FRANCHISE DISCLOSURE DOCUMENT

MERLIN FRANCHISOR SPV LLC
a Delaware limited liability company
440 South Church Street, Suite 700
Charlotte, North Carolina 28202
www.merlins.com
wecare@merlins.com
(704) 377-8855

The franchise offered is for the operation of a shop under the "MERLIN®" name and other trademarks that specializes in vehicle longevity, preventive maintenance, and in the repair and replacement of brake systems and components, motor vehicle muffler and exhaust systems, ride control components, tires, and other motor vehicle services.

The total investment necessary to begin operation of a Merlin® shop franchise is $264,745 to $534,395. This includes $35,195 to $86,195 that must be paid to the franchisor or affiliate. If you enter into an Area Development Agreement, you will pay us a development fee equal to 100% of the initial franchise fee for each Merlin® shop required to be developed under the Area Development Agreement. The total investment necessary to begin operation if you acquire development rights (for a minimum of 4 Merlin® shops) is $70,000. This includes $70,000 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchise Development Department at 440 South Church Street, Suite 700, Charlotte, North Carolina 28202, or via e-mail at wecare@merlins.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 ("FTC"). You can contact the FTC at 1-888-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: June 21, 2023

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 B.
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 E 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 Merlin 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 Merlin franchisee?	Item 20 or Exhibit B 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 D.

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 and area development agreement require you to resolve disputes with the franchisor by arbitration only in North Carolina. Out-of-state arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate with the franchisor in North Carolina than in your own state.

2. **Financial Condition**. Please note that 94.6% of Driven Systems LLC's assets are intangible. You may want to take this into consideration when making a decision to purchase this franchise opportunity.

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.

(<u>THE FOLLOWING APPLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY</u>)

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

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

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

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

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

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

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

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

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

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

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, the franchisor shall, at the request of a 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 ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attn: Franchise
670 G. Mennen Williams Building
525 West Ottawa Street
Lansing, Michigan 48909
Telephone Number: (517) 335-7567

Note: Despite paragraph (f) above, we intend, and we and you agree, to enforce fully the arbitration provisions of our Franchise Agreement and Area Development Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

TABLE OF CONTENTS

Page

EXHIBITS

Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

The franchisor is Merlin Franchisor SPV LLC. To simplify the language in this disclosure document, we will sometimes refer to Merlin Franchisor SPV LLC as "we," "us," or the "Company." "You" means the person who buys the franchise. If you are a corporation, partnership, or other legal entity, certain provisions of the Franchise Agreement (defined below) also apply to certain of your owners and will be noted.

We are a Delaware limited liability company organized on June 9, 2015. Our principal business address is 440 South Church Street, Suite 700, Charlotte, North Carolina 28202. We do business under our entity name and under the name "MERLIN®" and "MERLIN COMPLETE AUTO CARE®." We and our predecessors have offered franchises for Merlin Shops (defined below) since 1981. We have not offered franchises in any other line of business. We disclose our agents for service of process in Exhibit D.

Predecessors, Parents and Certain Affiliates

We are a direct, wholly-owned subsidiary of Driven Systems LLC, a Delaware limited liability company ("Driven Systems"). Driven Systems is a wholly-owned subsidiary of Driven Brands Funding, LLC, a Delaware limited liability company ("Driven Brands Funding"). Driven Systems and Driven Brands Funding share our principal business address. Driven Systems and Driven Brands Funding were organized as part of the Securitization Transaction (defined below). As stated in Item 21, Driven Systems guarantees the performance of the Company.

We are an indirect, wholly-owned subsidiary of Driven Brands, Inc., a Delaware corporation ("Driven Brands"). Driven Brands shares our principal business address. Until July 2015, Driven Brands was the direct parent company of several automotive brands described in this disclosure document. Driven Brands was restructured as part of a secured financing transaction which closed in July 2015 and is now the indirect parent company of the current franchisors of all of these brands.

Driven Brands also is the parent company of SBA-TLC, LLC, a North Carolina limited liability company ("SBA"). SBA was the franchisor of Merlin Shops before the closing of the Securitization Transaction described below. SBA shares our principal business address.

SBA's predecessor is Merlin's Franchising, Inc., an Illinois corporation ("Merlin's"). On February 18, 2014, SBA purchased all of the assets of Merlin's, located at 3815 E. Main Street, Suite D, Saint Charles, Illinois 60174. Merlin's offered, sold and administered franchises from July 1990 to February 2006 under the name "Merlin Muffler and Brake Shops®," and from February 2006 to February 2014 under the name "Merlin 200,000 Miles Shops®."

Our affiliates, Driven Product Sourcing LLC ("Driven Product Sourcing") and Spire Supply, LLC ("Spire Supply"), both Delaware limited liability companies, may sell certain goods and services to our franchisees, which may include signage. Driven Product Sourcing and Spire

Supply share our principal business address. These affiliates have not offered franchises in any lines of business or operated any business of the type being offered under this disclosure document.

Our affiliate, Driven Brands Shared Services LLC ("Driven Brands Shared Services"), a Delaware limited liability company, performs certain franchising, marketing, product sales, real estate, intellectual property, operating and reporting services and support services for our franchisees on our behalf. Driven Brands Shared Services shares our principal business address. Driven Brands Shared Services has not offered franchises in any lines of business or operated any business of the type being offered under this disclosure document.

Driven Brands is owned by Driven Holdings, LLC ("Driven Holdings"), which is owned by Driven Brands Holdings Inc. ("Driven Brands Holdings"). Driven Brands Holdings also directly and indirectly owns US and foreign subsidiaries that comprise the car wash business of Driven Brands Holdings. In January 2021, Driven Brands Holdings sold shares in an initial public offering and, since that date, Driven Brands Holdings has been a publicly traded company. Before and after the initial public offering, private equity funds managed by Roark Capital Management, LLC, an Atlanta-based private equity firm, owned and continue to own a majority of the outstanding stock of Driven Brands Holdings. Through other private equity funds managed by Roark Capital Management, LLC, we are affiliated with certain other franchise companies operating in a variety of industries. See below for additional information concerning these affiliated franchise companies.

Driven Affiliates

Driven Holdings is the indirect parent company to 10 franchisors, including Meineke Franchisor SPV LLC ("Meineke"), Maaco Franchisor SPV LLC ("Maaco"), Drive N Style Franchisor SPV LLC ("DNS"), Econo Lube Franchisor SPV LLC ("Econo Lube"), 1-800-Radiator Franchisor SPV LLC ("1-800-Radiator"), CARSTAR Franchisor SPV LLC ("CARSTAR"), Take 5 Franchisor SPV LLC ("Take 5"), ABRA Franchisor SPV LLC ("Abra"), FUSA Franchisor SPV LLC ("FUSA") and the Company. In April 2015, Driven Holdings and its franchised brands at the time (Meineke, Maaco, DNS, Merlin and Econo Lube) became Affiliated Programs (defined below) through an acquisition. Subsequently, through acquisitions in June 2015, October 2015, March 2016, September 2019, and April 2020, respectively, the 1-800-Radiator, CARSTAR, Take 5, Abra and FUSA brands became Affiliated Programs. Meineke, Maaco, DNS, Econo Lube, CARSTAR, Take 5, Abra and FUSA share our principal business address. 1-800-Radiator's principal business address is 4401 Park Road, Benicia, California 94510.

Meineke franchises automotive centers which offer to the general public automotive repair and maintenance services that it authorizes periodically. These services currently include repair and replacement of exhaust system components, brake system components, steering and suspension components (including alignment), belts (V and serpentine), cooling system service, CV joints and boots, wiper blades, universal joints, lift supports, motor and transmission mounts, trailer hitches, air conditioning, state inspections, tire sales, tune ups and related services, transmission fluid changes and batteries. Meineke and its predecessors have offered Meineke center franchises since September 1972, and Meineke's affiliate has owned and operated Meineke centers on and off since March 1991. As of December 31, 2022, there were 705 franchised Meineke centers, 22 franchised Meineke centers co-branded with Econo Lube, and no company-

owned Meineke centers or company-owned Meineke centers co-branded with Econo Lube operating in the United States.

Maaco and its predecessors have offered Maaco center franchises since February 1972 providing automotive collision and paint refinishing. As of December 31, 2022, there were 398 franchised Maaco centers and no company-owned Maaco centers in the United States.

DNS is the franchisor of 3 franchise systems: Drive N Style® franchises, AutoQual® franchises and Aero Colours® franchises. DNS and its predecessors have offered Drive N Style franchises since October 2006. A Drive N Style business offers both interior and exterior reconditioning and maintenance services, exterior paint repair and refinishing services, and interior and exterior protection services for consumer vehicles. As of December 31, 2022, there were 30 Drive N Style franchises and no company-owned Drive N Style businesses in the United States. DNS and its predecessors have offered AutoQual franchises since February 2008. AutoQual businesses offer various services relating to the interior of automotive vehicles, including, among other things, cleaning, deodorizing, dyeing, and masking of carpets, seats, and trim. As of December 31, 2022, there were 5 AutoQual franchises and no company-owned AutoQual businesses in the United States. DNS and its predecessors have offered Aero Colours franchises since 1998. Aero Colours businesses offer various services related to the exterior of automotive vehicles, including paint touch-up, repair and refinishing that is performed primarily on cars at automobile dealerships or at the customer's home or place of business. As of December 31, 2022, there was 1 Aero Colours franchise and no company-owned Aero Colours businesses in the United States.

Econo Lube offers franchises that provide oil change services and other automotive services, including brakes, but not including exhaust systems. Econo Lube's predecessor began offering franchises in 1980 under the name "Muffler Crafters" and began offering franchises under the name "Econo Lube N' Tune" in 1985. As of December 31, 2022, there were 10 Econo Lube N' Tune franchises and 12 Econo Lube N' Tune franchises co-branded with Meineke centers in the United States, which are predominately in the western part of the United States, including California, Arizona, and Texas, and no company-owned Econo Lube N' Tune locations in the United States.

1-800-Radiator franchises distribution warehouses selling radiators, condensers, air conditioning compressors, fan assemblies and other automotive parts to automotive shops, chain accounts and retail consumers. 1-800-Radiator and its predecessor have offered 1-800-Radiator franchises since 2004. As of December 31, 2022, there were 193 1-800-Radiator franchises in operation in the United States. 1-800-Radiator's affiliate has owned and operated 1-800-Radiator warehouses since 2001 and, as of December 31, 2022, owned and operated 1 1-800-Radiator warehouse in the United States.

CARSTAR offers franchises for full-service automobile collision repair facilities providing repair and repainting services for automobiles and trucks that suffered damage in collisions. CARSTAR's business model focuses on insurance-related collision repair work arising out of relationships it has established with insurance company providers. CARSTAR and its affiliates first offered conversion franchises to existing automobile collision repair facilities in August 1989 and began offering franchises for new automobile repair facilities in October

1995. As of December 31, 2022, there were 446 franchised CARSTAR facilities and no company-owned facilities operating in the United States.

Take 5 franchises motor vehicle centers that offer quick service, customer-oriented oil changes, lubrication and related motor vehicle services and products. Take 5 commenced offering franchises in March 2017, although the Take 5 concept started in 1984 in Metairie, Louisiana. As of December 31, 2022, there were 227 franchised Take 5 outlets operating in the United States. An affiliate of Take 5 currently operates approximately 580 Take 5 outlets and outlets that operate under other brands, many of which may be converted to the Take 5 brand and operating platform in the future.

