA - Lone Tree	Integrity Automotive Services II, Inc./Steve Peterson	9852 Zenith Meridian Drive Englewood, CO 80112	(303) 708-1315
CBA - Westminster	Westminster CBA, LLC/Jimmy Roberts	8515 W. 100th Avenue Westminster, CO 80021	(303) 469-3015
CBA - Thornton	CBA Thornton, LLC/Corey Sowa	5703 E. 136th Avenue Thornton, CO 80602	(720) 335-6402
CBA - Commerce City	CBA Commerce City, LLC/Victor Robert	15690 E. 104th Avenue Commerce City, CO 80022	(303) 289-8685
CBA - South Parker	CBA-Legacy, Inc./Sarah Vowell	13263 S. Parker Road Parker, CO 80134	(303) 805-1950
CBA - Loveland	GSB Holdings, LLC/Greg Bland	5542 N Garfield Ave. Loveland, CO 80538	(970) 619-8401
CBA – Fort Collins	S & B Auto, LLC/Stephen Kinsland	1500 Academy Ct Fort Collins, CO 80524	(970) 484-3146
CBA – Rockrimmon Road	Tiffany Auto Service, LLC/Daymen Tiffany	20 S Rockrimmon Blvd Colorado Springs, CO 80919	(719) 374-1770
CBA – Broomfield	CBA Broomfield, LLC/Victor Robert	2411 E Midway Blvd Broomfield, CO 80234	(720) 617-7886
CBA - Falcon	CBA Falcon, LLC/Greg Plunkett	7699 McLaughlin Road Peyton, CO 80831	(719) 728-1616

CBA – Interquest Parkway	Rock Mill Holdings, LLC/Brandon McDowell	1368 Republic Dr. Colorado Springs, CO 80921	(719) 463-0222
CBA – Cimarron Hills	3One, Inc./Shawn Bradley	7919 Silicon Heights Colorado Springs, CO 80939	(719) 463-0033
CBA – Firestone	CBA Firestone, LLC/Montey Brunk	6179 Firestone Blvd Firestone, CO 80504	(303) 586-0066
CBA – Brighton	Fourwest Auto Care, LLC/Dan West	3942 E Bromley Lane Brighton, CO 80601	(720) 258-8300
CBA – Littleton	Two Sons Investments, LLC/Chris Longo	8201 S Holly Street Littleton, CO 80122	(720) 900-2427
CBA South Aurora	CBA Premier, LLC/Chris Wood	21550 E Quincy Ave Aurora, CO 80015	(303) 928-2090
CBA Wheat Ridge	Paramount Automotive WR, LLC/Doug Troxell	3865 Kipling Street Wheat Ridge, CO 80033	(720) 259-1133
CBA Arvada	Velton Ventures, LLC/Luke Johnson	14829 W. 69th Avenue Arvada, CO 80007	(970) 341-1775
CBA Longmont	LJ Automotive, LLC/Josh Jeanneret	110 E. Ken Pratt Blvd Longmont, CO 80501	(720) 713-3191
CBA - Berthoud	Apac Automotive, LLC/Chris Tibbetts	1161 Mountain Avenue Berthoud, CO 80513	(970) 746-9220
CBA - Northglenn	CBA Thornton South, LLC/Corey Sowa	10450 Colorado Blvd Thornton, CO 80233	(720) 953-5050
Florida			
CBA - Clermont	Meredith Enterprises, LLC/Bryce Merideth	2659 E Hwy 50 Clermont, FL 34711	(407) 656-1300
CBA - Land O' Lakes	Giannone Family Enterprise, Inc./Larry Giannone	23650 Venezia Drive Land O' Lakes, FL 34639	(813) 949-0100
CBA - North Port	A & R Auto Group, LLC/Richard Shipp	1080 W Price Blvd North Port, FL 34288	(941) 200-2946
CBA - Brandon	Rugged Pioneers, Inc./Jud Cook	10010 McMullen Rd Riverview, FL 33569	(813) 677-7007
CBA - Westchase	JC Family Automotive, LLC/Jason Benintendi	12949 Race Track Rd. Tampa, FL 33626	(813) 925-1920
CBA - New Tampa	MurphBiz, LLC/John Murphy	20303 Trout Creek Drive Tampa, FL 33647	(813) 991-7007

CBA – Valrico (Lumsden)	JAC Squared, Inc./Jud Cook	811 E Lumsden Road Brandon, FL 33511	(813) 378-3440
CBA – Melbourne	Carchamp of Melbourne, LLC/Mike Longchamp	6315 N Wickham Road Melbourne, FL 32940	(321) 326-1216
CBA Lakeland Heights	CBA Lakeland Heights, LLC/Donnie Johnson	6585 South Florida Avenue Lakeland, FL 33813	(863) 204-0233
CBA Alafaya	CBA Alafaya, LLC/Bryce Merideth	14539 E. Colonial Drive Orlando, FL	(407) 988-1118
CBA Bradenton	BPC CBA, LLC/Brad Copland	11930 SR 64 E. Bradenton, FL	(941) 200-4488
CBA Oviedo	Beck Family CBA, LLC/George Beck	877 W. Mitchell Hammock Rd Oviedo, FL 32765	(407) 604-4661
CBA – South Sarasota	SCOTT W CHRISTY CBA SARASOTA, LLC/Scott Christy	5869 Derek Ave Sarasota, FL 34238	(941) 899-0099
CBA - Ocoee	Merideth Enterprises Ocoee, LLC/Bryce Merideth	1140 Maguire Rd Ocoee, FL 34761	(407) 798-8098

Georgia			
CBA - Acworth	CBA Acworth, LLC/Chris Bundrick	3408 Cobb Parkway NW Acworth, GA 30101	(770) 966-1599
CBA - Jones Bridge	T.L. Burgess Automotive – Jones Bridge, Inc./Tom Burgess	10879 Jones Bridge Road Alpharetta, GA 30022	(678) 867-0900
CBA - Cumming	TL Burgess Automotive, Inc./Tom Burgess	5960 Bethelview Rd Cumming, GA 30040	(470) 253-7376
CBA - Hamilton Mill	Sunn Automotive, LLC/Zak Kesselring	2770 Braselton Highway Dacula, GA 30019	(770) 271-4080
CBA - Grayson	K. T. Cronic, LLC/Kevin Cronic	2547 Loganville Highway Grayson, GA 30017	(678) 825-3833
CBA - Sandy Springs	Jackson Enterprises, LLC/John Jackson	8630 Roswell Road Sandy Springs, GA 30350	(770) 992-0906
CBA - Fischer Crossings	CBA Fischer Crossings, LLC/Dave Shuford	5020 East Hwy 34 Sharpsburg, GA 30277	(678) 423-3144
CBA - Eagles Landing	CBA Peachtree, LLC/Brian Dewing	450 Eagles Landing Pkwy Stockbridge, GA 30281	(678) 565-1111
CBA - Evans	Stella Luna, Inc./Ken Lucas	4481 Washington Rd Evans, GA 30809	(706) 305-3104
CBA - Suwanee	Sunn Automotive Too, LLC/Zak Kesselring	565 Peachtree Industrial Blvd. Suwanee, GA 30024	(678) 546-5075
CBA - Towne Lake	CBA Rose Creek, LLC/Chris Bundrick	1930 Eagle Drive Woodstock, GA 30189	(770) 926-4500
CBA – Norcross	Schottenfeld CBA, LLC/Sam Schottenfeld	5650 Peachtree Industrial Blvd. Norcross, GA 30071	(770) 637-1700
CBA- Cherokee	Convergence, LLC/Tony Craft	3745 Marietta Hwy Canton, GA 30114	(470) 863-6700
CBA – Alpharetta	Abased & Abound, Inc./Mike Cotter	6290 Atlanta Highway Alpharetta, GA 30004	(678) 385-9330
CBA – Smyrna	Revival Automotive, LLC/Craig Fetner	3278 S Cobb Dr SE Smyrna, GA 30080	(404) 348-2999
CBA – Woodstock	Authentic Auto Group, LLC/George Juarez	111 Claremore Drive Woodstock, GA 30188	(770) 746-3700

CBA – Hiram	AUTHENTIC AUTO GROUP HIRAM, LLC/George Juarez	77 Bill Carruth Parkway Hiram, GA 30141	(770) 225- 4444
Idaho			
CBA - Meridian	Rainier Enterprises, Inc./Brett Clancy	1402 W McMillan Rd Meridian, ID 83646	(208) 888- 0070
CBA – South Meridian	Trinity Enterprises Corporation/Rich Martinez	87 E Calderwood Drive Meridian, ID 83642	(208) 565- 1515
Illinois			
CBA – Bolingbrook	Cruse Car Care- Bolingbrook, LLC/Paul Cruse	714 S. Weber Road Bolingbrook, IL	(630) 914- 5386
CBA – Lockport	CBA Lockport, LLC/David Brey	1220 E 9 th Street Lockport, IL 60441	(815) 524- 4351
CBA – West Chicago	CBA W Chicago, LLC/Jason Sotiroff	1650 North Neltnor Blvd West Chicago, IL 60185	(630) 326- 5800
CBA – Barrington	CBA Barrington, LLC/Tony Garcia	908 S Northwest Highway Barrington, IL 60010	(847) 996- 9696
CBA – Aurora	KGF Systems Incorporated/Ken Dickerson	3050 E New York Street Aurora, IL 60502	(331) 2019- 0899
Iowa			
CBA - Ankeny	CBA Ankeny, LLC/Kurt Greving	1315 N. Ankeny Blvd Ankeny, IA 50023	(515) 964- 0807
CBA – Clive	LP Midwest, Inc./Bill Tiernan	15250 Hickman Road Clive, IA 50325	(515) 346- 8606
CBA Grimes	GA Midwest, Inc./Bill Tiernan	2581 E. 1st Street Grimes, IA 50111	(515) 305- 2050
Indiana			
CBA - Fishers	Seaman Automotive Repair, Inc./Jared Seaman	13048 Publishers Drive Fishers, IN 46038	(317) 842- 4111
CBA - Westfield	CBA Carmel, LLC/Russ Miller	14807 N. Gray Road Westfield, IN 46062	(317) 848- 5511
CBA – Greenwood	CBA Greenwood, LLC/Dave Barnett	4985 W Smith Valley Road Greenwood, IN 46143	(317) 740- 1883
CBA – Zionsville	Rowsome LLC/David Zelner	10860 N Michigan Road Zionsville, IN 46077	(317) 740- 1425
CBA – Eagle Township	CGNBROS AUTOMOTIVE, LLC/Jared Seaman	6481 Mills Dr. Whitestown, IN 46075	(317) 759- 2244