Abra franchises repair and refinishing centers that offer high quality auto body repair and refinishing and auto glass repair and replacement services at competitive prices. Abra and its predecessor have offered Abra franchises since 1987. As of December 31, 2022, there were 58 franchised Abra repair centers and no company-owned repair centers operating in the United States.

FUSA franchises collision repair shops specializing in auto body repair work and after-collision services. FUSA has offered Fix Auto shop franchises since July 2020, although its predecessors have offered franchise and license arrangements for Fix Auto shops on and off from April 1998 to June 2020. As of December 31, 2022, there were 178 franchised Fix Auto repair shops operating in the United States, 9 of which are operated by FUSA's affiliate under a franchise agreement with FUSA.

Driven Holdings is also the indirect parent company to the following franchisors that offer franchises in Canada: (1) Meineke Canada SPV LP and its predecessors have offered Meineke center franchises in Canada since August 2004; (2) Maaco Canada SPV LP and its predecessors have offered Maaco center franchises in Canada since 1983; (3) 1-800-Radiator Canada, Co. has offered 1-800-Radiator warehouse franchises in Canada since April 2007; (4) Carstar Canada SPV LP and its predecessors have offered CARSTAR franchises in Canada since September 2000; (5) Take 5 Canada SPV LP ("Take 5 Canada") and its predecessor have offered Take 5 franchises in Canada since November 2019; (6) Driven Brands Canada Funding Corporation and its predecessors have offered UniglassPlus and Uniglass Express franchises in Canada since 1985 and 2015, respectively, Vitro Plus and Vitro Express franchises in Canada since 2002, and Docteur du Pare Brise franchises in Canada since 1998; (7) Go Glass Franchisor SPV LP and its predecessors have offered Go! Glass & Accessories franchises since 2006 and Go! Glass franchises since 2017 in Canada; and (8) Star Auto Glass Franchisor SPV LP and its predecessors have offered Star Auto Glass franchises in Canada since approximately 2012.

As of December 31, 2022, there were: (i) 25 franchised Meineke centers and no company-owned Meineke centers in Canada; (ii) 21 franchised Maaco centers and no company-owned Maaco centers in Canada; (iii) 8 1-800-Radiator franchises and no company-owned 1-800-Radiator locations in Canada; (iv) 319 franchised CARSTAR facilities and no company-owned CARSTAR facilities in Canada; (v) 30 franchised Take 5 outlets and 7 company-owned Take 5 outlets in Canada; (vi) 38 franchised UniglassPlus businesses, 31 franchised UniglassPlus/Ziebart businesses, and no franchised Uniglass Express businesses in Canada, and 4 company-owned UniglassPlus businesses and 1 company-owned UniglassPlus/Ziebart business in Canada; (vii) 7

franchised VitroPlus businesses, 62 franchised VitroPlus/Ziebart businesses, and 4 franchised Vitro Express businesses in Canada, and 4 company-owned VitroPlus businesses and no company-owned VitroPlus/Ziebart businesses in Canada; (viii) 33 franchised Docteur du Pare Brise businesses and no company-owned Docteur du Pare Brise businesses in Canada; (ix) 10 franchised Go! Glass & Accessories businesses and 1 franchised Go! Glass business in Canada, and 8 company-owned Go! Glass & Accessories businesses and no company-owned Go! Glass businesses in Canada; and (x) 8 franchised Star Auto Glass businesses and no company-owned Star Auto Glass businesses in Canada.

In January 2022, Driven Brands acquired Auto Glass Now's repair locations. As of December 31, 2022, there were more than 190 repair locations operating under the AUTOGLASSNOW® name in the United States ("AGN Repair Locations"). AGN Repair Locations offer auto glass calibration and windshield repair and replacement services. In April 2022, Driven Brands acquired All Star Glass, which, as of December 31, 2022, had 30 repair locations in Arizona, California, Nevada, and Texas ("All Star Glass Locations"). The All Star Glass Locations in Arizona, California and Nevada operate under the ALL STAR GLASS® name, and the locations in Texas operate under the FIVE STAR GLASS® name. All Star Glass Locations offer auto and truck glass replacement and repairs. Driven Brands is in the process of rebranding the All Star Glass Locations to the AUTOGLASSNOW® name. In the future, AGN Repair Locations may offer products and services to Driven Brands' affiliates and their franchisees in the United States, and/or Driven Brands may decide to offer franchises for AGN Repair Locations in the United States.

Other than as described above, neither these affiliates nor their predecessors have offered franchises in any other lines of business or operated any business of the type being offered under this disclosure document.

Other Affiliates with Franchise Programs

Through control with private equity funds managed by Roark Capital Management, LLC, we are affiliated with the following franchise programs (together with the Driven affiliates described above, collectively, the "Affiliated Programs"). None of these affiliates operate a Merlin Shop franchise.

Focus Brands Inc. ("Focus Brands") is the indirect parent company to 7 franchisors, including: Auntie Anne's Franchisor SPV LLC ("Auntie Anne's"), Carvel Franchisor SPV LLC ("Carvel"), Cinnabon Franchisor SPV LLC ("Cinnabon"), Jamba Juice Franchisor SPV LLC ("Jamba"), McAlister's Franchisor SPV LLC ("McAlister's"), Moe's Franchisor SPV LLC ("Moe's"), and Schlotzsky's Franchisor SPV LLC ("Schlotzsky's"). All 7 Focus Brands franchisors have a principal place of business at 5620 Glenridge Drive NE, Atlanta, Georgia 30342 and have not offered franchises in any other line of business.

Auntie Anne's franchises Auntie Anne's® shops that offer soft pretzels, lemonade, frozen drinks and related foods and beverages. In November 2010, the Auntie Anne's system became affiliated with Focus Brands through an acquisition. Auntie Anne's predecessor began offering franchises in January 1991. As of December 31, 2022, there were approximately 1,135 franchised

facilities and 11 affiliate-owned facilities in the United States and approximately 775 franchised facilities operating outside the United States.

Carvel franchises Carvel® ice cream shoppes and is a leading retailer of branded ice cream cakes in the United States and a producer of premium soft-serve ice cream. The Carvel system became an Affiliated Program in October 2001 and became affiliated with Focus Brands in November 2004. Carvel's predecessor began franchising retail ice cream shoppes in 1947. As of December 31, 2022, there were 326 domestic retail shoppes (including 1 shoppe co-branded in a Schlotzsky's restaurant operated by an affiliate), 30 international retail shoppes, and 2 foodservice locations operated by independent third parties that offer Carvel® ice cream and frozen desserts including cakes and ice cream novelties.

Cinnabon franchises Cinnabon® bakeries that feature oven-hot cinnamon rolls, as well as other baked treats and specialty beverages. It also licenses independent third parties to operate domestic and international franchised Cinnabon® bakeries and Seattle's Best Coffee® franchises on military bases in the United States and in certain international countries, and to use the Cinnabon trademarks on products dissimilar to those offered in Cinnabon bakeries. In November 2004, the Cinnabon system became affiliated with Focus Brands through an acquisition. Cinnabon's predecessor began franchising in 1990. As of December 31, 2022, franchisees operated 950 Cinnabon retail outlets in the United States and 918 Cinnabon retail outlets outside the United States and 178 Seattle's Best Coffee units outside the United States.

Jamba franchises Jamba® stores, which feature a wide variety of fresh blended-to-order smoothies and other cold or hot beverages and offer fresh squeezed juices and portable food items to customers who come for snacks and light meals. Jamba has offered JAMBA® franchises since October 2018. In October 2018, Jamba became affiliated with Focus Brands through an acquisition. Jamba's predecessor began franchising in 1991. As of December 31, 2022, there were approximately 735 franchised Jamba® stores and 3 affiliate-owned Jamba® stores in the United States, and 54 franchised Jamba® stores outside the United States.

McAlister's franchises McAlister's Deli® restaurants, which offer a line of deli foods, including hot and cold deli sandwiches, baked potatoes, salads, soups, desserts, iced tea and other food and beverage products. The McAlister's system became an Affiliated Program through an acquisition in July 2005 and became affiliated with Focus Brands in October 2013. McAlister's or its predecessor have been franchising since 1999. As of December 31, 2022, there were 492 franchised McAlister's restaurants and 32 affiliate-owned restaurants operating in the United States.

Moe's franchises Moe's Southwest Grill® fast casual restaurants, which feature fresh-mex and southwestern food. In August 2007, the Moe's system became affiliated with Focus Brands through an acquisition. Moe's predecessor began offering Moe's Southwest Grill franchises in 2001. As of December 31, 2022, there were 636 franchised Moe's Southwest Grill restaurants operating in the United States and 1 franchised restaurant operating outside the United States.

Schlotzsky's franchises Schlotzsky's® quick-casual restaurants, which feature sandwiches, pizza, soups, and salads. Schlotzsky's signature items are its "fresh-from-scratch" sandwich buns and pizza crusts that are baked on-site every day. In November 2006, the Schlotzsky's system

became affiliated with Focus Brands through an acquisition. Schlotzsky's restaurant franchises have been offered since 1976. As of December 31, 2022, there were 299 franchised Schlotzsky's restaurants and 27 affiliate-owned restaurants operating in the United States.

Inspire Brands, Inc. ("Inspire Brands") is a global, multi-brand restaurant company, launched in February 2018 upon completion of the merger of the Arby's and Buffalo Wild Wings brands. Inspire Brands is a parent company to 6 franchisors offering and selling franchises in the United States, including: Arby's Franchisor, LLC ("Arby's"), Baskin-Robbins Franchising LLC ("Baskin-Robbins"), Buffalo Wild Wings International, Inc. ("Buffalo Wild Wings"), Dunkin' Donuts Franchising LLC ("Dunkin'"), Jimmy John's Franchisor SPV, LLC ("Jimmy John's"), and Sonic Franchising LLC ("Sonic"). Inspire Brands is also a parent company to the following franchisors offering and selling franchises internationally: Inspire International, Inc. ("Inspire International"), DB Canadian Franchising ULC ("DB Canada"), DDBR International LLC ("DB China"), DD Brasil Franchising Ltda. ("DB Brasil"), DB Mexican Franchising LLC ("DB Mexico"), and BR UK Franchising LLC ("BR UK"). All of Inspire Brands' franchisors have a principal place of business at Three Glenlake Parkway NE, Atlanta, Georgia 30328 and, other than as described below for Arby's, have not offered franchises in any other line of business.

Arby's is a franchisor of quick-serve restaurants operating under the Arby's® trade name and business system, which feature slow-roasted, freshly sliced roasted beef and other deli-style sandwiches. In July 2011, Arby's became an Affiliated Program through an acquisition. Arby's has been franchising since 1965. As of January 1, 2023, there were approximately 3,415 Arby's restaurants operating in the United States (2,305 franchised and 1,110 company-owned), and 174 franchised Arby's restaurants operating internationally. Predecessors and former affiliates of Arby's have, in the past, offered franchises for other restaurant concepts, including T.J. Cinnamons® stores that served gourmet baked goods. All of the T.J. Cinnamons locations have closed.

Buffalo Wild Wings is a franchisor of sports entertainment-oriented casual sports bars that feature chicken wings, sandwiches, and other products, alcoholic and other beverages, and related services under the Buffalo Wild Wings® name ("Buffalo Wild Wings Sports Bars") and restaurants that feature chicken wings and other food and beverage products primarily for off-premises consumption under the Buffalo Wild Wings GO name ("BWW-GO Restaurants"). Buffalo Wild Wings has offered franchises for Buffalo Wild Wings Sports Bars since April 1991 and for BWW-GO Restaurants since December 2020. As of January 1, 2023, there were 1,189 Buffalo Wild Wings Sports Bars operating in the United States (530 franchised and 659 company-owned) and 75 Buffalo Wild Wings or B-Dubs restaurants operating outside the United States (63 franchised and 12 company-owned). As of January 1, 2023, there were 41 BWW-GO Restaurants operating in the United States (4 franchised and 37 company-owned).

Sonic is the franchisor of Sonic Drive-In® restaurants, which serve hot dogs, hamburgers and other sandwiches, tater tots and other sides, a full breakfast menu and frozen treats and other drinks. Sonic became an Affiliated Program through an acquisition in December 2018. Sonic has offered franchises for Sonic Drive-In® restaurants since May 2011. As of January 1, 2023, there were 3,546 Sonic Drive-In® restaurants (3,221 franchised and 325 company-owned) in operation.

Jimmy John's is a franchisor of restaurants operating under the Jimmy John's® trade name and business system, which feature high-quality deli sandwiches, fresh baked breads, and other food and beverage products. Jimmy John's became an Affiliated Program through an acquisition in October 2016 and became part of Inspire Brands by merger in 2019. Jimmy John's and its predecessor have been franchising since 1993 and, as of January 1, 2023, had 2,637 restaurants operating in the United States (2,597 franchised and 40 affiliate-owned).

Dunkin' is a franchisor of Dunkin'® restaurants, which offer doughnuts, coffee, espresso, breakfast sandwiches, bagels, muffins, compatible bakery products, croissants, snacks, sandwiches and beverages. Dunkin' became an Affiliated Program through an acquisition in December 2020. Dunkin' has offered franchises in the United States and certain international markets for Dunkin'® restaurants since March 2006. As of January 1, 2023, there were 8,087 single-branded franchised Dunkin'® restaurants operating in the United States and an additional 3,872 restaurants operating in 37 countries.

Baskin-Robbins franchises Baskin-Robbins® restaurants that offer ice cream, ice cream cakes and related frozen products, beverages and other products and services. Baskin-Robbins became an Affiliated Program through an acquisition in December 2020. Baskin-Robbins has offered franchises in the United States and certain international markets for Baskin-Robbins® restaurants since March 2006. As of January 1, 2023, there were 1,001 single-branded franchised Baskin-Robbins® restaurants in the United States and an additional 5,349 restaurants operating internationally in 37 countries and Puerto Rico. As of January 1, 2023, there were 1,252 Dunkin' and Baskin-Robbins combo restaurants in the United States.

Inspire International has, directly or through its predecessors, offered and sold franchises for the following brands: Arby's restaurants (since May 2016), Buffalo Wild Wings sports bars (since October 2019), Jimmy John's restaurants (since November 2022), and Sonic restaurants outside the United States (since November 2019). DB Canada was formed in May 2006 and has, directly or through its predecessors, offered and sold Baskin-Robbins franchises in Canada since January 1972. DB China has offered and sold Baskin-Robbins franchises in China since its formation in March 2006. DB Brasil has offered and sold Dunkin' and Baskin-Robbins franchises in Brazil since its formation in May 2014. DB Mexico has offered and sold Dunkin' franchises in Mexico since its formation in October 2006. BR UK has offered and sold Baskin-Robbins franchises in the United Kingdom since its formation in December 2014. The restaurants franchised by the international franchisors are included in the brand-specific disclosures above.

Primrose School Franchising SPE, LLC ("Primrose") is a franchisor that offers franchises for the establishment, development and operation of educational childcare facilities serving families with children from 6 weeks to 12 years old operating under the Primrose® name. Primrose's principal place of business is 3200 Windy Hill Road SE, Suite 1200E, Atlanta, Georgia 30339. Primrose became an Affiliated Program through an acquisition in June 2008. Primrose and its affiliates have been franchising since 1988 and, as of December 31, 2022, had 483 franchised facilities. Primrose has not offered franchises in any other line of business.

ME SPE Franchising, LLC ("Massage Envy") is a franchisor of businesses that offer professional therapeutic massage services, facial services and related goods and services under the name "Massage Envy®" since 2019. Massage Envy's principal place of business is 14350 North

87th Street, Suite 200, Scottsdale, Arizona 85260. Massage Envy's predecessor began operation in 2003, commenced franchising in 2010, and became an Affiliated Program through an acquisition in 2012. As of December 31, 2022, there were 1,083 Massage Envy locations operating in the United States, including 1,073 operated as total body care Massage Envy businesses and 10 operated as traditional Massage Envy businesses. Additionally, Massage Envy's predecessor previously sold franchises for regional developers, who acquired a license for a defined region in which they were required to open and operate a designated number of Massage Envy locations either by themselves or through franchisees that they would solicit. As of December 31, 2022, there were 10 regional developers operating 12 regions in the United States. Massage Envy has not offered franchises in any other line of business.

CKE Inc. ("CKE"), through 2 indirect, wholly-owned subsidiaries (Carl's Jr. Restaurants LLC and Hardee's Restaurants LLC), owns, operates and franchises quick serve restaurants operating under the Carl's Jr.® and Hardee's® trade names and business systems. Carl's Jr. restaurants and Hardee's restaurants offer a limited menu of breakfast, lunch and dinner products featuring charbroiled 100% Black Angus Thickburger® sandwiches, Hand-Breaded Chicken Tenders, Made from Scratch Biscuits and other related quick serve menu items. A small number of Hardee's restaurants offer Red Burrito® Mexican food products through a dual concept restaurant. A small number of Carl's Jr. restaurants offer Green Burrito® Mexican food products through a dual concept restaurant. CKE's principal place of business is 6700 Tower Circle, Suite 1000, Franklin, Tennessee 37067. In December 2013, CKE became an Affiliated Program through an acquisition. Hardee's restaurants have been franchised since 1961. As of January 30, 2023, there were 195 company-operated Hardee's restaurants, including 4 Hardee's/Red Burrito dual concept restaurants, and there were 1,512 domestic franchised Hardee's restaurants, including 146 Hardee's/Red Burrito dual concept restaurants. Additionally, there were 429 franchised Hardee's restaurants operating outside the United States. Carl's Jr. restaurants have been franchised since 1984. As of January 30, 2023, there were 48 company-operated Carl's Jr. restaurants, and there were 1,020 domestic franchised Carl's Jr. restaurants, including 266 Carl's Jr./Green Burrito dual concept restaurants. In addition, there were 620 franchised Carl's Jr. restaurants operating outside the United States. Neither CKE nor its subsidiaries that operate the above-described franchise systems have offered franchises in any other line of business.

ServiceMaster Systems LLC is the direct parent company to 3 franchisors operating in the United States: Merry Maids SPE LLC ("Merry Maids"), ServiceMaster Clean/Restore SPE LLC ("ServiceMaster") and Two Men and a Truck SPE LLC ("Two Men and a Truck"). Merry Maids and ServiceMaster became Affiliated Programs through an acquisition in December 2020. Two Men and a Truck became an Affiliated Program through an acquisition on August 3, 2021. The 3 franchisors have a principal place of business at One Glenlake Parkway, Suite 1400, Atlanta, Georgia 30328 and have never offered franchises in any other line of business.

Merry Maids franchises residential house cleaning businesses under the Merry Maids® mark. Merry Maids' predecessor began business and started offering franchises in 1980. As of December 31, 2022, Merry Maids had 967 franchises in the United States.

ServiceMaster franchises (i) businesses that provide disaster restoration and heavy-duty cleaning services to residential and commercial customers under the ServiceMaster Restore® mark and (ii) businesses that provide contracted janitorial services and other cleaning and maintenance

services under the ServiceMaster Clean® mark. ServiceMaster's predecessor began offering franchises in 1952. As of December 31, 2022, ServiceMaster had 671 ServiceMaster Clean franchises and 2,157 ServiceMaster Restore franchises operating in the United States.

Two Men and a Truck franchises (i) businesses that provide moving services and related products and services, including packing, unpacking and the sale of boxes and packing materials under the Two Men and a Truck® mark, and (ii) businesses that provide junk removal services under the Two Men and a Junk Truck™ mark. Two Men and a Truck's predecessor began offering moving franchises in February 1989. Two Men and a Truck began offering Two Men and a Junk Truck franchises in 2023. As of December 31, 2022, there were 293 Two Men and a Truck franchises and 3 company-owned locations operating in the United States. As of December 31, 2022, there were no Two Men and a Junk Truck franchises or company-owned locations in operation.

Affiliates of ServiceMaster Systems LLC also offer franchises for operation outside the United States. Specifically, ServiceMaster of Canada Limited offers franchises in Canada, ServiceMaster Limited offers franchises in Great Britain, and Two Men and a Truck offers franchises in Canada and Ireland.

NBC Franchisor LLC ("NBC") franchises gourmet bakeries that offer and sell specialty bundt cakes, other food items and retail merchandise under the Nothing Bundt Cakes® mark. NBC's predecessor began offering franchises in May 2006. NBC became an Affiliated Program through an acquisition in May 2021. NBC has a principal place of business at 4560 Belt Line Road, Suite 350, Addison, Texas 75001. As of December 31, 2022, there were 409 Northing Bundt Cake franchises and 16 company-owned locations operating in the United States. NBC has never offered franchises in any other line of business.

Mathnasium Center Licensing, LLC ("Mathnasium") franchises learning centers that provide math instruction using the Mathnasium® system of learning. Mathnasium began offering franchises in late 2003. Mathnasium became an Affiliated Program through an acquisition in November 2021. Mathnasium has a principal place of business at 5120 West Goldleaf Circle, Suite 400, Los Angeles, California 90056. As of December 31, 2022, there were 955 Mathnasium franchises in the United States and its parent company operated 3 Mathnasium centers in the United States. Mathnasium has never offered franchises in any other line of business. Affiliates of Mathnasium also offer franchises for operation outside the United States.

Mathnasium Center Licensing Canada, Inc. has offered franchises for Mathnasium centers in Canada since May 2014. As of December 31, 2022, there were 88 franchised Mathnasium centers in Canada. Mathnasium International Franchising, LLC has offered franchises outside the United States and Canada since May 2015. As of December 31, 2022, there were 65 franchised Mathnasium centers outside the United States and Canada. Mathnasium Center Licensing Canada, Inc. and Mathnasium International Franchising, LLC have a principal place of business at 5120 West Goldleaf Circle, Suite 400, Los Angeles, California 90056, and neither of them has ever offered franchises in any other line of business.

i9 Sports, LLC ("i9") franchises businesses that operate, market, sell and provide amateur sports leagues, camps, tournaments, clinics, training, development, social activities, special events,

products and related services under the i9 Sports® mark. i9 began offering franchises in November 2003. i9 became an Affiliated Program through an acquisition in September 2021. i9 has a principal place of business at 9410 Camden Field Parkway, Riverview, Florida 33578. As of December 31, 2022, there were 218 i9 Sports franchises and 1 company-owned location. i9 has never offered franchises in any other line of business.