CBA – New Albany	Gregg & Lisa Romans Automotive, LLC/Gregg Romans	4606 Charlestown Rd. New Albany, IN 47150	(812) 850-9111
Kansas			
CBA - Olathe	High Point Automotive, Inc./Brian Whittar	13770 West 135th Street Olathe, KS 66062	(913) 764-3360
CBA - Shawnee	Arise Now, LLC/Scott Green	22240 Midland Drive Shawnee, KS 66226	(913) 422-1200
CBA - West Wichita	Schemm Enterprises, Inc./Jesse Schemm	10080 W. 29th Street N Wichita, KS 67205	(316) 719-2668
CBA - East Wichita	JRAE Automotive, Inc./Jesse Schemm	1302 N. Woodlawn Blvd. Wichita, KS 67208	(316) 425-0001
Kentucky			
CBA- Crestwood	Gregg and Lisa Romans LLC/Gregg Romans	6410 Claymont Crossing Crestwood, KY 40014	(502) 702-2700
CBA – Brannon Crossing	BL Rizer, LLC/Brad Rizer	616 E Brannon Road Nicholasville, KY 40356	(859) 241-8611
Louisiana			
CBA - Mandeville	Mad Fam Car Care Corp./Jeff Madison	4376 LA-22 Mandeville, LA 70471	(985) 951-2346
CBA - Airline	Hawk EDM Group LLC/Mark Theriot	14455 Airline Hwy Baton Rouge, LA 70817	(225) 432-1330
CBA – Lafayette	CBA Lafayette LLC/Lovie Moran	5900 Johnston Street Lafayette, LA 70503	(337) 270-3277
CBA Covington	CBA Covington LLC/McKenzie Coleman	71223 Hwy. 21 Covington, LA 70433	(985) 900-1020
Michigan			
CBA - Grand Rapids	GMD Industries, Inc./Kurt Hein	1464 28th Street SE Grand Rapids, MI 49508	(616) 245-1215
CBA - Cascade Township	GMD Enterprises, Inc./Kurt Hein	5485 28th Street SE Grand Rapids, MI 49512	(616) 608-5333
CBA - Holland	The Barry Group, LLC/Dave Barry	424 Baypark Drive Holland, MI 49424	(616) 796-8891
CBA – Plainfield	TATR, LLC/Tom MacInnes	4329 Plainfield Ave NE Grand Rapids, MI 49525	(616) 226-2730
Minnesota			
CBA - Andover	PJK Automotive, LLC/Paul Klobe	1716 Bunker Lake Blvd NW Andover, MN 55304	(763) 427-7272
CBA - Lakeville	Lakeville CBA, LLC/Ken Titcomb	17470 Dodd Boulevard Lakeville, MN 55044	(952) 595-6551

CBA – Maple Grove	Maple Grove CBA LLC/Jon Nelson	9565 Zachary Lane N Maple Grove, MN 55369	(763) 284-0284
CBA – Inver Grove Heights	CBA Inver Grove Heights, LLC/Mike Peterson	9963 Diffley Court Inver Grove Heights, MN 55077	(651) 461-4949
CBA Savage	Savage CBA LLC/Ken Titcomb	6301 Loftus Lane Savage, MN 55378	(952) 213-8444
CBA Chanhassen	CBA Chanhassen, LLC/Mark Menzuber	8941 Crossroads Blvd. Chanhassen, MN 55317	(952) 900-8228
Mississippi			
CBA - Southaven	Little Dago Race Brands, LLC/John Ferrante	1676 Goodman Rd. East Southaven, MS 38671	(662) 349-3036
Missouri			
CBA - Arnold	CBA Arnold, LLC/Robbie Pace	2190 Church Road Arnold, MO 63010	(636) 282-2886
CBA - Independence	Porter Family Automotive, LLC/Tim Porter	19600 East US Highway 40 Independence, MO 64055	(816) 795-6811
CBA - Liberty	D & J Automotive, Inc./Dave McDonald	8160 North Church Road Kansas City, MO 64158	(816) 415-9100
CBA - Barry Road	Christian Brothers Automotive-Northland, LLC/Scott Snow	4200 NW Barry Road Kansas City, MO 65154	(816) 420-0180
CBA - O'Fallon	CBA O'Fallon, LLC/Doug Kovac	8496 Mexico Rd Saint Peters, MO 63376	(636) 980-1770
CBA - Springfield	CBA Springfield, LLC/Lee Grant	2315 W. Republic Road Springfield, MO 65807	(417) 823-3755
CBA - Valley Park	CBA Valley Park, LLC/Doug Kovac	2941 Dougherty Ferry Rd St. Louis, MO 63122	(636) 825-7537
Montana			
CBA - Billings	Throwin' Heat, LLC/Tony McCoy	1525 Zimmerman Trail Billings, MT 59102	(406) 894-2124
Nebraska			
CBA - Omaha	Automobility LLC/Greg Douglas	17330 Evans Street Omaha, NE 68116	(402) 289-4631
New Mexico			
CBA - Rio Rancho	Degroot Rio Rancho, Inc./Jeff Degroot	2014 Southern Blvd SE Rio Rancho, NM 87124	(505) 903-7500
CBA – Albuquerque	Blount Enterprises, LLC/Lance Blount	8031 Ventura St. NE Albuquerque, NM 87109	(505) 539-5105

North Carolina			
CBA - Western Wake	Yun Holding Group, Inc./Charles Yun	8705 Holly Springs Rd Apex, NC 27539	(919) 900-8957
CBA - Coddle Creek	CBA Coddle Creek, LLC/Brian Barker	5220 Poplar Tent Road Concord, NC 28027	(980) 255-3545
CBA - Concord	Stanford Automotive, Inc./Jade Stanford	9725 Harris Rd Concord, NC 28027	(704) 795-5556
CBA - Huntersville	Genebacher Holdings, LLC/Steve Genenbacher	16618 Old Statesville Rd Huntersville, NC 28078	(704) 727-0808
CBA - Indian Trail	CBA Indian Trail, LLC/Brentley Laughter	13957 E Independence Blvd Indian Trail, NC 28079	(704) 234-8778
CBA - Mooresville	Carolina North Star, LLC/Doug Vidler	688 Brawley School Road Mooresville, NC 28117	(704) 816-7777
CBA - Wake Forest	Box Enterprises, LLC/Daniel Box	1751 Heritage Center Drive Wake Forest, NC 27587	(984) 235-1361
CBA Robinhood	Areti Corp/Gene Nardone	877 W. Mitchell Hammock Rd Winston-Salem, NC 27106	(336) 747-1234
CBA Apex	Best Kase Scenario, LLC/Kenny Kase	1181 Pine Plaza Dr. Apex, NC 27523	(984) 849-9090
Ohio			
CBA - Broadview Heights	CBA Broadview Heights, LLC/Isaiah Boyer	4965 E Royalton Rd Broadview Heights, OH 44147	(440) 627-6133
CBA - Avon	CBA Avon, LLC/Isaiah Boyer	1110 Nagel Road Avon, OH 44011	(440) 937-0339
CBA - Loveland	Beacon Automotive Services, Inc./Doug Beachy	6379 Branch Hill Guinea Pike Loveland, OH 45140	(513) 781-3546
CBA - West Chester	JN Auto West Chester LLC/Doug Beachy	8127 Highland Pointe Drive West Chester Township, OH 45069	(513) 847-6566
Oklahoma			
CBA - Edmond	CBA Boomer Holdings, LLC/Jesse Wilson	900 N. Santa Fe Ave. Edmond, OK 73003	(405) 341-2900
CBA - Norman	CBA Rock Creek, LLC/Curtis Henning	3050 Yarbrough Way Norman, OK 73072	(405) 701-1811
CBA - S. Western Ave	CBA Land Run, LLC/Mike Cochran	10311 S. Western Avenue Oklahoma City, OK 73139	(405) 692-5461
CBA - Warwick	Lang Enterprises of Oklahoma, Inc./Eric Lang	6801 W. Hefner Road. Oklahoma City, OK 73162	(405) 720-1200

CBA - Owasso	A6 Hupomone Automotive 1, Inc./Ray Adcock	9530 N. Garnett Rd. Owasso, OK 74055	(918) 272-4011
CBA - Tulsa Hills	Nagatamen, LLC/Russ Knight	7163 South Olympia Avenue West Tulsa, OK 74132	(918) 289-0636
CBA - S. Tulsa	CBA Meadowbrook, LLC/Tommy Keeter	9808 E 81st Street South Tulsa, OK 74133	(918) 250-9944
CBA - Yukon	CBA Red Fork, LLC/Tom Beadel Jr	742 Garth Brooks Blvd Yukon, OK 73099	(405) 350-2338
CBA – Edmond East	CBA Sooner Holdings, LLC/Jesse Wilson	3600 E. 2nd St. Edmond, OK 73034	(405) 285-3777
Pennsylvania			
CBA- Lititz	Kinasko Automotive, LLC/Igor Kuzmenko	100 Crosswinds Drive Lititz, PA	(717) 384-9700
CBA – Montgomery Mall	CBA Montgomery Mall, LLC/Chip Eissler	565 DeKalb Pike North Wales, PA 19454	(267) 263-4422
CBA - Downingtown	Craig Family Automotive, LLC/Jason Craig	399 W Uwchlan Avenue Downingtown, PA 19335	(484) 696-0707
South Carolina			
CBA - Tega Cay	CBA Fort Mill, LLC/Jason Thompson	3673 Vandora Springs Road Fort Mill, SC 29715	(803) 802-0288
CBA - Goose Creek	Hamlin Family Holdings, LLC/Chris Hamlin	518 St James Ave Goose Creek, SC 29445	(843) 805-4546
CBA - Greenville	Garrison Automotive, LLC/Mike Garrison	1005 Woodruff Rd Greenville, SC 29607	(864) 558-0519
CBA - Lexington	Standridge Automotive Corporation/Joshua Standridge	148 Old Cherokee Road Lexington, SC 29072	(803) 490-9703
CBA Irmo	JT Smith Automotive Services, LLC/Jim Smith	8079 Irmo Dr. Columbia, SC 29212	(803) 849-1688
Tennessee			
CBA - Bartlett	FFG Enterprises Inc./Scott Few	6677 US Hwy 70 Bartlett, TN 38134	(901) 881-6946
CBA - Brentwood	S.D.R., Inc./Darleen Reese	1714 Carothers Parkway Brentwood, TN 37027	(615) 370-2886
CBA - Collierville	CBA Pickwick, LLC/Bart Fabacher	381 East Poplar Ave Collierville, TN 38017	(901) 457-1005