SafeSplash Brands, LLC (also known as "Streamline Brands") offers franchises under the SafeSplash Swim School® brand and operates under the SwimLabs® and Swimtastic® brands, all of which provide "learn to swim" programs for children and adults, birthday parties, summer camps, and other swimming-related activities. Streamline Brands has offered swim school franchises under the SafeSplash Swim School brand since August 2014. Streamline Brands offered franchises under the Swimtastic brand from August 2015 through March 2023 and under the SwimLabs brand from February 2017 through March 2023. Streamline Brands became an Affiliated Program through an acquisition in June 2022 and has a principal place of business at 12240 Lioness Way, Parker, Colorado 80134. As of December 31, 2022, there were 110 franchised and company-owned SafeSplash Swim School outlets (included 12 outlets that are dual-branded with SwimLabs), 11 franchised and licensed SwimLabs swim schools, and 11 franchised Swimtastic swim schools and 1 dual-branded Swimtastic and SwimLabs swim school operating in the United States. Streamline Brands has never offered franchises in any other line of business.

None of the affiliated franchisors are obligated to provide products or services to you; however, you may purchase products or services from these franchisors if you choose to do so.

Except as described above, we have no other parents, predecessors or affiliates that must be included in this Item.

Securitization Transaction

Under a securitization financing transaction which closed in July 2015 (the "Securitization Transaction"), Driven Brands and its affiliates were restructured. As part of the Securitization Transaction, all existing U.S. franchise agreements and related agreements for Merlin Shops were transferred to us, and we became the franchisor of all existing and future Merlin franchise and related agreements. Ownership and control of all U.S. trademarks and certain intellectual property relating to the operation of Merlin Shops in the U.S. were also transferred to us.

At the time of the closing of the Securitization Transaction, Driven Brands entered into a management agreement with us to provide the required support and services to Merlin franchisees under their franchise and related agreements. Driven Brands also acts as our franchise sales agent. We will pay management fees to Driven Brands for these services. It is anticipated that Driven Brands will delegate certain of these responsibilities to SBA, the former franchisor of Merlin Shops, and to other affiliates, including Driven Brands Shared Services. However, as the franchisor, we will be responsible and accountable to you to make sure that all services we promise to perform under your Franchise Agreement or other agreement you sign with us are performed in compliance with the applicable agreement, regardless of who performs these services on our behalf.

Driven Brands and various entities affiliated with Driven Brands entered into several additional secured financing transactions subsequent to the Securitization Transaction (and may enter into other securitization/financing transactions in the future). As a result of these transactions, there have been certain restructuring of various Driven Brands affiliates which are described in this Item 1.

The Franchise Offered

We offer qualified persons the right to own and operate a shop that specializes in vehicle longevity, preventive maintenance, and in the repair and replacement of motor vehicle brake systems and components, mufflers and exhaust systems, ride control components, springs, other ride and steering control components, tires, and most other motor vehicle services, exclusive of body and paint, and engine and transmission major overhaul, at an agreed upon location under our standard franchise agreement (the "Franchise Agreement"), the current form of which is attached as Exhibit A. In this disclosure document, we call these shops "Merlin Shops," and we call the Merlin Shop that you will operate under the Franchise Agreement the "Shop." Merlin Shops are intended to be distinctively designed structures located in areas that meet the Company's site selection criteria and are intended to be operated according to substantially uniform business formats, signs, equipment, shop layout, systems, methods, procedures, designs and advertising. Merlin Shops are typically located in either free-standing buildings in urban or suburban locations, in multi-tenant suburban auto service malls or in general use retail centers.

Merlin Shops sell products and services authorized and approved by the Company and use the Company's business format, system, methods, specifications, standards, operating procedures, operating assistance, and advertising services. Merlin Shops use certain trademarks, service marks and other commercial symbols, including "MERLIN®," "MERLIN COMPLETE AUTO CARE®," and "YOU CAN GO FARTHER®" (collectively, the "Marks").

We also grant multi-unit development rights to qualified franchisees, who will have the non-exclusive right to develop multiple Merlin Shops within a defined geographic area (the "Development Area") according to a mandatory development schedule (the "Development Schedule"). We grant these rights under the Area Development Agreement (the "Development Agreement"), the current form of which is attached as Exhibit J. You must commit to developing a minimum of 4 Merlin Shops under the Development Agreement. The Development Agreement also memorializes certain incentives you will receive in connection with each Merlin Shop developed under the Development Agreement, subject to certain conditions. Specifically, so long as you are in compliance with the Development Schedule, we and you will sign an Addendum to Franchise Agreement in the form attached to the Development Agreement as Exhibit C (the "Development Incentive Addendum") when we and you enter into each franchise agreement. The Development Incentive Addendum will provide for a reduced royalty fee percentage during the first 3 years of the Merlin Shop's operation, subject to certain conditions, as further detailed in Item 6. Only franchisees signing a new Development Agreement on or after the issuance date of this disclosure document are eligible for the incentives described above.

If you commit to developing 5 or more Merlin Shops under the Development Agreement, we and you will also sign a Limited Exclusivity Addendum to Area Development Agreement (the "Limited Exclusivity Addendum"), the current form of which is attached as Exhibit J-1. Under

the Limited Exclusivity Addendum, we will grant you certain limited exclusive rights in the Development Area, as further detailed in Item 12. For each Merlin Shop developed under the Development Agreement, you (or an affiliate whose ownership is identical to yours or that we have approved) will sign our then-current form of franchise agreement (which may differ from the form of Franchise Agreement attached as Exhibit A) and, if applicable, the Development Incentive Addendum.

Incentive Programs

We currently offer an incentive program in connection with single unit development under which a Merlin Shop employee may be eligible to receive a $10,000 credit toward the initial franchise fee if the employee signs a Franchise Agreement for a new Merlin Shop (the "Employee Ownership Incentive Program"). To be eligible for the $10,000 credit toward the initial franchise fee: (a) the employee must have 2 years of consecutive employment with a franchised or company-owned Merlin Shop; (b) the employee must be sponsored by a current Merlin franchisee in good standing, or a Merlin corporate representative must sponsor the employee for the Employee Ownership Incentive Program at any time beginning 3 months after the employee begins working at the Merlin Shop; (c) the employee and the sponsoring franchisee (if applicable) must attend all Merlin meetings or seminars we schedule; (d) the employee must work a minimum of 2,080 hours per year at his/her current Merlin Shop and submit documentation of those hours to us; (e) the employee must demonstrate proficiency in managing people and selling to customers; (f) the employee must hold the title of "Service Manager" or perform similar duties as a Service Manager for at least 1 year of his/her employment while enrolled in the Employee Ownership Incentive Program; (g) if the employee is opening a new Shop, the employee identifies a location for the Shop that we approve within our target market; (h) the employee must successfully complete all required training programs; and (i) the employee must complete and submit all required program materials and paperwork to us. The employee may redeem the benefit in the form of a credit toward the initial franchise fee beginning 720 days after enrolling in the Employee Ownership Incentive Program (the "Redemption Date"), and the benefit will expire 720 days after the Redemption Date. If the employee receives 2 or more written disciplinary actions within any 6-month period during his/her employment at his/her current Merlin Shop, the employee will lose his/her eligibility for the Employee Ownership Incentive Program. The employee cannot redeem the Employee Ownership Incentive Program benefit for cash.

We also currently offer another incentive program in connection with single unit development under which any employee having 5 or more years of industry experience with a competing automotive service facility may be eligible to receive a $7,500 credit toward royalty fees if the employee signs a Franchise Agreement for a new Merlin Shop (the "Experience Pays Incentive Program"). To be eligible for the $7,500 credit toward royalty fees: (a) the employee must have at least 5 years of experience with a competitor of the Merlin franchise system and demonstrate proficiency in automotive repair, management of employees and selling related products and services as determined by our Operations Department Staff; (b) the employee must be recommended by a member of our Franchise Development Staff; (c) the employee must successfully complete all required training programs; (d) the employee must identify a location for the Shop that we approve within our target market; (e) the employee must complete and submit all required program materials and paperwork to us; and (f) the employee must satisfy all other requirements relating to the acquisition of a Merlin Shop franchise. Owners and employees of

existing automotive service facilities who convert their facilities to Merlin Shops are not eligible for the Experience Pays Incentive Program. The employee cannot redeem the Experience Pays Incentive Program benefit for cash.

The incentives available under the Experience Pays Incentive Program and the Employee Ownership Incentive Program may not be combined.

Market and Competition

The services and products of a Merlin Shop are used primarily by the general public for automotive tune-up and brake services, lubrication, oil changes, and certain related minor automotive services for their personal automobiles. The market for the services offered by a Merlin Shop is developed in some areas and developing in others. You will compete with national franchises and independent local automotive service stations, service departments associated with automobile dealerships, and other automobile specialty service businesses that perform motor vehicle services that are similar to those provided by you.

You will typically have to compete with automotive dealerships and a number of national, regional, local and independent retailers that specialize in automotive parts, service and repair. The ability of each Merlin Shop to compete depends on a variety of factors, including location, accessibility, individual service, merchandising, managerial skills, and various federal, state and local regulations.

Laws and Regulations

Many states require operators of automotive repair businesses like the Shop you will operate to obtain a state license, and there are various consumer protection laws and regulations that will govern the manner in which you operate. You should investigate whether there are regulations and licensing requirements that apply to your Shop.

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

Item 2

BUSINESS EXPERIENCE

Manager, Chief Executive Officer and President of the Company; Director, Chief Executive Officer and President of Driven Brands; Manager and Chief Executive Officer of SBA: Jonathan Fitzpatrick

Mr. Fitzpatrick has been a Manager, Chief Executive Officer and President of the Company since its formation in June 2015. Mr. Fitzpatrick was appointed to the office of Chief Executive

Officer and to serve on the Board of Managers of SBA in February 2014. Mr. Fitzpatrick was appointed to the office of Chief Executive Officer and President and to serve on the Board of Directors of Driven Brands and the Board of Managers of various Driven Brands' affiliates in July 2012.

Manager, Executive Vice President, and Secretary of the Company and SBA; Director, Executive Vice President, General Counsel, and Secretary of Driven Brands: Scott O'Melia

Mr. O'Melia has served as Manager, Executive Vice President, and Secretary of the Company and SBA since May 2020. Mr. O'Melia also has served as Director, Executive Vice President, General Counsel, and Secretary of Driven Brands since May 2020. In addition, Mr. O'Melia has served as Manager, Executive Vice President, and Secretary of various Driven Brands affiliates since May 2020. From May 2019 to April 2020, Mr. O'Melia was in between positions. From April 2012 to April 2019, Mr. O'Melia served as General Counsel and Vice President of Corporate Development of Caraustar Industries, located in Austell, Georgia.

Executive Vice President and Chief Financial Officer of the Company, SBA and Driven Brands: Gary W. Ferrera

Mr. Ferrera has been Executive Vice President and Chief Financial Officer of the Company, SBA and Driven Brands since May 2023. In addition, Mr. Ferrera has served as Executive Vice President and Chief Financial Officer of various Driven Brands affiliates since May 2023. Mr. Ferrera was in between positions from January 2023 to May 2023. Mr. Ferrera was a consultant for Skillsoft Corp., located in Nashua, New Hampshire and Denver, Colorado, from October 2022 to December 2022. Mr. Ferrera also served as Chief Financial Officer of Skillsoft Corp. from September 2021 to October 2022. Mr. Ferrera was in between positions from July 2021 to August 2021. From November 2017 to June 2021, Mr. Ferrera was Chief Financial Officer of Cardtronics, Inc., located in Houston, Texas.