CBA - Hendersonville	M&L Rucks, Inc./Matt Rucks	563 E. Main Street Hendersonville, TN 37075	(615) 826-5550
CBA - Hixson	CBA Hixson, LLC/Brent Clarkson	5595 Hixson Pike Hixson, TN 37343	(423) 531-3292
CBA - Jackson	CBA Pinson Mounds, LLC/Aaron Fitzgerald	2700 N. Highland Ave Jackson, TN 38305	(731) 660-4111
CBA - Knoxville	CB Automotive, Inc./Cory Beilharz	10406 Kingston Pike Knoxville, TN 37922	(865) 773-0801
CBA - Lakeland	Few Family Automotive, Inc./Todd Few	2859 N. Houston Levee Rd. Memphis, TN 38016	(901) 221-0052
CBA - Germantown	Hannaford Enterprise, LLC/Kim Hannaford	7446 Sonic Drive Memphis, TN 38125	(901) 737-8760
CBA - Murfreesboro	ATS Auto, LLC/Andrew Slempp	1826 Memorial Blvd. Murfreesboro, TN 37129	(615) 848-0824
CBA - Spring Hill	Syndicate Health LLC/Jason Miller	2060 Wall Street Spring Hill, TN 37174	(615) 302-0698
CBA - West Murfreesboro	CBA West Murfreesboro, LLC/Don Woodard	5219 Franklin Rd. Murfreesboro, TN 37128	(629) 772-7372
Texas			
CBA - Allen	Deus Invictus Corp./Aaron Tharp	1713 N. Greenville Ave. Allen, TX 75002	(214) 495-0900
CBA - Amarillo	Green Futures LLC/Josh Page	5816 S. Coulter Street Amarillo, TX 79119	(806) 352-3800
CBA - Arlington	Norm & Sue Automotive Repair-Arlington, Inc./Norman Meyer	718 West Sublett Road Arlington, TX 76017	(817) 419-2700
CBA - Brodie Lane	CBA Brodie Holdings, LLC/Mark David	9200 Brodie Lane Austin, TX 78748	(512) 282-2886
CBA - Cedar Park	CBA Tranquility Holdings, LLC/Scott Morris	12014 North RR 620 Austin, TX 78750	(512) 918-2886
CBA - Beaumont	S.O.M. Management, LLC/Carl Mitchell	6140 Delaware Street Beaumont, TX 77706	(409) 242-1185
CBA - Bedford	9094 Enterprises, LLC/Bobby Williams	3920 Highway 121 Bedford, TX 76021	(817) 399-0700
CBA - Buda	Camlin Automotive, LLC/Karl Frasier	18660 South IH 35 Buda, TX 78610	(512) 295-8905
CBA - Burleson	CBA Burleson, LLC/Steven Schappell	350 NW John Jones Drive Burleson, TX 76028	(817) 447-6060
CBA - Castle Hills	CBA Castle Hills, LLC/Brad Gresham	4121 State Highway 121 Carrollton, TX 75010	(972) 394-0760

CBA - Cedar Hill	Faerber's Inc./David Faerber	130 N. Highway 67 Cedar Hill, TX 75104	(214) 247-8005
CBA - Vista Ridge	LB3V, LLC/Jason Gaudreau	906 North Vista Ridge Blvd. Cedar Park, TX 78613	(512) 259-1357
CBA - College Station	Fikes Enterprises, LLC/Darrel Fikes	4054 State Hwy 6 South College Station, TX 77845	(979) 690-5127
CBA - Corinth	RaeScott Corporation/Brandon Pfaffly	5050 South I-35 East Corinth, TX 76210	(940) 497-8788
CBA - Corpus Christi	CBA Corpus Christi, LLC/Ian Sperry	6901 S Staples Street Corpus Christi, TX 78413	(361) 985-8111
CBA - Grant Road	CBA Jomo, LLC/Scooter Owens	13333 Grant Road Cypress, TX 77429	(281) 370-9191
CBA - Fairfield	CBA Spindletop, LLC/Jeremy Robertson	27210 US Hwy 290 Cypress, TX 77433	(281) 213-8111
CBA - White Rock	CBA Chalky Rock, LLC/Paul Martinez	12124 McCree Road Dallas, TX 75238	(214) 342-5700
CBA - N. Dallas	CBA N Dallas, LLC/Jason Shiba	11870 N. Central Expressway Dallas, TX 75243	(214) 575-5662
CBA - Midway	CBA Midway Tinker Holdings, LLC/Mark Haun	19020 Midway Road Dallas, TX 75287	(972) 380-2886
CBA - Flower Mound	CBA Chisholm Trail Holdings, LLC/Lance Mutzman	1713 Justin Road Flower Mound, TX 75028	(972) 691-3700
CBA - Alliance	Leap of Faith, Inc./Kevin Simmons	6521 Old Denton Rd. Fort Worth, TX 76131	(817) 232-5200
CBA - Southwest Ft. Worth	KAL Automotive, Inc./Alan Crawford	7333 Oakmont Blvd Fort Worth, TX 76132	(817) 292-8100
CBA - Forney	Forney Stehr & Co, LLC/Amy Stehr	725 E US Highway 80 Forney, TX 75126	(972) 552-9925
CBA - Friendswood	Jack & Jules 98, LLC/Derek Phillips	1553 S. Friendswood Dr. Friendswood, TX 77546	(281) 993-2273
CBA - W. Frisco	White Family Automotive, Inc./Jonita White	8110 FM 423 Frisco, TX 75034	(214) 469-1635
CBA - Little Elm	CBA Onega, LLC/John Norman	26746 E University Dr. Denton, TX 76227	(940) 440-1065
CBA - Frisco	CBA Hijo Fundador, LLC/Josh Essary	9299 Lebanon Road Frisco, TX 75035	(972) 668-9425
CBA - Garland	Wreath of Laurel Co./Aaron Tharp	3213 Naaman School Rd. Garland, TX 75040	(972) 675-9000
CBA - Georgetown	Guyton, Inc./Keith Guyton	3723 Williams Dr., Bldg 1 Georgetown, TX 78628	(512) 863-3400

CBA - Granbury	Granbury CBA LLC/Mike Loter	3809 E. US Hwy 377 Granbury, TX 76049	(817) 573- 3911
CBA - Green Oaks	Adonay Holdings, LLC/Bryce Williams	2804 NE Green Oaks Blvd. Grand Prairie, TX 75050	(817) 633- 2886
CBA - Grapevine	CKP-CBA, LLC/Chuck Paschke	2059 West SH 114 Grapevine, TX 76051	(817) 410- 7200
CBA - Helotes	Barrett Kendall Unlimited, Inc./Spike Blevins	12544 E. Bandera Road Helotes, TX 78023	(210) 695- 4528
CBA - Space Center	Michael A Miller Enterprises Inc./Andy Miller	11600 Space Center Blvd. Houston, TX 77059	(281) 487- 8111
CBA - Westheimer	KP Stehr, Inc./Paul Stehr	7937 Westheimer Road Houston, TX 77063	(713) 781- 2626
CBA - West Road	CBA Trinity, LLC/Jeremy Robertson	9130 West Road Houston, TX 77064	(713) 849- 2006
CBA - Champions	CBA Champions, LLC/Cliff Mayton	2899 Cypress Creek Pkwy Houston, TX 77068	(281) 444- 2899
CBA - Blackhawk	CBA Blackhawk, LLC/Ian Sperry	9245 South Sam Houston Pky E Houston, TX 77075	(832) 740- 4865
CBA - Eldridge	CBA Mojo, LLC/Scooter Owens	844 N. Eldridge Parkway Houston, TX 77079	(281) 845- 2002
CBA - Mission Bend	CBA Lazar, LLC/Dan Nieves	7051 Addicks Clodine Rd. Houston, TX 77083	(281) 933- 3520
CBA - Copperfield	Aeris Campi Holdings, LLC/Ian Sperry	17320 F.M. 529 Houston, TX 77095	(281) 855- 0300
CBA - Atascocita	KCKTR, Inc./Ken Williams	6935 Atascocita Rd. Humble, TX 77346	(281) 812- 0700
CBA - Fall Creek	JA & Sons, LLC/Aaron Guerrero	8220 N Sam Houston Pkwy East Humble, TX 77396	(281) 372- 6642
CBA- Kingwood	CBA Kingwood, LLC/Kyle Jones	1322 Northpark Drive Kingwood, TX 77339	(281) 913- 5745
CBA - Hutto	K-Rider Investments, LLC/Aharon Krieter	580 U.S. Highway 79 Hutto, TX 78634	(512) 759- 3760
CBA - Valley Ranch	CBA Greatest Zee, LLC/Brandon Miller	600 Valley Ranch Pkwy South Irving, TX 75063	(972) 869- 2886
CBA - North Katy	4Nture LLC/Miguel Ramirez	3838 N. Fry Rd. Katy, TX 77449	(281) 578- 7799
CBA - Westgreen	Woodall Investments, Inc./Rob Woodall	500 Westgreen Blvd Katy, TX 77450	(281) 579- 2900
CBA - Katy Firethorne	Williams Family CBA West Katy, LLC/Steve Williams	1421 FM 1463 Rd Katy, TX 77494	(281) 392- 0395

CBA - Grand Parkway	CBA Grand Parkway, LLC/Josh Skalka	1455 W. Grand Parkway S. Katy, TX 77494	(281) 693-9393
CBA - Fulshear	By His Grace & For His Glory, LLC/Brian Bufkin	6150 FM 1463 Rd Katy, TX 77494	(281) 346-8651
CBA - Lake Worth	WGATP, Inc./David Schickedanz	6531 Lake Worth Blvd Lake Worth, TX 76135	(817) 237-0606
CBA - Lakeway	CBA Lakeway, LLC/Brandon Thomas	1811 RR 620 North Lakeway, TX 78734	(512) 266-8600
CBA - Leander	BCHMM LLC/Brad Escue	120 E Sonny Dr. Leander, TX 78641	(512) 259-1918
CBA - League City	Andy & Christie Miller, Inc./Andy Miller	1515 W FM 646 League City, TX 77573	(281) 534-4000
CBA - Lewisville	Benet Vehicle Services-Lewisville, LLC/Rick Benet	1263 W. Round Grove Road Lewisville, TX 75067	(972) 315-1745
CBA - Lubbock	All His Holdings, LLC/Josh Page	6207 82nd. Street Lubbock, TX 79424	(806) 794-1200
CBA - Magnolia Pkwy	BITS Automotive, LLC/Jeff Toth	6872 FM 1488 Magnolia, TX 77354	(281) 259-4211
CBA - McKinney	Sparkle McKinney LLC/Greg Joseph Jr.	3790 W. Eldorado Pkwy. McKinney, TX 75070	(972) 542-1900
CBA - Midland	TAG Auto, Inc./Trey Grigsby	5317 W. Loop 250 North Midland, TX 79707	(432) 694-0400
CBA - Miramesa	CBA Mid-Continental Holdings, LLC/Miguel Ramirez	9132 Fry Road Cypress, TX 77433	(832) 653-2619
CBA - Missouri City	Dapa, Inc./Pam Funderburg	7240 Knights Court Missouri City, TX 77459	(281) 499-4499
CBA - Murphy	AK Automotive Inc./Aaron Tharp	420 W. FM 544 Murphy, TX 75094	(972) 881-0491
CBA - North Ft. Worth	CBA N Fort Worth, LLC/Julio Martinez	9089 Tehama Ridge Pkwy Ft. Worth, TX 76177	(817) 623-9333
CBA - New Braunfels	The Sophora Group, Inc./Kevin Carroll	1760 Hwy 46 West New Braunfels, TX 78132	(830) 625-2884
CBA - Rufe Snow	CBH Rufe Snow, LLC/Scott Stidd	7780 Rufe Snow Drive N. Richland Hills, TX 76148	(817) 485-8900
CBA - Pflugerville	Lawnboy 2 nd Ventures, Inc./Jason Gaudreau	1621 E. Pflugerville Pkwy Pflugerville, TX 78660	(512) 300-0587
CBA - Plano	Tharp Alliance Corp./Aaron Tharp	5800 Avenue K Plano, TX 75074	(972) 424-4044
CBA - Waterside	99 Automotive, LLC/Wayne Pawlik	8132 W. Grand Parkway S. Richmond, TX 77469	(281) 232-5555