Executive Vice President and Chief Operating Officer of Driven Brands: Daniel Rivera

Mr. Rivera has been Executive Vice President and Chief Operating Officer of Driven Brands since February 2023. Mr. Rivera was Executive Vice President and Group President, Maintenance for Driven Brands and also served as Brand President for Take 5 from January 2020 to January 2023. He served as Brand President for the Company, Econo Lube, SBA and Econo Lube N' Tune, LLC from April 2017 to December 2019. Mr. Rivera also served as Brand President for Meineke from June 2015 to December 2019, and served as Meineke Car Care Centers, LLC's President from October 2014 to December 2019.

Executive Vice President and Group President, Maintenance for Driven Brands: Mo Khalid

Mr. Khalid has served as Executive Vice President and Group President, Maintenance for Driven Brands since February 2023. From October 2017 to February 2023, Mr. Khalid held various positions with Great Wolf Resorts, Inc., located in Chicago, Illinois, including Senior Vice President, Field Operations and Vice President, Operations, Eastern Region.

Senior Vice President of Franchise Development for Driven Brands: Ted Rippey

Mr. Rippey has been Senior Vice President of Franchise Development for Driven Brands since January 2020. From January 2017 to December 2019, Mr. Rippey served as Vice President of Franchising for Take 5.

Brand President of the Company and SBA: Robert Fillman

Mr. Fillman has been the Brand President of the Company and SBA since January 2020. He also has served as Brand President of Meineke, Econo Lube, Meineke Car Care Centers, LLC and Econo Lube N' Tune, LLC since January 2020. From April 2017 to December 2019, Mr. Fillman served as Vice President, Operations of Meineke and Meineke Car Care Centers, LLC.

Vice President of Franchise Development for the Company: Logan Sumner

Mr. Sumner has been Vice President of Franchise Development for the Company, Meineke, and Econo Lube since March 2022. Mr. Sumner also has been Vice President of Development for Take 5 since February 2020. From May 2017 to January 2020, Mr. Sumner was Director, Business Development for Take 5.

Manager of Operations for the Company: Zaki Zahur

Mr. Zahur has been Manager of Operations for the Company since April 2022. From May 2017 to April 2022, Mr. Zahur was a franchise business consultant for Meineke.

Item 3

LITIGATION

Concluded Action

SBA-TLC, LLC v. Merlin Corp., Case No. 15-cv-08426, United States District Court for the Northern District of Illinois, filed September 24, 2015. SBA sued a franchisee, who was the former owner of the Merlin franchise system, alleging breach of contract, trademark infringement, trade dress infringement, and unfair competition following termination of the franchise agreements for the franchisee's 11 Merlin Shops. SBA alleged that the franchisee was in default under its franchise agreements for failure to pay royalties, advertising contributions, and interest for its Merlin Shops. After the franchisee failed to cure the default within the period stated in the default notices, in July 2015 SBA sent notices of termination to the franchisee for each of the Merlin Shops and requested that the franchisee comply with its post-termination obligations stated in the franchise agreements. SBA alleged that the franchisee refused to comply with those obligations by continuing to operate its Merlin Shops under the Merlin trademarks without paying royalties. SBA sought an injunction, damages, a declaratory judgment, and costs and attorneys' fees against the franchisee. On October 16, 2015, the franchisee filed its answer to SBA's complaint (generally denying most of SBA's allegations) and a counterclaim. The counterclaim alleged that SBA's termination of the franchise agreements was wrongful because the franchisee had the right to set off any monies it owed to SBA against monies that SBA owed to the franchisee under an

installment note signed in connection with the sale of the Merlin franchise system, and that SBA violated the Illinois Franchise Disclosure Act because it failed to terminate the franchise agreements for "good cause" as defined under the Act. The franchisee sought a declaratory judgment, damages, and costs and attorneys' fees. On November 10, 2015, the court granted SBA's motion for a preliminary injunction. On November 25, 2015 (the "Settlement Date"), the parties entered into a binding Settlement Agreement and Mutual Release, under which the former franchisee agreed to (a) transfer the majority of the 11 Merlin Shops to SBA (or a third party of SBA's choice) and (b) close and de-identify the remaining Merlin Shops, in exchange for a cash payment of $105,000 from SBA. The parties also agreed to a mutual release of all claims against each other existing as of the Settlement Date.

Pending Driven Affiliate Action

5002090 Ontario Inc. and Asif Ali v. Take 5 Canada SPV LP, Bruno Piva, Noah Pollack, and Jonathan Fitzpatrick, Court File No. CV-22-00692201-0000, Superior Court of Justice of the Province of Ontario, filed December 23, 2022. 5002090 Ontario Inc. and its director, Asif Ali (collectively, "Ali"), the former franchisee of a Take 5 Oil Change® centre in Ontario, Canada (previously operated as a Pro Oil Change® centre until its conversion), filed a Statement of Claim against the current franchisor of Take 5 Oil Change® centres in Canada, Take 5 Canada, Take 5 Canada's Director, Chief Executive Officer, and President (and the Company's Manager, Chief Executive Officer, and President), Mr. Fitzpatrick, Take 5 Canada's franchise broker, Mr. Piva, and a former Take 5 Canada (and Company) executive, Mr. Pollack, alleging breach of the disclosure and fair dealing provisions of the *Arthur Wishart Act (Franchise Disclosure), 2000* and, alternatively, negligent misrepresentation, as well as breach of good faith. Ali alleges that, when he purchased the Take 5 Oil Change® centre from a then-Pro Oil Change® centre franchisee, he believed that, on the basis of the franchise disclosures that he received from Take 5 Canada and an alleged verbal agreement with a Take 5 Canada representative, he was receiving a full 10-year term to operate the Take 5 Oil Change® centre. According to the Statement of Claim, Ali entered into a loan agreement in connection with his purchase of the Take 5 Oil Change® centre, the terms of which included "a minimum timeframe of 7 years." Ali alleges, however, that his franchise agreement was terminated after less than 2 years based on his failure to provide the required notice to renew. Ali contends that he does not have copies of any assignment agreement with the prior franchisee, any sublease with Take 5 Canada for the Take 5 Oil Change® centre premises, or other Take 5 Oil Change® centre-related agreements referenced in Take 5 Canada's notice of termination. Ali alleges that he sold the Take 5 Oil Change® centre assets when Take 5 Canada threatened legal action if he failed to vacate the Take 5 Oil Change® centre premises. Ali claims that his lender subsequently commenced legal action against him for defaulting on the Take 5 Oil Change® centre-related loan and, as part of a settlement, he was required to pay the lender certain amounts. Ali seeks damages (including punitive damages) of at least CAN$368,000, interest, declarations that Take 5 Canada's franchise disclosures were invalid and void and that the above-referenced assignment agreement (if it exists) is void, and costs of the action. Take 5 Canada and the other defendants intend to defend this action.

Driven Affiliate Subject to Currently Effective Injunctive Order

State of Arizona, et rel., Thomas C. Horne, Attorney General vs. Econo Lube N' Tune, Inc., Case No. CV2011-018783, in the Superior Court of the State of Arizona in and for the County

of Maricopa. On October 13, 2011, Econo Lube N' Tune, Inc., a predecessor of Econo Lube (an affiliate of the Company), entered into a consent judgment with the State of Arizona that grew out of an investigation of the specific operations of a company-owned Econo Lube center located in Phoenix, Arizona. The investigation alleged that the center manager unnecessarily changed out an air conditioning compressor on a customer's vehicle. As a result of the investigation, the State alleged violations of A.R.S. § 44-1522 (the State's consumer protection act). Econo Lube N' Tune, Inc. denied all of the allegations in the State's complaint that was filed contemporaneously with the consent judgment. As a means to settle these allegations, the parties agreed to a consent judgment wherein, without agreeing to any of the allegations in the complaint, an agreed injunction was entered into by Econo Lube N' Tune, Inc. stipulating that it would not commit any unfair trade practices against its customers. The injunction also prohibits the company from further employing the center manager who allegedly committed these alleged unfair practices. As part of the consent judgment, Econo Lube N' Tune, Inc. agreed to pay the State of Arizona $30,000 in civil penalties and $10,494.63 in attorneys' fees.

Disclosures Regarding Affiliated Programs

The following affiliates that offer franchises resolved actions brought against them with settlements that involved their becoming subject to currently effective injunctive or restrictive orders or decrees. None of these actions have any impact on us or our brand nor allege any unlawful conduct by us.

The People of the State of California v. Arby's Restaurant Group, Inc. (Case No. 19STCV09397, California Superior Court, Los Angeles County, filed March 19, 2019). On March 11, 2019, our affiliate, Arby's Restaurant Group, Inc. ("ARG"), entered into a settlement agreement with the states of California, Illinois, Iowa, Maryland, Massachusetts, Minnesota, New Jersey, New York, North Carolina, Oregon and Pennsylvania. The Attorneys General in these states sought information from ARG on its use of franchise agreement provisions prohibiting the franchisor and franchisees from soliciting or employing each other's employees. The states alleged that the use of these provisions violated the states' antitrust, unfair competition, unfair or deceptive acts or practices, consumer protection and other state laws. ARG expressly denies these conclusions, but decided to enter into the settlement agreement to avoid litigation with the states. Under the settlement agreement, ARG paid no money but agreed (a) to remove the disputed provision from its franchise agreements (which it had already done); (b) not to enforce the disputed provision in existing agreements or to intervene in any action by the Attorneys General if a franchisee seeks to enforce the provision; (c) to seek amendments of the existing franchise agreements in the applicable states to remove the disputed provision from the agreements; and (d) to post a notice and ask franchisees to post a notice to employees about the disputed provision. The applicable states instituted actions in their courts to enforce the settlement agreement through Final Judgments and Orders, Assurances of Discontinuance, Assurances of Voluntary Compliance, and similar methods.

The People of the State of California v. Dunkin' Brands, Inc. (Case No. E25636618, California Superior Court, Los Angeles County, filed March 19, 2019). On March 14, 2019, our affiliate, Dunkin Brands, Inc. ("DBI"), entered into a settlement agreement with the Attorneys General of 13 states and jurisdictions concerning the inclusion of "no-poaching" provisions in Dunkin' restaurant franchise agreements. The settling states and jurisdictions included California,

Illinois, Iowa, Maryland, Massachusetts, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, Vermont, and the District of Columbia. A small number of franchise agreements in the Dunkin' system prohibit Dunkin' franchisees from hiring the employees of other Dunkin' franchisees and/or DBI's employees. A larger number of franchise agreements in the Dunkin' system contain a no-poaching provision that prevents Dunkin' franchisees and DBI from hiring each other's employees. Under the terms of the settlement, DBI agreed not to enforce either version of the no-poaching provision or assist Dunkin' franchisees in enforcing that provision. In addition, DBI agreed to seek the amendment of 128 franchise agreements that contain a no-poaching provision that bars a franchisee from hiring the employees of another Dunkin' franchisee. The effect of the amendment would be to remove the no-poaching provision. DBI expressly denied in the settlement agreement that it had engaged in any conduct that had violated state or federal law and, furthermore, that the settlement agreement should not be construed as an admission of law, fact, liability, misconduct, or wrongdoing on the part of DBI. The Attorney General of the State of California filed the above-reference lawsuit in order to place the settlement agreement in the public record, and the action was closed after the court approved the parties' stipulation of judgment.