CBA - Roanoke	In The Zone, Inc./Kevin Simmons	212 East Highway 114 Roanoke, TX 76262	(682) 831- 1700
CBA - Rockwall	Stehr & Co, LLC/Amy Stehr	129 E. Ralph Hall Pkwy Rockwall, TX 75032	(972) 722- 9500
CBA - Round Rock	Mauri, LLC/Keith Guyton	413 Louis Henna Blvd. Round Rock, TX 78664	(512) 248- 1000
CBA - Alamo Heights	Weer Inc./Rolf Blaettner	1431 Austin Highway San Antonio, TX 78209	(210) 832- 0088
CBA - Hill Country Village	Rebel Auto Services, Inc./Rolf Blaettner	15301 San Pedro Ave San Antonio, TX 78232	(210) 541- 5901
CBA - Schertz	Edification Enterprises, Inc./Fredy Degollado	205 F.M. 3009 Schertz, TX 78154	(210) 658- 1717
CBA - Spring	CJS Pathways, L.L.C./Blair Jordan	2655 Rayford Road Spring, TX 77386	(281) 298- 9111
CBA - New Territory	T.L.W.P., Inc./Kelly Adams	8431 Homeward Way Sugar Land, TX 77479	(281) 242- 2886
CBA - South Tomball	CBA Oil Town, LLC/Jeremy Robertson	24155 Tomball Parkway Tomball, TX 77375	(281) 351- 6161
CBA - The Woodlands	MC&GW Enterprises, Inc./Jeff Toth	4460 Panther Creek Pine The Woodlands, TX 77381	(281) 298- 7771
CBA - Tyler	CBA Tyler, LLC/Ray Martinez	8730 S. Broadway Ave Tyler, TX 75703	(903) 509- 2122
CBA - Waxahachie	HYDR Capital LLC/Ken Woods	1300 W. Hwy 287 Bypass Waxahachie, TX 75165	(972) 937- 4500
CBA - Weatherford	Stidd Enterprises, LLC/Scott Stidd	156 Interstate 20 West Weatherford, TX 76086	(817) 599- 4844
CBA - Woodway	S and L Woody, Inc./Sterling Woody	101 Archway Drive Woodway, TX 76712	(254) 772- 5600

CBA – Rosenberg	Hatley Family Holdings, LLC/Gardale Hatley	6911 Summertime Way Rosenberg, TX 77469	(832) 520-2440
CBA – Spring Stuebner	J6 Properties, LLC/Blair Jordan	7315 N Grand Parkway W Spring, TX 77379	(346) 413-8646
CBA – Shadow Creek Ranch	Phillips 4 The Win, LLC/Derek Phillips	3080 Kirby Drive Pearland, TX 77584	(281) 886-8681
CBA – Montgomery	JKG Leigh, LLC/Kyle Cordell	19920 Eva Street Montgomery, TX 77356	(936) 276-6060
CBA – Mansfield	Sandy Pines Corp./Michael Ortman	820 N SH 360 Mansfield, TX 76063	(682) 341-9009
CBA – Temple	S & L Woody-Temple, LLC/Sterling Woody	58 S Kegley Rd Temple, TX 76502	(254) 791-8101
CBA – Bryan	D&B Fikes Enterprise, LLC/Darrel Fikes	2401 Boonville Road Bryan, TX 77802	(979) 977-7766
CBA – Celina	Celina CBA, LLC/Jan Sampeck	4075 S Preston Road Celina, TX 75009	(945) 600-9060
CBA – Stevens Ranch	NRF Holdings LLC/Nick Fordyce	14546 Potranco Road San Antonio, TX 78253	(210) 405-5711
CBA Lake Jackson	EWI Investments, LLC/Jerry Wilson	218 W. Hwy. 332 Lake Jackson, TX 77566	(979) 341-5006
CBA - Argyle	Gateway Automotive Group, LLC/Robert Lowe	205 Stella St. Argyle, TX 76226	(940) 784-8449
CBA - Magnolia	5 Cord CF, LLC/Kyle Cordell	14546 Red Creek Circle Magnolia, TX 77354	(346) 248-8966
Virginia			
CBA - Virginia Beach	Areti Enterprises Inc./Kirk Linahan	3228 Holland Road Virginia Beach, VA 23453	(757) 689-1523
CBA - Midlothian-Huguenot Park	Ebenezer RVA, Inc./Hampton Holdsworth	1680 Mall Drive Richmond, VA 23235	(804) 351-8650
CBA Chester	CBA of Chester, LLC/Keith Warman	12000 Bermuda Crossroad Ln Chester, VA 23831	(804) 351-8111
Washington			
CBA – Liberty Lake	KACK Corp./Kris Kramer	23819 E. Applieway Ave Liberty Lake, WA 99019	(509) 891-8000
Wisconsin			
CBA - Sun Prairie	CBA Sun Prairie, LLC/Kris Laukant	2420 Ironwood Dr. Sun Prairie, WI 53590	(608) 318-5491

**D.2-Current Awarded Franchise Candidates Who Are Not Yet Operating a Franchise as of
December 31, 2023**

Alabama	
Birmingham	James Barber
Huntsville	Jeff Cole
Mobile	Matthew Brown
Montgomery	Eric Wesch
Birmingham	Shane Weeks
Arizona	
Phoenix	Matt Hunter
Phoenix	Lisa Jankovic
Phoenix	Tom Shaeffer
Phoenix	Scott Mauldin
Arkansas	
Springdale	Michael Fridge
Colorado	
Denver	Rich Klepper
Denver	Chris Tholen
Denver	Chad Leavitt
Denver	Dan West
Fountain	Shawn Bradley
Fort Collins	Stephen Kinsland
Florida	
Jacksonville	Erich Alves
Merritt Island	Mike Longchamp
Pensacola	Steve Evan
Orlando	Mike Maudlin
Orlando	Jake Brigham
Port Charlotte	Marcia Krumenacker
St. Johns	Michael Thomas
Tampa	Derek Orona
Tampa	John Murphy
Georgia	
Athens	Matthew Cobb
Atlanta	Jason Moore
Atlanta	Joshua Holan
Atlanta	Ryan Jackson
Atlanta	Bryan Ginsberg
Idaho	
Boise	Brett Clancy

Boise	Rich Martinez
Hayden	Kris Kramer
Indiana	
Indianapolis	Andrew Stevens
Illinois	
Shiloh	Corwin Pauly
Iowa	
Des Moines	Waleed Wadi
Cedar Rapids	Lance Shaver
Kansas	
Kansas City	Kevin Pruitt
Kentucky	
Bowling Green	Miles Woodard
Louisville	Jason Jester
Louisville	David Smith
Louisiana	
Baton Rouge	Stephen Ledell
Broussard	Lovie Moran
Michigan	
Grand Rapids	Thomas MacInnes
Grand Rapids	Anthony Kesteloot
Minnesota	
Minneapolis	Jon Nelson
Nebraska	
Omaha	Greg Douglas
Omaha	Jamison Lalk
Lincoln	Aaron Jones
North Carolina	
Wilmington	Brad Goldstein
Raleigh	Steven Coffey
Charlotte	Jason Thompson
Ohio	
Cincinnati	Doug Beachy
Columbus	Chris Kerr
Columbus	Tim Poppy
Oklahoma	
Tulsa	Tommy Keeter
Tulsa	David Helmerich
Pennsylvania	
Lancaster	Igor Kuzmenko
South Carolina	

Charleston	Jake Reedy
Simpsonville	Will Fogarty
Indian Land	Jason Thompson
Tennessee	
Knoxville	Cory Beilharz
Chattanooga	Brent Clarkson
Nashville	Jason Miller
Clarksville	Justin Richter
Texas	
Austin	Brad Escue
Austin	Keith Guyton
Dallas	Jan Sampeck
Dallas	Greg Joseph Jr.
Dallas	Calvert Brown
Houston	Clay Patranella
Houston	Cliff Mayton
Houston	Rob Woodall
Austin	Mark David
Odessa	Craig King
Lumberton	Carl Mitchell
Denton	Chris Torbert
Boerne	Adam Troncoso
Forney	Mike Brown
Abilene	Brett Creech
Virginia	
Glen Allen	Dave Kleber
Midlothian	Micah Rose
Wyoming	
Cheyenne	Stu Music

EXHIBIT E
STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Attached as Exhibit E is the State Administrators/Agents for Service of Process.

CALIFORNIA

Department of Financial Protection and
Innovation:

320 West 4th Street, Suite 750
Los Angeles, CA 90013
(213) 576-7500 Toll Free (866) 275-2677

2101 Arena Boulevard
Sacramento, CA 95834
(916) 445-7205

1350 Front Street
San Diego, CA 92101
(619) 525-4233

One Sansome Street, Suite 600
San Francisco, CA 94105
(415) 972-8559

Agent:
California Commissioner of Financial Protection
and Innovation

CONNECTICUT

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

Agent:
Banking Commissioner

<p><u>HAWAII</u></p> <p>Commissioner of Securities Department of Commerce and Consumer Affairs 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2744</p> <p>Agent: Commissioner of Securities of the Department for Commerce and Consumer Affairs</p>	<p><u>ILLINOIS</u></p> <p>Franchise Division Office of Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p> <p>Agent: Illinois Attorney General</p>
<p><u>INDIANA</u></p> <p>Franchise Section Indiana Securities Division Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681</p> <p>Agent: Indiana Securities Division Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531</p>	<p><u>MARYLAND</u></p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p> <p>Agent: Maryland Securities Commissioner</p>

<p><u>MICHIGAN</u></p> <p>Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, Michigan 48913 (517) 373-7177</p> <p>Agent: Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909</p>	<p><u>MINNESOTA</u></p> <p>Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600</p> <p>Agent: Minnesota Commissioner of Commerce</p>
<p><u>NEBRASKA</u></p> <p>Nebraska Department of Banking and Finance 1200 N Street P.O. Box 95006 Lincoln, Nebraska 68509-5006</p>	<p><u>NORTH CAROLINA</u></p> <p>Department of the Secretary of State P.O. Box 29622 Raleigh, North Carolina 27626-0622</p>
<p><u>NEW YORK</u></p> <p>Office of the New York State Attorney General Investor Protection Bureau Franchise Section 28 Liberty Street, 21st Floor New York, NY 10005-1495 (212) 416-8236 Phone (212) 416-6042 Fax</p> <p>Agent: Attn: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492</p>	<p><u>NORTH DAKOTA</u></p> <p>North Dakota Securities Department 600 East Boulevard Avenue State Capitol – Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712</p> <p>Agent: North Dakota Securities Department</p>

<p><u>OREGON</u></p> <p>Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387</p> <p>Agent: Director of Oregon Department of Insurance and Finance</p>	<p><u>RHODE ISLAND</u></p> <p>Division of Securities Suite 232 233 Richmond Street Providence, Rhode Island 02903 (401) 222-3048</p> <p>Agent: Director of Rhode Island Department of Business Regulation</p>
<p><u>SOUTH DAKOTA</u></p> <p>Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, South Dakota 57501 (605) 773-3563</p> <p>Agent: Assistant Director, Securities Regulation</p>	<p><u>TEXAS</u></p> <p>Secretary of State P.O. Box 12887 Austin, Texas 78711</p>
<p><u>VIRGINIA</u></p> <p>Administrator: State Corporation Commission 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051</p> <p>Agent: Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733</p>	<p><u>WASHINGTON</u></p> <p>Director Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, Washington 98501 (360) 902-8760</p> <p>Agent: Director of Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater, Washington 98501</p>
<p><u>WISCONSIN</u></p> <p>Securities and Franchise Registration Wisconsin Securities Commission 201 West Washington Street, Suite 300 Madison, Wisconsin 53703 (608) 266-3431</p> <p>Agent: Wisconsin Commissioner of Securities</p>	

EXHIBIT F
FORM OF NONUSE, NONDISCLOSURE AND NON-COMPETITION AGREEMENT

Attached as Exhibit F is the Form of Nonuse, Nondisclosure and Non-Competition Agreement.

NONUSE, NONDISCLOSURE AND NON-COMPETITION AGREEMENT

This Nonuse, Nondisclosure and Non-Competition Agreement (the “**Agreement**”) is entered into by and among _____, whose address is _____, _____, _____, (collectively together with all affiliates, representatives and agents collectively referred to as “**Franchisee Candidate**”) and **CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**, a Texas corporation, whose address is 17725 Katy Freeway, Houston, Texas 77094 (“**CBAC**”).

WHEREAS, the Franchisee Candidate has been approved by CBAC to be a CBAC franchisee, has made an initial deposit of \$85,000.00 pursuant to a Receipt and Acknowledgement Letter Agreement dated _____, 202_ (the “**Letter Agreement**”), and is interested in receiving access to certain training materials and other confidential and/or proprietary information developed and owned by CBAC for CBAC franchisees prior to the execution of a Franchise Agreement;

WHEREAS, CBAC desires to provide Franchisee Candidate with access to training materials (both online and written), the CBAC Confidential Operations Manual and CBA Connect, and other information developed and owned by CBAC, all of which contain know-how concerning the methods of operation of a CBAC franchise business and the CBAC franchise system, which CBAC considers to be confidential and proprietary information (all of the foregoing together with all login credentials, attachments, addenda, exhibits and other agreements related, described or referred to with respect to any of the foregoing is herein referred to as the “**Confidential Information**”); and

WHEREAS, in order to protect the confidentiality of the Confidential Information, CBAC requires Franchisee Candidate to make certain covenants of non-use, non-disclosure and non-competition, as set forth herein.

NOW THEREFORE, for good and valuable consideration, including without limitation the execution of the Letter Agreement and CBAC’s furnishing the Franchisee Candidate with the Confidential Information, the Franchisee Candidate has agreed and does hereby covenant and agree that:

1. Non-Use and Nondisclosure Obligations. Franchisee Candidate covenants and agrees to keep the Confidential Information strictly confidential, and Franchisee Candidate will not, at any time (during the term of this Agreement or thereafter) without CBAC’s prior written consent disclose the Confidential Information, whether in whole or in part, directly or indirectly, except as expressly permitted hereunder. The Franchisee Candidate will not use the Confidential Information for any purpose other than to receive training to operate a CBAC franchise location (the “**Purpose**”). The Franchisee Candidate will not disclose or

provide access to the Confidential Information to any Person who is not a signatory to this Agreement without CBAC's prior written consent, which consent may be withheld in CBAC's sole and exclusive discretion. The Franchisee Candidate is responsible for any breach of this Agreement by any Person who receives any of the Confidential Information, either directly or indirectly, from the Franchisee Candidate. The Franchisee Candidate will promptly notify CBAC of any unauthorized access to, misuse or misappropriation of the Confidential Information that comes to the Franchisee Candidate's attention. For purposes of this Agreement, the term "Person" means any person, persons, partnership, entity, association, or corporation (other than CBAC).

2. Additional Nondisclosure Obligations. Without CBAC's prior written consent, except where otherwise required by law (such requirements to be confirmed by a written legal opinion of the Franchisee Candidate's counsel), the Franchisee Candidate will not disclose to any Person the fact that the Confidential Information has been made available to the Franchisee Candidate. If Franchisee Candidate is required by law to disclose all or any of the Confidential Information and such requirements are confirmed by a written legal opinion of the Franchisee Candidate's counsel, Franchisee Candidate shall reasonably cooperate with CBAC in any effort to seek a protective order or otherwise contest such required disclosure, at CBAC's expense. The Franchisee Candidate shall give CBAC prompt notice of any such legal or governmental demand for the Confidential Information.
3. Non-Competition Obligations. Franchisee Candidate acknowledges and agrees that the training required by CBAC of Franchisee Candidate will give Franchisee Candidate access to Confidential Information, including, without limitation, to vendors and customers of CBAC and CBAC franchise businesses. Franchisee Candidate covenants and agrees that during the term of this Agreement, unless CBAC gives Franchisee Candidate its prior written approval, Franchisee Candidate shall not, either directly or indirectly, for Franchisee Candidate, or through, on behalf of, or in conjunction with any Person: (i) divert or attempt to divert any current or potential business account or customer of CBAC (or of any CBAC franchise business) to any Person, whether by direct or indirect suggestion, referral, inducement, or otherwise; (ii) do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with CBAC; and/or (iii) directly or indirectly for Franchisee Candidate or on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, be employed by, or have any interest in any business that is the same as or similar to a CBAC franchise business. Franchisee Candidate further covenants and agrees that for a period of three (3) years following the termination of this Agreement, unless CBAC gives Franchisee Candidate its prior written approval, Franchisee Candidate shall not, either directly or indirectly, for Franchisee Candidate, or through, on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, be employed by, or have any interest in any business that is the same as or similar to a CBAC franchise business, if that business is located (or if it is intended to be located) within a radius of ten (10) miles of any CBAC franchise business located anywhere at that time.

4. Termination. All Franchisee Candidate's rights to use Confidential Information pursuant to this Agreement end when any of the following events occurs: (a) a Termination Event (as defined in the Letter Agreement) occurs; (b) CBAC gives notice to Franchisee Candidate to cease using the Confidential Information; (c) Franchisee Candidate breaches any provision of this Agreement; or (d) Franchisee Candidate fails to observe those obligations under this Agreement. If all rights to use Confidential Information pursuant to this Agreement end, then Franchisee Candidate will promptly cease using the Confidential Information and promptly deliver to CBAC all documents and other materials constituting Confidential Information or destroy such information upon the request of CBAC. Even if all rights to use Confidential Information pursuant to this Agreement end, all other obligations of the parties with respect to Confidential Information shall survive for so long as such information constitutes Confidential Information. This Agreement shall terminate when (a) all rights to use Confidential Information pursuant to this Agreement end or (b) when Franchisee Candidate executes a Franchise Agreement in accordance with the Letter Agreement.
5. Injunction. Franchisee Candidate understands, acknowledges, and agrees that if Franchisee Candidate does not comply with the requirements of Sections 1, 2 and 3 of this Agreement, Franchisee Candidate will cause irreparable injury to CBAC, and that: (i) CBAC will have the right to enforce this Agreement by going to a court and obtaining an injunction, specific performance, or other equitable relief, without prejudice to any other rights and remedies that CBAC may have for breach of this Agreement; (ii) Franchisee Candidate will not raise wrongful termination or other defenses to the enforcement of this Agreement (although Franchisee Candidate will have the right to raise those issues in a separate legal action); and (iii) Franchisee Candidate must reimburse CBAC for any court costs and reasonable attorney's fees that CBAC incurs as a result of Franchisee Candidate's violation of this Agreement and having to go to court to seek enforcement. Franchisee Candidate further understands, acknowledges, and agrees that if Franchisee Candidate does not comply with the requirements of Sections 1, 2 and 3, CBAC will have the right to terminate this Agreement without providing any refund of amounts paid whatsoever.
6. Retention of Rights. Neither this Agreement, nor the provision of access to the Confidential Information shall operate to transfer ownership of the Confidential Information to the Franchisee Candidate. CBAC will retain all right, title, and interest in and to all Confidential Information.
7. No Waiver. Neither party will be deemed to have waived any of its rights under this Agreement by lapse of time, or by any statement or representation other than a written waiver executed by the party seeking to waive its rights hereunder.
8. Authority. The undersigned parties each represent and warrant that such party has the power and authority to execute this Agreement on behalf of the Franchisee Candidate or CBAC, as is applicable. The Franchisee Candidate represents and warrants that he or she

has all necessary authorizations, consents and agreements to bind the Franchisee Candidate to the terms and conditions contained herein.

- 9. Choice of Law, Jurisdiction and Venue. Franchisee Candidate agrees that any lawsuit brought by CBAC to enforce its rights under this Agreement shall be brought in the courts of the county where CBAC has its then-current principal place of business, and Franchisee Candidate agrees and consents to the jurisdiction of such court to resolve all disputes which arise out of this Agreement or any alleged breach thereof, regardless of Franchisee Candidate's residency at the time such lawsuit is filed. This Agreement shall be governed by the laws of the State of Texas. In the event of any conflict of law, the laws of Texas shall prevail, without regard to, and without giving effect to, the application of Texas conflict of law rules.
- 10. Severability. Each of the provisions of this Agreement may be considered severable from the others. If a court should find that CBAC may not enforce a clause in this Agreement as written, but the court would allow CBAC to enforce that clause in a way that is less burdensome to Franchisee Candidate, then Franchisee Candidate agrees that Franchisee Candidate will comply with the court's less-restrictive interpretation of that clause.
- 11. Waiver and Delay. No delay or failure by CBAC to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.
- 12. Survival. Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement (regardless of cause), shall survive such expiration or termination.
- 13. Counterparts and Electronic or Digital Signatures. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original and such counterparts shall together constitute but one and the same Agreement. The parties shall be entitled to sign this Agreement electronically or digitally and transmit electronic or digital copies of this Agreement (whether by facsimile, PDF or other email or electronic transmission), whereby such electronic signatures shall be binding on the party whose name is contained therein.