New York v. Dunkin' Brands, Inc. (Case No. 451787/2019, N.Y. Supreme Court for New York County, filed September 26, 2019). In this matter, the N.Y. Attorney General (the "NYAG") filed a lawsuit against our affiliate, DBI, related to credential-stuffing cyberattacks during 2015 and 2018. The NYAG alleged that the cyber attackers used individuals' credentials obtained from elsewhere on the Internet to gain access to certain information for DD Perks customers and others who had registered a Dunkin' gift card. The NYAG further alleged that DBI failed to adequately notify customers and to adequately investigate and disclose the security breaches, which the NYAG alleged violated the New York laws concerning data privacy as well as unfair trade practices. On September 21, 2020, without admitting or denying the NYAG's allegations, DBI and the NYAG entered into a consent agreement to resolve the State's complaint. Under consent order, DBI agreed to pay $650,000 in penalties and costs, issue certain notices and other types of communications to New York customers, and maintain a comprehensive information security program through September 2026, including precautions and response measures for credential-stuffing attacks.

Other than these actions, 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

You will pay us an initial franchise fee of $30,000 when you sign the Franchise Agreement. The initial franchise fee is non-refundable and, except as stated below, is uniform for all franchisees.

If you sign a new Development Agreement or if you are an existing Merlin franchisee in good standing who desires to purchase an additional Merlin Shop franchise for new development, the initial franchise fee will be reduced to $15,000 for your second franchised Merlin Shop (developed under the Development Agreement, if applicable) and $12,500 for your third and each subsequent franchised Merlin Shop (developed under the Development Agreement, if applicable).

In connection with single unit development, if you participate in and qualify for the Employee Ownership Incentive Program, as detailed in Item 1, and open a new Merlin Shop, we will apply a $10,000 credit toward the initial franchise fee under the Franchise Agreement, reducing your initial franchise fee to $20,000.

We participate in the International Franchise Association's VetFran Program, which provides special financial incentives to qualified veterans. If you are a U.S. veteran with an honorable discharge and meet all criteria for a Merlin Shop franchise, in connection with single unit development, we will give you a $10,000 credit toward the initial franchise fee, reducing your initial franchise fee to $20,000.

The initial franchise fee discounts described in this Item 5 may not be combined.

If you sign a Development Agreement, you must pay us a non-refundable development fee, which will be equal to 100% of the initial franchise fee for each Merlin Shop required to be developed under the Development Agreement (the "Development Fee"). For each Merlin Shop developed under the Development Agreement, we will credit the applicable portion of the Development Fee against the applicable initial franchise fee on the date on which the initial franchise fee is payable under the applicable franchise agreement. The Development Fee is not otherwise credited against any fees payable to us.

We may periodically implement incentive programs to encourage franchise system growth in addition to or in lieu of the discounts described above. Under our incentive programs, we may, among other things, waive all or a portion of the initial franchise fee or modify the payment timing of the initial franchise fee. We may modify or discontinue any incentive program we implement at any time.

Currently, you must pay us or our affiliate in lump sum a non-refundable software license fee for certain customized shop management software (the "M.Key Software") licensed from a third-party vendor and sublicensed to you under the M.Key Software License and Maintenance Agreement attached as Exhibit I to this disclosure document. The software license fee for the M.Key Software that you must install and use in the Shop is $4,995. The software license fee is reduced to $2,995 if you are an existing Merlin franchisee developing and opening an additional Merlin Shop. The software license fee is due and payable to us or our affiliate at the time that you sign the M.Key Software License and Maintenance Agreement. (The M.Key Software License and Maintenance Agreement and the Franchise Agreement are signed at the same time.) For franchisees signing the M.Key Software License and Maintenance Agreement during our 2022 fiscal year, we or our affiliate waived the software license fee.

You must pay us a non-refundable initial set-up fee for the TV and box which run the continual TV ad in the Shop's waiting room promoting Merlin services (the "AutoNet TV Fee"),

which will range from $200 to $1,200 depending on whether your Shop is equipped with a TV. The AutoNet TV Fee is due to us 30 days before you open the Shop.

If you choose to purchase the required signage for the Shop from one of our affiliates, the cost of the signage ranges from $25,000 to $50,000 and is non-refundable.

We encourage Merlin franchisees and their employees to refer prospective candidates who want to become a part of our franchise network. We will pay you or any of your employees a $5,000 referral fee if you or they refer a prospective franchisee to us with whom we are not currently in discussions and whom we have not previously contacted. Our referral program does not apply to transfers of existing Merlin Shops. Your Shop must be in good standing for you or your employees to benefit from our referral program. The prospective franchisee must sign a Franchise Agreement and open a Merlin Shop for you to receive the referral fee and, if one of your employees refers a prospective franchisee to us, that employee must be continually employed by your Shop until the prospective franchisee signs a Franchise Agreement and opens the Merlin Shop for the employee to receive the referral fee. Generally, we pay the referral fee within 30 days after the prospective franchisee signs a Franchise Agreement and opens a Merlin Shop. We reserve the right at any time to cancel, modify, amend, or terminate our franchisee referral program.

[Remainder of Page Intentionally Left Blank]

Item 6

OTHER FEES

Column 1 Type of Fee[1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty Fee	6.9% of Net Revenues[2]	Payable on the day of each week that we periodically specify (the "Payment Day") on the Net Revenues of the preceding week via EFT	We may modify the Payment Day and the corresponding reporting period at any time. As stated in Item 1, if you sign a new Development Agreement on or after the issuance date of this disclosure document, for each franchise agreement you sign, if you are then in compliance with the Development Schedule, you also will sign a Development Incentive Addendum. Under the Development Incentive Addendum, you will pay a reduced royalty fee for the applicable Shop for a limited period of time, subject to certain conditions. See Note 3 for additional information regarding this and other potentially available royalty incentives and discounts.
Marketing Fund Contribution	5% of Net Revenues	Payable on the Payment Day on the Net Revenues of the preceding week via EFT	
Transfer Fee	$9,000	Prior to transfer	No charge if you transfer the Franchise Agreement to a corporation you control.
Commingled Funds Fee	$2,500, plus $250 for each subsequent month until you separately account for the funds	Payable upon receipt of invoice	Payable if audit reveals commingling of Shop funds with any other funds, whether your personal funds or funds from your other businesses.

Column 1 Type of Fee[1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Audit Fees	Cost of inspection or audit, plus any deficiency and late payment charges	15 days after billing	Payable if an audit reveals an understatement of your reported Net Revenues of greater than 3% or if you fail to submit reports.
Interest Charges on Late Payments	Lesser of 21% per year or highest rate allowed by law	Upon billing	Payable on all overdue amounts.
AutoNet TV Fee	$40 per month, subject to periodic adjustment	Monthly via EFT	Covers your monthly subscription to AutoNet TV's streaming content.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Due when you fail to comply with the Franchise Agreement or Development Agreement.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims arising from the development and operation of your Shop(s).
Customer Reimbursements	Up to 200% of original repair amount	Within 30 days of invoice from us	Due if we believe you have not properly handled a customer complaint.
Service Charges	$25 to $100	Upon billing	Due for defaults specified in Section 21 of the Franchise Agreement.
Service Charges for Specified Defaults	$100 per day	Upon billing	You must pay this service charge if you fail to submit reports, pay royalty fees or Marketing Fund contributions when due, or maintain minimum standards and policies.
Service Charges for Failure to Submit Financial Statements	$25 per day	Upon billing	You must pay this service charge if you fail to submit financial statements when due.
Service Charge for Failure to Attend National or Regional Franchise Meetings[4]	$2,500 per occurrence	Upon billing	You must pay this service charge if you miss a national or regional franchise meeting. We will contribute the service charge to the Marketing Fund.

Column 1 Type of Fee[1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Resale Assistance Fee	$10,000 per Merlin Shop	The earlier of the date on which the resale is completed or the transferee takes possession of the Merlin Shop	Payable if you elect to participate in our resale assistance program and sign our then-current form of Resale Assistance Agreement.
Franchisee Profitability Program Software Fees	Currently, $14.95 per month	Monthly via EFT	Defrays our costs for the Franchisee Profitability Program software and point of sale fees, software support and assistance, and other coordination support. There is a one-time onboarding fee of $50. These fees may fluctuate as our vendor's pricing changes.
M.Key Software Transfer Fee	$1,000	Upon the transfer of the M.Key Software License and Maintenance Agreement to another franchisee approved by us to operate your Shop	

Column 1 Type of Fee[1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
M.Key Software Fees	$375 basic "Software Maintenance Fee" (or, if you purchase AutoVitals, $275) Additional options: Up to $150 per month – Technical Procedures Software $89.50 per month – Mitchell 1 on Demand 5.0 ($99.50 per month for Mitchell 1 on Demand 5.0 with ESTIMATOR) $25 per month – Quick Books Integration AutoVitals (eInspection): $399 one-time setup fee $225 per month basic package $24 per month for each additional technician tablet above the 3 tablets provided with the basic package	Monthly Payable only by authorized EFT	Payable under the M.Key Software License and Maintenance Agreement. We or our affiliate reserves the right to increase the monthly Software Maintenance Fee: (a) on each anniversary of the effective date of the M.Key Software License and Maintenance Agreement to reflect any increase in the CPI for the preceding 12-month period or, if we or our affiliate elected not to increase the Software Maintenance Fee on any anniversary of that effective date, the aggregate increase in the CPI from the date of the last increase; and (b) at any time to reflect any increase in any third party's charges to us or our affiliate. "CPI" means the index number in the table relating to "Consumer Price Index - United States City Average, All Items, for Urban Wage Earners and Clerical Workers" as presently published in the "Monthly Labor Review" of the Bureau of Labor Statistics for the United States Department of Labor.

Explanatory Notes:

[1]Unless otherwise noted, all fees are uniformly imposed by and payable to us. All fees are non-refundable.

[2]"Net Revenues" means the amount of actual gross charges for all services performed and products sold to customers of the Shop for cash or credit (and regardless of collection in the case of credit), whether those services are performed or those sales are made at the premises of the Shop or any

other location, but excluding sales, use or service and excise taxes collected from customers and paid to the appropriate taxing authority, customer refunds and customer adjustments. You pay the royalty fee to compensate the Company for the use of the Company's Marks and operating system and for the Company's share of the revenue earned from customers.

[3]Under the Development Incentive Addendum (if applicable), subject to your continuing compliance with certain terms and conditions, during the 36-month period following the actual opening date of the applicable Merlin Shop (the "Royalty Reduction Period"), the royalty fee will be reduced to: (a) during the first 12 months of the Royalty Reduction Period, 1% of Net Revenues; (b) during the second 12 months of the Royalty Reduction Period, 1% of Net Revenues; and (c) during the third 12 months of the Royalty Reduction Period, 3% of Net Revenues. If Net Revenues of the Shop during the first or second 12-month period of the Royalty Reduction Period exceed $700,000 (the "Royalty Threshold"), upon your receipt of notice from us, the Development Incentive Addendum and the royalty reduction incentive will terminate at the end of the 12-month period in which the Royalty Threshold is first surpassed. In addition, we may terminate the Development Incentive Addendum and the royalty reduction incentive if: (a) we terminate the Development Agreement; (b) we place you in default of the Franchise Agreement, and you fail to cure the default within the applicable cure period, if any, regardless of whether we elect to terminate the Franchise Agreement; or (c) the Shop fails to satisfy any of the incentive conditions during the Royalty Reduction Period. Upon the expiration or termination of the Development Incentive Addendum, the royalty fee will be calculated under the terms of the applicable franchise agreement without regard to the royalty reduction described in this paragraph. As stated above, only franchisees signing a new Development Agreement on or after the issuance date of this disclosure document are eligible for these incentives. Except as stated in this paragraph, there are no other royalty incentives or discounts available under the Development Agreement.