WITNESS the execution thereof, this ____ day of _____, 202_.

COMPANY:

INTERESTED PARTY:

BY:
Don Carr, President

Print Name: _____

EXHIBIT G
FORMER FRANCHISEES CONTACT INFORMATION

This Exhibit G lists the last known contact information of the franchisees who had an outlet terminated, canceled, not renewed, transferred or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our last fiscal year or who has not communicated with us within ten weeks of the date of this Disclosure Document.

Alabama

1. John Gilbert	Birmingham, Alabama	(985) 778-9632
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Colorado

2. Don Carr	Denver, Colorado	(303) 586-0066
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Florida

3. Jim Harris	Lakeland, Florida	(863) 204-0233
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Illinois

4. Jim Harris	Lockport, Illinois	(815) 524-4187
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Kansas

5. Steve Schramm	Olathe, Kansas	(405) 315-4266
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Missouri

6. Randy Holman	Valley Park, Missouri	(314) 570-5760
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North Carolina

7. Alex Costa	Coddle Creek, North Carolina	(832) 461-9982
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Ohio

8. Kevin Kaschube	Avon, Ohio	(440) 223-3414
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Tennessee

9. Jimmy Turner	Collierville, Tennessee	(901) 277-1658
10. Don Carr	Hixson, Tennessee	(423) 531-3292

Texas

11. Graydon Wall (Diane)	Green Oaks, TX	(817) 808-8343
12. James Guzman	Hutto, Texas	(512) 230-4448
13. Jim Harris	Kingwood, Texas	(281) 913-5745
14. Cody Foster	Lakeway, Texas	(512) 203-3537
15. Sterling Woody	Tyler, Texas	(903) 509-2122

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

EXHIBIT H
STATE SPECIFIC ADDENDUM

Attached as Exhibit H is the State Specific Addendum.

**AMENDMENT TO CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA**

The Christian Brothers Automotive Corporation Disclosure Document (the “Disclosure Document”) and Franchise Agreement between _____ (“Franchisee”) and Christian Brothers Automotive Corporation, a Texas corporation (“CBAC”), dated _____, 20__ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this “Amendment”):

CALIFORNIA LAW MODIFICATIONS

1. The California Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Relations Act, Cal. Bus. Prof. Code, Division 8, Chapter 5.5, Section 20000-20043 (the “Act”). To the extent that the Disclosure Document and/or Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. All appendices to the Disclosure Document are hereby amended to include the following provision: “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.”

b. All appendices to the Disclosure Document are hereby amended to include the following provision: “SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.”

c. THE CBAC WEBSITE (www.cbac.com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

d. Item 3 of the Disclosure Document is supplemented by the addition of the following paragraph: “No person identified in Item 2 above is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling these persons from membership in such association or exchange.”

e. Item 6 of the Disclosure Document is amended by adding the following to the Remarks in the “Late Fee and Interest on Overdue Payments” section: “The maximum allowable interest rate in California is 10% per annum.”

f. Item 17 of the Disclosure Document and the Agreement are hereby amended to include the following paragraph: “California Business and Professions Code Sections 20000 through 20043 provides rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.”

g. Item 17 of the Disclosure Document and the Agreement are hereby further amended to include the following paragraph: “The Franchise Agreement contains a covenant not to compete that extends beyond termination of the franchise. This provision might not be enforceable under California law.”

h. The Agreement contains provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

i. The Agreement requires binding arbitration. The arbitration will occur at (Houston, Texas). 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. 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.

j. The Franchise Agreement require application of the laws of the State of Texas. This provision might not be enforceable under California law.

k. Section 31125 of the California Corporations Code requires CBAC to give franchisee a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

l. The Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

m. Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
- (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
- (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
- (d) Violations of any provision of this division.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

**AMENDMENT TO CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS**

The Christian Brothers Automotive Corporation Disclosure Document (the “Disclosure Document”) and Franchise Agreement between _____ (“Franchisee”) and Christian Brothers Automotive Corporation, a Texas corporation (“CBAC”), dated _____, 20__ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this “Amendment”):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 815 ILCS 705/1 – 705/44 (the “Act”), specifically section 705/41 of the Act. To the extent that the Disclosure Document and/or Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:
 - a. The Agreement requires the Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action of CBAC that would violate the Act, or a rule or order under the Act. Such release shall exclude claims arising under the Act, and such acknowledgments shall be void with respect to claims under the Act. Section 41 of the Act states that any condition, stipulation, or provision (in our Agreement) purporting to waive compliance with any provision of this Act **or any other law of this State** is void.
 - b. The Agreement and Item 17 of the Disclosure Document designate a jurisdiction, forum and venue and choice of law outside of Illinois. This requirement shall not be interpreted to limit any rights that Franchisee may have under Sec. 705/4 of the Act, to bring suit in the state of Illinois. Applicable sections of the Franchise Agreement and Item 17v and 17w of the Disclosure Document are hereby amended to indicate Illinois as the governing law and choice of forum.
 - c. The Agreement contains certain provisions regarding termination and non-renewal of franchise and notice and opportunity to cure. To the extent any provision of the Agreement and/or the Disclosure Document are inconsistent with Sections 705/19 - 705/20 of the Act, those provisions of the Agreement and/or Disclosure Document are hereby amended accordingly.
 - d. Exhibit G of the Agreement, titled “Franchisee Disclosure Acknowledgment Statement,” is hereby deleted and shall have no force or effect.
 - e. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Disclosure Document and Agreement on the ___ day of _____, 20__.

FRANCHISOR:

CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION
a Texas corporation

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

**AMENDMENT TO CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT
FOR THE STATE OF INDIANA**

The Christian Brothers Automotive Corporation Disclosure Document (the “Disclosure Document”) and Franchise Agreement between _____ (“Franchisee”) and Christian Brothers Automotive Corporation, a Texas corporation (“CBAC”), dated _____, 20__ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this “Amendment”):

INDIANA LAW MODIFICATIONS

1. Indiana Secretary of State requires that certain provisions contained in franchise documents be amended to be consistent with Indiana law, including the Indiana Franchise Law, Indiana Code, Title 23, Article 2, Chapter 2.5, Section 1 – 51 and Chapter 2.7, 1 – 7 (the “Act”). To the extent that the Disclosure Document and/or Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:
 - a. The Agreement requires the Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action of the CBAC that would violate the Act, or a rule or order under the Act. Such release shall exclude claims arising under the Act, and such acknowledgments shall be void with respect to claims under the Act.
 - b. The Agreement requires litigation to be conducted in a forum other than the State of Indiana. This requirement shall not be interpreted to limit any rights that Franchisee may have under the Act to bring suit in the state of Indiana.
 - c. The Franchise Agreement requires prospective Franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law in order to purchase our franchise. Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Act.
 - d. Any claims arising under the Act must be brought before the expiration of 3 years after the discovery by the plaintiff of the facts constituting the violation.
 - e. The Agreement contains certain provisions regarding termination and non-renewal of franchise and notice and opportunity to cure. To the extent any provision of this Agreement and/or the Disclosure Document are inconsistent with Chapter 2.7, Section 1 – 3 of the Act, those provisions of the Agreement and/or Disclosure Document are hereby amended accordingly.
 - f. Exhibit G of the Agreement, titled “Franchisee Disclosure Acknowledgment Statement,” is hereby deleted and shall have no force or effect.
2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met

independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Disclosure Document and Franchise Agreement on the ___ day of _____, 20__.

FRANCHISOR:

CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION

a Texas corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

**AMENDMENT TO CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND**

The Christian Brothers Automotive Corporation Disclosure Document (the “Disclosure Document”) and Franchise Agreement between _____ (“Franchisee”) and Christian Brothers Automotive Corporation, a Texas corporation (“CBAC”), dated _____, 20____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this “Amendment”):

MARYLAND LAW MODIFICATIONS

1. The Maryland Office of the Attorney General requires that certain provisions contained in franchise documents be amended to be consistent with the Maryland Franchise Registration and Disclosure Law, MD. BUS. REG. CODE ANN. §14-201 et. seq. (2010 Repl. Vol. and Supp. 2012). To the extent that the Disclosure Document and/or Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended.

2. **Releases.** Item 17.c. and 17.m. of the Disclosure Document are amended as follows:

The general release language 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.

The following language is added to the end of Sections 3.05(c) and 13.02(h) of the Agreement:

However, such general release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. **Insolvency.** Item 17.h. of the Disclosure Document is amended as follows:

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.)

The following language is added to the end of Section 14.02(a) of the Agreement:

; termination upon insolvency might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but Franchisee and CBAC agree to enforce this provision to the maximum extent the law allows.

4. **Consent to Jurisdiction.** Item 17.v. of the Disclosure Document is amended as follows:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

The following language is added to the end of Section 24.01(d) of the Agreement:

However, Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **Acknowledgements.** The following language is added as a new Section 22.01(i) of the Agreement:

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.

The following language is added as a new Section 18 of Exhibit D (Store In Distress Support Program Agreement) of the Agreement:

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.

6. **Franchisee Disclosure Acknowledgment Statement.**

The following language is added to amend the Disclosure Document and the Agreement:

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

7. **Franchise Fee Deferral.**

The following language is added to Item 5 of the Disclosure Document:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

The following language is added to Section 4.01 of the Agreement:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

8. **Agreement; Section 22.** Section 22 of the Agreement is hereby deleted.

9. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Disclosure Document and Agreement on the ___ day of _____, 20__.

FRANCHISOR:

CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION
a Texas corporation

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

**AMENDMENT TO CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA**

The Christian Brothers Automotive Corporation Disclosure Document (the “Disclosure Document”) and Franchise Agreement between _____ (“Franchisee”) and Christian Brothers Automotive Corporation, a Texas corporation (“CBAC”), dated _____, 20__ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this “Amendment”):

MINNESOTA LAW MODIFICATIONS

1. The Minnesota Department of Commerce requires that certain provisions contained in franchise documents be amended to be consistent with the Minnesota Franchise Law, Minnesota Statute Chapter 80C, which regulates the sale of franchises to be located in Minnesota or to be sold to residents of Minnesota. Registration is required by the franchisor offering and selling the franchise. To the extent that the Disclosure Document and/or Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:
 - a. The Agreement requires the Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action of CBAC that would violate the Act, or a rule or order under the Act. Minn. Rule 2860.4400D prohibits requiring a franchisee to assent to a general release. Any release of claims or acknowledgment of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Minnesota Franchises Act or a rule or order promulgated thereunder shall be void with respect to claims arising under the Minnesota Franchises Act.
 - b. The following language must amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections of the Franchise Disclosure Document and agreement(s):

“Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.”
 - c. The Minnesota Department of Commerce requires that CBAC indemnify you against liability to third parties for infringement resulting from your use of the trademarks licensed under the Agreement. Article 10 of the Agreement describes the circumstances under which CBAC will indemnify you against third party liability for trademark infringement. Requirements

imposed under the Minnesota Franchises Act will supersede inconsistent provisions contained in Article 10 of the Agreement.

d. Sec. 80C.17, Subd. 5 of the Minnesota Franchises Act provides that no action may be commenced thereunder more than three (3) years after the cause of action accrues. To the extent that the Agreement conflicts with this law, the Minnesota law will control.

e. The Agreement contains certain provisions regarding termination and non-renewal of franchise and notice and opportunity to cure. To the extent any provision of this Agreement and/or the Disclosure Document are inconsistent with respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement, those provisions of the Agreement and/or Disclosure Document are hereby amended accordingly. Requirements imposed under the Minnesota Franchise Act will supersede inconsistent provisions contained in the Agreement.

f. Any section of the Agreement (pertaining to liquidated damages) is hereby deleted; provided, that such deletion shall not excuse you from liability for actual or other damages and the formula for assessing liquidated damages shall be admissible in any litigation or proceeding as evidence of actual damages.

g. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. To the extent that the Agreement conflicts with this law, the Minnesota law will control.

h. Exhibit G of the Agreement, titled "Franchisee Disclosure Acknowledgment Statement," is hereby deleted and shall have no force or effect.

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

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of Minnesota law applicable to the provisions are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.
3. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Agreement, CBAC reserves the right to challenge the enforceability of the state law.
4. All other provisions of the Agreement are hereby ratified and confirmed.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties acknowledge that they have read and understand the contents of this Amendment, that they have had the opportunity to obtain the advice of counsel. Intending to be legally bound, the parties have fully and duly executed, sealed and delivered this Amendment on the ___ day of _____, 20__.

FRANCHISOR:

CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION
a Texas corporation

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

**AMENDMENT TO CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK**

The Christian Brothers Automotive Corporation Disclosure Document (the “Disclosure Document”) and Franchise Agreement between _____ (“Franchisee”) and Christian Brothers Automotive Corporation, a Texas corporation (“CBAC”), dated _____, 20__ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this “Amendment”):

NEW YORK LAW MODIFICATIONS

1. In recognition of the requirements of the General Business Law of the State of New York, Article 33, Sections 680 through 695, the Disclosure Document and Agreement for Christian Brothers Automotive Corporation for use in the State of New York shall be amended as follows:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. 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 PROSPECTUS.

All references to “Disclosure Document” shall be deemed to include the term “Offering Prospectus” as used under the General Business Law.

The following paragraphs are added at the beginning of Item 3 of the Disclosure Document:

Except as provided below, neither the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under our principal trademark:

A. 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, including 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.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of a 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.

C. 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.

The following paragraph is added at the beginning of Item 4 of the Disclosure Document:

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

Modifications that we make to our Manual(s) as permitted by the Agreement will not impose an unreasonable economic burden on you.

RELEASES. The “Summary” sections of Items 17(c) and 17(m) in the Disclosure Document and Sections 3.05(c) and 13.02(h) of the Agreement are amended by adding the following:

; provided, however, that to the extent required by Article 33 of the General Business Law of the State of New York, 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 GBL Sections 687.4 and 687.5 be satisfied.

TERMINATION BY FRANCHISEE. The “Summary” section of Item 17(d) in the Disclosure Document and Section 14.02 (c) of the Agreement are amended by adding the following:

You may terminate the franchise agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

ASSIGNMENT OF CONTRACT BY FRANCHISOR. The “Summary” section of Item 17(j) in the Disclosure Document and Section 13.01 of the Agreement are amended by adding the following:

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

CHOICE OF FORUM AND GOVERNING LAW. The “Summary” sections of Items 17(v) and 17(w) in the Disclosure Document and Sections 20.01(a) and 24.01(c) of the Agreement are amended by adding the following:

The forgoing 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.

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

Exhibit G of the Agreement, titled “Franchisee Disclosure Acknowledgment Statement,” is hereby deleted and shall have no force or effect.

2. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York, Article 33, are met independently without reference to this Addendum to the Disclosure Document.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Disclosure Document and Franchise Agreement on the ___ day of _____, 20__.

FRANCHISOR:

CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION
a Texas corporation

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

**AMENDMENT TO CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT
FOR THE STATE OF VIRGINIA**

The Christian Brothers Automotive Corporation Disclosure Document (the “Disclosure Document”) and Franchise Agreement between _____ (“Franchisee”) and Christian Brothers Automotive Corporation, a Texas corporation (“CBAC”), dated _____, 20__ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this “Amendment”):

VIRGINIA LAW MODIFICATIONS

1. The Virginia Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Virginia law, including the Retail Franchising Act, Sections 13.1-557 through 13.1-574 of the Virginia Code (the “Act”). To the extent that the Disclosure Document and/or Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:
 - a. The Agreement requires the Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action of CBAC that would violate the Act, or a rule or order under the Act. Such release shall exclude claims arising under the Act, and such acknowledgments shall be void with respect to claims under the Act.
 - b. The Agreement designates a jurisdiction and venue outside of the State of Virginia. This requirement shall not be interpreted to limit any rights that Franchisee may have under the Act to bring suit in the state of Virginia.
 - c. The Franchise Agreement requires prospective Franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Act in order to purchase our franchise. Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Act.
 - d. Any claims arising under the Act must be brought within 4 years after the grant of the franchise.
 - e. The Agreement contains certain provisions regarding the termination and non-renewal of a franchise. To the extent any provision of this Agreement and/or the Disclosure Document are inconsistent with Section 13.1-565 of the Act, those provisions of the Agreement and/or Disclosure Document are hereby amended accordingly.
 - f. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Christian Brothers Automotive Corporation for use in the Commonwealth of Virginia shall be amended as follows:

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

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does 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.

g. Exhibit G of the Agreement, titled “Franchisee Disclosure Acknowledgment Statement,” is hereby deleted and shall have no force or effect.

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

- 2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Disclosure Document and Franchise Agreement on the ___ day of _____, 20__.

FRANCHISOR:

CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION
a Texas corporation

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT, AND RELATED AGREEMENTS**

The Christian Brothers Automotive Corporation Disclosure Document (the “Disclosure Document”) and Franchise Agreement between _____ (“Franchisee”) and Christian Brothers Automotive Corporation, a Texas corporation (“CBAC”), dated _____, 20__ (the “Franchise Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this “Amendment”):

WASHINGTON LAW MODIFICATIONS

The Washington Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180 (the “Act”). To the extent that the Disclosure Document and/or Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

The State of Washington statute 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 Franchisor’s reasonable estimate 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.

Franchisees who receive financial incentives to refer franchise prospects to the Franchisor may be required to register as franchise brokers under the laws of Washington State.

Exhibit G of the Franchise Agreement, titled "Franchisee Disclosure Acknowledgment Statement," is hereby deleted and shall have no force or effect.

Sections 22.01(a) and (d) of the Franchise Agreement are amended to remove the verbiage that reads: "and relied upon by Franchisee,".

Section 22.01(g) of the Franchise Agreement is amended to remove the verbiage that reads: "Franchisor's suggestions, selection or approval of any location neither imply nor constitute any representation or indication by Franchisor that such location will be profitable or successful. Franchisee understands that site selection is difficult, risky and not subject to quantification. Franchisor's experience in selecting sites (or in assisting Franchisee in selecting sites) does not mean that Franchisor has the ability to select, suggest or approve any sites that will be profitable or successful. No representation or statement has been made by Franchisor (or its agents and salesmen) and relied upon by Franchisee contravening the contents of this subparagraph. Franchisee further covenants and agrees that no such future representation or statement, if any, will be relied upon by it."

The undersigned does hereby acknowledge receipt of this Amendment.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Disclosure Document and Franchise Agreement on the ___ day of _____, 20__.

FRANCHISOR:

CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION

a Texas corporation

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

EXHIBIT I
COPY OF CURRENT RECEIPT AND ACKNOWLEDGEMENT LETTER AGREEMENT

Attached as Exhibit I is a copy of the current Receipt and Acknowledgement Letter Agreement and the current Receipt and Acknowledgement Letter Agreement (with financing provisions) and Promissory Note.

Receipt and Acknowledgement Letter Agreement

Christian Brothers Automotive Corporation
17725 Katy Freeway
Houston, Texas 77094
[Date]

[First & Last name of Principal Operator and Spouse]
[Address 1]
[Address 2]
[City, State and Zip Code]

Re: Receipt and Acknowledgement Letter Agreement

Dear Mr. and Mrs. [Franchisee's Last Name]:

The purpose of this Receipt and Acknowledgement Letter Agreement (this "Letter Agreement") is to document the understanding between you and Christian Brothers Automotive Corporation ("CBAC") as of the date of this Letter Agreement. You are in the process of becoming a franchisee of CBAC, and you hereby agree to execute CBAC's then-current Franchise Agreement (or cause an entity formed and owned by you for the sole purpose of owning and operating the Franchise to execute CBAC's then-current Franchise Agreement) (the "Franchise Agreement") at a later date in accordance with the following terms. In connection with this process, you have requested that your CBAC franchise (the "Franchise") granted under the Franchise Agreement be located in the [Metropolitan Statistical Area] area (the "Location"). CBAC is in the process of identifying and purchasing Land or acquiring an Existing Business and is incurring expenses in connection with that purchase. "Land" means real property that is located in the general area of the Location. "Existing Business" means an operating CBAC franchise business in the general market of the Location. In order to proceed, CBAC and you have agreed that you will pay \$85,000 (the "Down Payment") of the initial Franchise Fee under the Franchise Agreement upon the execution of this Letter Agreement. You hereby acknowledge and agree that \$13,500 of the Down Payment is non-refundable in consideration of administrative and other expenses CBAC incurs and for lost or deferred opportunities to enter into a franchise agreement with others.

CBAC hereby provides you with assurance that the Down Payment will be applied to the Franchise Fee of \$135,000 described in the Franchise Disclosure Document and the Franchise Agreement. To document these agreements, CBAC and you are affirming the following understanding and agreeing to the following terms:

1. You will pay CBAC the Down Payment on the date you sign this Letter Agreement. CBAC will sign this Letter Agreement after receiving your payment, and CBAC's signature will constitute its acknowledgement of the receipt of your Down Payment and agrees to credit this amount towards the Franchise Fee under the Franchise Agreement, subject to the terms of this Letter Agreement.