In connection with single unit development, if you participate in the Experience Pays Incentive Program, as detailed in Item 1, we will apply a $7,500 credit toward the royalty fees you owe for the new Shop.

We may periodically implement incentive programs to encourage franchise system growth in addition to or in lieu of those described in this Note 3. Under our incentive programs, we may, among other things, waive or reduce the royalty fee and/or Marketing Fund contribution payable by a franchisee for a limited period of time. We may modify or discontinue any incentive program we implement at any time.

[4]We may consider waiving this Service Charge on a case by case basis. For example, we may permit an authorized manager or spouse to attend a national or regional franchise meeting in your absence in the event of illness.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Column 1 Type of expenditure	Column 2 Amount[1]	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Initial Franchise Fee[2]	$30,000	Lump sum	Upon signing the Franchise Agreement	Us
Leasehold Improvements[3]	$20,000 - $150,000	As agreed	As incurred	Outside Suppliers
Furniture, Fixtures, Equipment and Signage[4]	$142,445 - $203,395	As agreed	As incurred	Affiliates or Outside Suppliers
First 3 Months' Rent[5]	$15,000 - $25,000	Lump sum	As specified in lease	Landlord
Security Deposit[5]	$4,300 - $10,000	Lump sum	On signing lease	Landlord
Opening Inventory and Supplies[6]	$12,000 - $20,000	As agreed	As incurred	Affiliates or Outside Suppliers
Training Expenses	$1,000 - $6,000	As incurred	As incurred	Third Parties
Miscellaneous Opening Costs[7]	$10,000 - $30,000	As incurred	As incurred	Third Parties
Additional Funds – 3 Months[8]	$30,000 - $60,000	As incurred	As incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (excluding real estate costs)[9]	$264,745 - $534,395			

Notes:

1. All fees are non-refundable, except that the security deposit under your lease may be refundable under the terms of your lease.

2. Our standard initial franchise fee is $30,000 for each Merlin Shop. Under certain circumstances, we may, however, reduce the initial franchise fee, as further detailed in Item 5.

3. You may be required to make certain leasehold improvements at the Shop according to the plans and specifications we have approved. The costs of these improvements vary greatly depending upon the size, condition, configuration, and geographical location of the Shop premises, local zoning and building ordinances, labor and material costs, and other economic factors.

4. You must purchase, according to the Company's specifications, equipment (including computer hardware), furniture and signage for the Shop. We describe the POS System in Item 11. As stated above in Item 5, currently, you must use and purchase from us or our affiliate the M.Key Software for the POS System.

5. A standard Merlin Shop occupies approximately 3,900 to 4,400 square feet with 6 bays. If you do not already own the premises for the Shop, you must obtain a lease for a site that we have approved for the Shop. Rent expenses (and any required security deposit) will vary greatly depending on the size, condition and location of the premises and the lease's term. This estimate provides for up to 2 months' rent as a security deposit.

   These estimates do not include the cost of land and building should you elect to own them. In a free-standing unit, the Shop will generally require 17,000 to 25,000 square feet of land area and should have adequate bay access and parking for approximately 20 cars. If the Shop is located in an auto mall or other multi-tenant center site, suitability will depend on the mall configuration. Furthermore, if you purchase the land and construct the Shop (on either vacant land or through remodeling of an existing structure), then your costs will vary considerably. Real estate costs depend on location, size, visibility, economic conditions, accessibility, competitive market conditions, and the type of ownership interest you are buying. Because of the numerous variables affecting the value of a particular piece of real estate, this initial investment table does not reflect the potential purchase cost of real estate or the costs of constructing a building suitable for the Shop.

6. You must purchase an opening inventory of exhaust, brake, ride control products, tires, and other products, supplies and materials. You may purchase all products and supplies and packaging or other materials that meet our standards and specifications from any distributors and other suppliers we approve. You may purchase products we or our affiliates develop only from us, an affiliate or a third party licensed by us to prepare and sell those products. Payments for these items are made prior to opening and on an ongoing basis as incurred to us, an affiliate or third parties as noted above.

7. The miscellaneous opening costs include installation of telephones, deposits for gas, electricity and related items, licenses, legal and accounting expenses, insurance premiums, sales tax and freight relating to equipment, as well as other initial operating costs.

8. This estimates the funds needed to cover your operating expenses for the first 3 months of operation (other than the items identified separately in the table). These expenses include

payroll costs, but do not include any draw or salary for you. These figures are estimates. This 3-month period is not intended, and should not be interpreted, to identify a point at which your Shop will break even. Your costs will depend on how closely you follow our methods and implement Merlin operating procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial period.

9. The estimates in this Item 7 relate to a newly constructed 3,900 to 4,400 square foot Merlin Shop with 6 bays. We have relied on our and our predecessors' and affiliates' over 40 years of experience to compile these estimates. You should review these figures carefully with a business advisor before making any decisions to purchase the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan. We strongly recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area.

10. Except for the non-refundable Development Fee, there is no initial investment required to begin operating under the Development Agreement. As stated in Item 1, you must commit to developing a minimum of 4 Merlin Shops under the Development Agreement, in which case the Development Fee would be $70,000.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure that the Merlin franchise system maintains high and uniform standards of quality and service, you must operate your Shop in strict conformity with our methods, standards and specifications stated in the Operations Manual (defined in Item 11) periodically. The Operations Manual prescribes methods, standards, and specifications that we require or recommend in the operation of your Shop. Under certain circumstances, we and our affiliates may negotiate purchase arrangements or terms (such as price) with suppliers for your benefit. We do not provide material benefits (e.g., renewal or additional franchises) to you based on use of designated or approved suppliers.

There is currently no purchasing or distribution cooperative. We may establish cooperatives in the future, which you will be entitled to join.

Equipment, Signs, Inventory and Supplies

You must, in the operation of the Shop, use only those brands and models of equipment, signs, inventory, and supplies that the Company has approved for Merlin Shops as meeting its specifications and standards for function and performance. You must place or display at the premises of the Shop (interior and exterior) only those signs, emblems, lettering, logos and display materials that are periodically approved in writing by the Company. You may purchase or lease

approved brands of equipment from any supplier. If you propose to purchase or lease any brand of equipment which is not then approved by the Company, you must first notify the Company and you and/or the supplier must submit to the Company upon its request sufficient specifications, photographs, drawings and/or other information or samples for a determination by the Company of whether that brand of equipment complies with its specifications and standards, which determination will be made and communicated to you within a reasonable time, generally not to exceed 30 days. The Company currently does not require that you pay the Company a fee to review and approve an alternative supplier you propose. We and our affiliates may be approved suppliers of equipment, parts, inventory and supplies for Merlin Shops. Currently, Driven Product Sourcing and Spire Supply are approved but not exclusive suppliers of signage for Merlin Shops. Otherwise, neither we nor any of our affiliates currently are approved suppliers or the only approved suppliers for any of the above equipment, parts, inventory and supplies.

The reputation and goodwill of the Shop is based upon, and can be maintained and enhanced only by, the sale of high quality products, excellent customer service, and the rendering of fast, efficient and high quality service. All exhaust system components and other motor vehicle parts, tires, maintenance programs/packages, and other products, materials and supplies sold and used in the operation of the Shop must be the Company's or other private brand designated by the Company as being of acceptable quality or other brands of equivalent quality approved by the Company. You may not sell or use any brand of any product that the Company has not previously approved or has designated as not being of equivalent quality to the Company's private brand or designated brand of that product. We may designate the manner or method through which you purchase approved items used in the operation of the Shop.

The Company will not unreasonably withhold approval of any brand of product. If you propose to purchase any brand of product that the Company has not previously approved, you must notify the Company and submit to the Company all information, specifications and other information the Company requests. The Company may determine whether or not to approve any brand, and will only approve brands that meet the Company's standards and specifications as published in the Operations Manual, are consistent with the Company's marketing strategy, and whose suppliers provide acceptable verification that they carry adequate products liability insurance. The Company currently does not require that you pay the Company a fee to review and approve an alternative brand you propose. The Company may, at any time, revoke approval of any brand if the brand fails to meet the Company's current criteria.

The Company and/or its affiliates may derive revenue based on your purchases and leases, including from charging you (at prices exceeding its and their costs) for services and products that the Company or its affiliates sell you and from promotional allowances, rebates, volume discounts, and other amounts paid to the Company and its affiliates by suppliers that the Company designates, approves, or recommends for some or all of the Company's franchisees. The Company and its affiliates may use all amounts received from suppliers, whether or not based on your and other franchisees' prospective or actual dealings with them, without restriction for any purposes that the Company and its affiliates consider appropriate.

During the 2022 fiscal year, neither the Company nor any affiliate derived any revenues or other material consideration from franchisees' direct purchases or leases. We do not lease or sublease any premises to franchisees.

The Company also reserves the right to require that other items (in addition to the M.Key Software) be purchased exclusively from the Company or its designees. None of our officers currently own an interest in any non-affiliated, third-party suppliers that comprise the existing supply base for the Merlin franchise system.

We estimate that the proportion of required purchases and leases that meet our specifications will represent approximately 75% to 95% of the total cost to develop the Shop, and approximately 46% to 96% of the total cost to operate the Shop.

Our affiliates may receive from some parts suppliers a rebate of approximately 2% to 6% or more of purchases. During the 2022 fiscal year, our affiliates' rebates totaled $22,905. During 2022, the Company did not receive any payments from designated and approved suppliers on account of franchisee purchases or leases of required and approved items from those suppliers.

Shop Location

You must locate a site for your Shop that we approve. We approve locations on a case by case basis, considering items such as size, appearance and other physical characteristics of the site, demographic characteristics, traffic patterns, competition from other businesses in the area and other commercial characteristics, such as rental obligations and other lease terms.

Computer Hardware and Software

We require you to purchase or lease, at your expense, a POS System. You may use any computer hardware you consider to be appropriate, as long as it meets our specifications, and it functions properly with the computer software we require. You must use the computer software we designate. Currently, you must use M.Key Software as the shop management software for the Shop. We or our affiliate are the only approved supplier of M.Key Software for franchisees. Our franchisees will be trained by us or one or more of our affiliates using the M.Key system.

You also must install and use in the operation of the Shop the Franchisee Profitability Program software. This software assists you in preparing and submitting standardized profit and loss information to our Franchise Profitability Program department directly, so that we may use the data to improve overall franchisee performance within the Merlin franchise system.

Except as described above, neither we nor any of our affiliates currently are approved suppliers or the only approved suppliers for any component of the POS System.

Insurance

You must at all times during the Franchise Agreement's term maintain in force at your sole expense comprehensive public, product, garage keepers, general casualty insurance, fire and extended coverage, and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Shop or otherwise in conjunction with the business you conduct under the Franchise Agreement. This insurance coverage must be maintained under one or more policies of insurance containing minimum liability protection of $2,000,000 for bodily and personal injury and death as a result of

one occurrence and $500,000 for property damage and issued by insurance carriers rated A or better by A.M. Best Company, Inc.

The liability insurance policies must name the Company as an additional insured and must provide that the Company will receive 30 days prior written notice of termination, expiration or cancellation of any policy. These policies may not exclude coverage of claims made between co-insureds based solely on their designation of co-insureds. The Company may reasonably increase the minimum liability protection requirements upon 60 days advance written notice to you and require different or additional kinds of insurance, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability or higher damage awards in public, product, garage keepers or motor vehicle liability litigation, other relevant changes in circumstances, or the risk history of the Shop. You must submit to the Company annually a copy of the certificate of or other evidence of the renewal or extension of each insurance policy, as the Company prescribes. If, at any time, you fail or refuse to maintain in effect any insurance coverage the Company requires, or to provide satisfactory evidence of this insurance, the Company, at its option and in addition to its other rights and remedies, may, but need not, obtain this insurance coverage on your behalf and you must promptly sign any applications or other forms or instruments required to obtain any insurance and pay the Company, on demand, any costs and premiums the Company incurs.