2. Within thirty (30) days of CBAC's execution of this Letter Agreement, CBAC will provide you with a Non-Use, Non-Disclosure and Non-Competition Agreement for execution. After you have signed the Non-Use, Non-Disclosure and Non-Competition Agreement, CBAC will provide you with credentials to access CBAC's proprietary and confidential training materials and Confidential Operations Manual.

3. CBAC agrees to identify Land or an Existing Business for purchase and begin the process of negotiating a letter of intent for such purchase no later than one year following the date of this Letter Agreement. In the event CBAC fails to meet this deadline, you will have a thirty (30) day option to terminate your relationship with CBAC and have your Down Payment (minus the \$13,500 non-refundable portion) returned. If you choose not to terminate your relationship with CBAC within this thirty (30) day period, your Franchise relationship with CBAC will continue, subject to the terms of this Letter Agreement.

4. You acknowledge that CBAC may not be able to purchase Land or acquire an Existing Business in the Location. CBAC has the right to decline to purchase any Land and/or any Existing Business for any reason whatsoever. CBAC agrees to notify you in writing if it determines, for any reason, that it will not purchase Land or acquire an Existing Business. CBAC will then give you the option of either (a) choosing another one of the locations which CBAC has determined to establish a franchise or acquire another existing CBAC franchise business, or (b) terminating your relationship with CBAC and having your Down Payment (minus the \$13,500 non-refundable portion) returned.

5. In the event a Termination Event occurs prior to CBAC executing a Contract for Land or the Existing Business, then CBAC will deduct the \$13,500 non-refundable portion of the Down Payment and also deduct the reasonable costs that it has incurred in selecting the site for Land, determining the viability of acquiring an Existing Business and preparing to enter into the franchise relationship with you, and return any remainder of the Down Payment to you, provided that such deductions will not exceed \$38,500. Any amount not refunded shall be deemed fully earned when paid and non-refundable in consideration of administrative and other expenses CBAC has incurred. "Termination Event" means any of the following (i) you do not qualify for the necessary financing to open and operate your Franchise, (ii) you choose not to proceed with the decision to open the Franchise on Land, (iii) you choose not to proceed with the decision to acquire the Existing Business from CBAC, and/or (iv) you are unable to complete any of your other obligations that are conditions to your owning and operating a CBAC franchise. "Contract" means a contract for either (a) the acquisition of land in the general area of the Location, or (b) a contract for the acquisition of an existing business.

6. In the event a Termination Event occurs after CBAC has executed a Contract, then CBAC will retain all of the \$85,000 Down Payment, which amount shall be deemed non-refundable in consideration of administrative and other expenses CBAC has incurred.

7. If no Termination Event occurs, you acknowledge that you (or an entity formed and owned by you for the sole purpose of owning and operating the Franchise) will execute the Franchise Agreement and pay the remaining amount of your Franchise Fee as provided in the Franchise Agreement no later than thirty days prior to receiving the Certificate of Occupancy for the building where you will operate the Franchise. Except for Section 8 and this Letter Agreement, upon execution the Franchise Agreement will supersede this Letter Agreement.

8. If at any time prior to the opening date of your franchise, CBAC determines (a) any of your representations or warranties prove to be inaccurate or false, (b) you fail to take, successfully complete and pass any of our required training, (c) you fail to submit to or pass any credit, character or background check performed by or on behalf of CBAC, and/or (d) you fail to timely or diligently perform any duties or obligations during the period prior to opening, then CBAC has the right to immediately terminate this Letter Agreement, the Franchise relationship and/or the Franchise Agreement, in which event CBAC will refund your Down Payment less the \$13,500 non-refundable portion.

9. Each of the provisions of this Letter Agreement may be considered severable from the others. If a court should find that CBAC may not enforce a clause in this Agreement as written, but the court would allow CBAC to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause. No delay or failure by CBAC to exercise any right under this Letter Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Letter Agreement. No waiver of any violation of any terms and provisions of this Letter Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Letter Agreement.

10. You agree that any lawsuit brought by CBAC to enforce its rights under this Letter Agreement shall be brought in the courts of the county where CBAC has its then current principal place of business, and you agree and consent to the jurisdiction of such court to resolve all disputes which arise out of this Letter Agreement or any alleged breach thereof, regardless of your residency at the time such lawsuit is filed. This Letter Agreement shall be governed by the laws of the State of Texas. In the event of any conflict of law, the laws of Texas shall prevail, without regard to, and without giving effect to, the application of Texas conflict of law rules.

If you agree to the foregoing, please acknowledge your agreement by executing each counterpart of this Letter Agreement in the space provided below, retain one copy for your files, and return the other counterpart to the attention of the undersigned at your earliest convenience.

[Signatures Appear on Following Page]

CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION

By: _____
Don Carr, President

ACCEPTED, AGREED TO AND ACKNOWLEDGED
AS OF _____, 20__

Mr. [Principal Operator]

ACCEPTED, AGREED TO AND ACKNOWLEDGED
AS OF _____, 20__

Mrs. [Principal Operator's Spouse]

EXHIBIT J
GENERAL RELEASE

The following is Christian Brothers Automotive Corporation current general release agreement that Christian Brothers Automotive Corporation may require a Franchisee and/or transferor to sign as part of a renewal, an approved transfer or a termination.

THIS RELEASE AGREEMENT (this “Agreement”) is made and entered into as of the ___ day of _____, 20__ (the “Effective Date”), by and between Christian Brothers Automotive Corporation, a Texas corporation (“CBAC”) and _____, a _____ (“Franchisee”).

RECITALS

WHEREAS, Franchisee is a party to that certain Franchise Agreement executed between Franchisee and Franchisor, dated on or about _____ (such Franchise Agreement, together with all exhibits, amendments and addendums thereto, being collectively referred to in this Agreement as the “Franchise Agreement”), pursuant to which Franchisee was granted the right to operate a Christian Brothers Automotive business at _____.

NOW, THEREFORE, for and in consideration of the premises and the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

With the exception of the Continuing Obligations, CBAC and Franchisee hereby release, relinquish, discharge and waive any and all claims, demands, actions, causes of actions, suits, debts, costs, dues, sums of money, accounts, covenants, contracts, controversies, agreements, promises, trespasses, damages, judgments, executions, expenses and liabilities whatsoever, known or unknown, at law or in equity, irrespective of whether such arise out of contract, tort, violation of laws or regulations or otherwise, which the parties (and their respective successors, assigns, legal representatives, heirs, executors or administrators) ever had, now have or hereafter can, may or shall have against the other parties or their officers, directors, employees, representatives, agents, trustees, shareholders, partners, members, contractors, advisors, attorneys, subsidiaries, affiliates, predecessors, successors or assigns by reason of any matter, cause or thing whatsoever now existing or hereafter arising and including anything arising out of, relating to, or in connection with, the Franchise Agreement, or the transactions contemplated hereunder, whether known or unknown as of the date hereof. CBAC and Franchisee agree to indemnify, defend and hold each other harmless and do hereby defend and hold each other harmless from any liabilities, obligations, claims, costs and/or expenses that arise in connection with or related to any claim, whether now existing or hereafter arising against the other parties that are based in whole or in part on that party’s actions or failure to act where a duty to act is owed. Each party’s obligation to indemnify, defend and hold harmless any other party pursuant to this provision is not in any way limited by the amount of insurance such party may have to cover such obligation to indemnify, defend and hold harmless. This release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

[SIGNATURE PAGE FOLLOWS]

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

FRANCHISOR:

CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the 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	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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 K-1
RECEIPT

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 Christian Brothers Automotive Corporation (“CBAC”) offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that CBAC provides 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, CBAC or one of its affiliates in connection with the proposed sale. Michigan requires that CBAC provide you with this Disclosure Document ten business days before you sign a binding agreement with, or make payment to, CBAC or one of its affiliates in connection with the proposed sale.

If CBAC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the Office of the State Agency listed on Exhibit E.

The Franchisor is CBAC, located at 17725 Katy Freeway, Houston, Texas 77094. Its telephone number is (281) 675-6100.

Issuance Date: April 15, 2024.

The name, principal business address and telephone number of each franchise seller offering the franchise is as follows: Brad Fink, Christian Brothers Automotive Corporation, located at 17725 Katy Freeway, Houston, Texas 77094, (281) 675-6100; and _____

CBAC authorizes the respective state agencies identified on Exhibit E to receive service of process for it in the particular state.

I received a Disclosure Document dated April 15, 2024, that included the following Exhibits:

- | | |
|--|--|
| A. Audited Financial Statements | G. Former Franchisee Contact Information |
| B. Franchise Agreement | H. State Specific Addendum |
| C. Table of Contents of Confidential Operations Manual | I. Receipt and Acknowledgement Agreement |
| D. Current Franchisees Contact Information | J. General Release Agreement |
| E. State Administrators/Agents for Service of Process | K. State Effective Dates |
| F. Nonuse, Nondisclosure and Non-Competition Agreement | |

Date: _____

Signature of Prospective Franchisee

Printed Name

You should keep this copy for your records. Please sign, date and return the additional copy to Christian Brothers Automotive Corporation by delivering it personally to CBAC, by mailing it to CBAC at 17225 Katy Freeway, Houston, Texas 77043, by emailing it to Brad Fink at Brad.Fink@cbac.com or by faxing a copy of the signed receipt to CBAC at (281) 675-6214.

EXHIBIT K-2
RECEIPT

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 Christian Brothers Automotive Corporation (“CBAC”) offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that CBAC provides 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, CBAC or one of its affiliates in connection with the proposed sale. Michigan requires that CBAC provide you with this Disclosure Document ten business days before you sign a binding agreement with, or make payment to, CBAC or one of its affiliates in connection with the proposed sale.

If CBAC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the Office of the State Agency listed on Exhibit E.

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CBAC authorizes the respective state agencies identified on Exhibit E to receive service of process for it in the particular state.

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- | | |
|--|--|
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| D. Current Franchisees Contact Information | J. General Release Agreement |
| E. State Administrators/Agents for Service of Process | K. State Effective Dates |
| F. Nonuse, Nondisclosure and Non-Competition Agreement | |

Date: _____

Signature of Prospective Franchisee

Printed Name

This copy should be signed, dated and returned to Christian Brothers Automotive Corporation by delivering it personally, by mailing it to CBAC at 17725 Katy Freeway, Houston, Texas 77094, by emailing it to Brad Fink at Brad.Fink@cbac.com or by faxing a copy of the signed receipt to Christian Brothers Automotive Corporation at (281) 675-6214. You may keep the second copy for your records.