Advertising and Promotional Approval

You must use our recommended media plan in promoting the Shop. You also must use only our approved advertising and promotional materials in promoting the Shop. Item 11 contains further information about our advertising programs.

Except as described above, there are no goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Shop that you currently must buy or lease from us (or our affiliate) or from designated or approved suppliers.

Development Agreement

The Development Agreement does not require you to buy or lease from us (or our affiliates), our designees, or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, or comparable items related to establishing or operating your business under the Development Agreement. However, you must give us information and materials we request concerning each site at which you propose to operate a Merlin Shop so that we can assess that site, which is subject to our written acceptance.

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/lease	Section 4.A of Franchise Agreement; Section 4 of Development Agreement	Items 8 and 12
(b) Pre-opening purchases/leases	Sections 4.A and 4.B of Franchise Agreement	Items 7 and 8
(c) Site development and other pre-opening requirements	Section 4.B of Franchise Agreement	Items 6, 7, 8 and 11
(d) Initial and ongoing training	Sections 5.A and 5.B of Franchise Agreement; Section C of M.Key Software License and Maintenance Agreement	Items 6 and 11
(e) Opening	Section 4.D of Franchise Agreement	Item 11
(f) Fees	Sections 2, 11.A and 16.B of Franchise Agreement; Section 6 and Exhibit C of Development Agreement; Section B of M.Key Software License and Maintenance Agreement	Items 5, 6 and 7
(g) Compliance with standards and policies/Operations Manual	Sections 6 and 7 of Franchise Agreement	Item 11
(h) Trademarks and proprietary information	Sections 8 and 12 of Franchise Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Sections 6.C and 6.D of Franchise Agreement	Items 11 and 16
(j) Warranty and customer service requirements	Sections 6.G and 6.I of Franchise Agreement	Item 11
(k) Territorial development and sales quotas	Section 1.A of Franchise Agreement; Sections 2 and 3 and Exhibits A and B of Development Agreement; Limited Exclusivity Addendum (if applicable)	Item 12
(l) On-going product/service purchases	Sections 6.C, 6.D, 6.E and 6.F of Franchise Agreement	Items 8 and 11
(m) Maintenance, appearance and remodeling requirements	Sections 6.A and 6.B of Franchise Agreement	Item 11
(n) Insurance	Section 6.M of Franchise Agreement	Items 7 and 8

Obligation	Section in agreement	Disclosure document item
(o) Advertising	Sections 2.C and 10 of Franchise Agreement	Items 6, 7 and 11
(p) Indemnification	Section 18 of Franchise Agreement; Section 19 of Development Agreement	Item 6
(q) Owners participation/ management/staffing	Sections 5.A, 5.B and 6.L of Franchise Agreement; Section 7 of Development Agreement	Item 15
(r) Records/reports	Section 11 of Franchise Agreement	Item 11
(s) Inspections/audits	Section 13 of Franchise Agreement	Item 6
(t) Transfer	Section 16 of Franchise Agreement; Sections 12, 13 and 14 of Development Agreement; Section I of M.Key Software License and Maintenance Agreement	Item 17
(u) Renewal	Section 1.B of Franchise Agreement	Item 17
(v) Post-termination obligations	Section 15 of Franchise Agreement; Section J.3 of M.Key Software License and Maintenance Agreement	Item 17
(w) Non-competition covenants	Sections 9 and 15.E of Franchise Agreement; Section 11 of Development Agreement	Item 17
(x) Dispute resolution	Section 17 of Franchise Agreement; Section 21 of Development Agreement	Item 17

Item 10

FINANCING

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

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

As noted in Item 1, we have entered into a management agreement with Driven Brands for the provision of support and services to Merlin franchisees. Driven Brands may delegate certain of these responsibilities to SBA, Driven Brands Shared Services or other affiliates. However, we remain responsible for all of the support and services required under the Franchise Agreement and the Development Agreement.

Pre-Opening Assistance

Before you open the Shop, the Company or its designee will do the following:

1. Provide site location assistance in your market. We may provide real estate contacts, contractors and developers who can assist you in the development of your Shop. We will provide site evaluation mapping and location analysis to be used during the site selection and site approval process.

You will propose, for our approval, a location for your Shop within the "Market Area" identified in Exhibit 1 to the Franchise Agreement within 365 days after signing the Franchise Agreement. The location must conform to our site selection guidelines and requirements and is subject to our approval. You must provide all information about the proposed site that we request, including a complete site analysis report. We do not have to consider a proposed location until we receive all requested information. In approving or disapproving a site, we will consider certain factors, including general location, neighborhood and the distance to other Merlin Shops operating in the Market Area. We will have no liability to you or anyone else for disapproving a proposed location. Once approved, we will grant you a Territory (defined in Item 12).

If we and you cannot agree on a location for your Shop within 365 days after signing the Franchise Agreement, either we or you may terminate the Franchise Agreement. Also, if you fail to lease or purchase the premises of the Shop within 15 months from the date of the Franchise Agreement, we may terminate your Franchise Agreement (Franchise Agreement, Section 3).

The criteria used for selecting and evaluating a site for a Merlin Shop include: the population of the surrounding market area, the per capita family income of that market area, motor vehicle traffic counts and vehicle registration densities of prospective locations in the community, and the competitive profile of surrounding areas.

2. Provide you with standard plans and specifications for a Merlin Shop, including requirements for dimensions, exterior design, interior layout, building materials, equipment, signs and color schemes, and will reasonably assist you in the development of the Shop (Franchise Agreement, Section 4).

3. At the Company's expense, develop and implement a local advertising and promotional program in the Territory in connection with your opening of the Shop. This program may be implemented any time during the first 5 months of the Shop's operation. You must fully cooperate with the Company in the implementation of this program, and the Company will spend at least $3,400 in the development and implementation of this program in your Territory (Franchise Agreement, Section 4.D).

4. Train you and your management employees (Franchise Agreement, Section 5.A). This training is described in detail later in this Item.

5. If you sign a Development Agreement, for each Merlin Shop developed under the Development Agreement, review and approve in writing or reject a completed site application for each proposed site and examine and approve or reject the lease for the proposed site (Development Agreement, Section 4).

Ongoing Assistance

During the operation of the Shop, the Company or its designee will do the following:

A. Advise you periodically of operating problems of the Shop disclosed by reports submitted to or inspections made by the Company or other third parties. In addition, the Company will provide you with operating assistance through both written communications and field visits, as periodically reasonably required by you. Operating assistance will consist of advice and guidance with respect to:

(i) methods and procedures used by Merlin Shops in connection with the sales and service of mufflers and exhaust systems, ride control systems, brake systems and components and other automotive services approved by the Company for Merlin Shops;

(ii) additional services and products authorized for Merlin Shops;

(iii) purchasing mufflers, exhaust system components, shock absorbers, brake system components, other motor vehicle parts, tools and other products, materials and supplies;

(iv) formulating and implementing advertising and promotional programs; and

(v) establishing administrative, bookkeeping, accounting, inventory control and general operating procedures for the proper operation of a Merlin Shop (Franchise Agreement, Section 5.C).

B. Administer a marketing fund (the "Marketing Fund") owned by the Company for marketing programs the Company considers necessary or appropriate to promote the goodwill and public image of Merlin Shops. You must pay the Company 5% of the Net Revenues of the Shop, payable by the Payment Day on the Net Revenues from the preceding week. The Company may increase the required percentage contribution to the Marketing Fund up to 8%, upon 60 days' advance written notice to you. Merlin Shops owned by the Company and the Company's affiliates will contribute to the Marketing Fund on the same basis as franchisees.

The Company will direct all marketing programs financed by the Marketing Fund, and will have sole discretion over the creative concepts, materials, and endorsements used and the geographic, market, and media placement and allocation of the programs. The Marketing Fund may be used to pay the costs of preparing and producing video, audio, printed and/or written advertising materials; administering multi-regional advertising programs, including purchasing direct mail and other media advertising; employing advertising agencies to assist in these activities; and supporting public relations, market research and other advertising and marketing activities. The Company will provide you with selected marketing, advertising, promotional formats and sample materials without charge. Duplicates or customized copies will be provided at your expense at the Company's direct cost of producing them.

The Marketing Fund will also be used to pay the costs of certain cable television, radio, direct mail, newspaper, Internet and billboard advertising. The media coverage will be both local and regional. The Marketing Fund will use the services of regional advertising agencies, and the

Company will permit you to use your own advertising materials if the format and copy of the advertising conform to pre-approved guidelines established by the Company. There is no franchisee advertising council empowered to direct the Company on advertising policies. The Merlin Franchisee Advisory Committee, however, does make suggestions on media selection and creative strategies in its quarterly meetings with the Company.

While the Marketing Fund is not maintained in a separate bank account, the Marketing Fund will be accounted for separately from the Company's other funds, reconciled and budgeted on an annual basis. The Marketing Fund will not be used to defray any of the Company's general operating expenses, except for salaries, administrative costs and overhead which the Company may incur in activities reasonably related to the administration of the Marketing Fund and its marketing programs (including conducting market research and/or quality control inspections, preparing advertising and marketing materials and collecting and accounting for contributions to the Marketing Fund). During the fiscal year ended December 31, 2022, the Marketing Fund spent 64.1% on media placement, 11.7% was spent on administrative expenses, and 24.2% on other expenses (creative, use, talent, POS System computer support, shop incentives, and holding fees).

The Company may spend in any fiscal year an amount greater or less than the total contributions of all Merlin Shops to the Marketing Fund in that year. The Company may cause the Marketing Fund to reserve any surplus for future use.

The Company will prepare an annual statement (which is not currently audited) of monies collected and costs incurred by the Marketing Fund and will provide it to you upon written request.

The Company does not use any funds of the Marketing Fund principally to solicit for the sale of franchises. We will not use Marketing Fund contributions to create or place any advertisement that is principally a solicitation for new franchises, but we may include in all advertising prepared from Marketing Fund contributions (including Internet advertising) information concerning franchise opportunities. The Company may cause the Marketing Fund to be incorporated or operated through an entity separate from the Company. If the Company does so, the successor entity will have all the Company's rights and duties.

The Marketing Fund is intended to maximize recognition of the Marks and patronage of all Merlin Shops. Although the Company will endeavor to use the Marketing Fund to develop advertising and marketing materials and programs, and to place advertising that will benefit all Merlin Shops, the Company has no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area will be proportionate or equivalent to the contributions to the Marketing Fund by Merlin Shops operating in that geographic area or that any Merlin Shop will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising and marketing materials or the placement of advertising. The Company will assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Marketing Fund. Although the Company intends the Marketing Fund to be of unlimited duration, the Company will have the right to terminate the Marketing Fund at any time after all amounts in the Marketing Fund have been expended (Franchise Agreement, Section 10.A).

In addition to the Marketing Fund, the Company may institute, maintain or engage in regional advertising programs within the Area of Dominant Influence ("ADI") in which the Shop is located. The Company will offer you the right to participate in or be listed in these regional advertising programs. If you elect to do so, you must reimburse the Company upon your receipt of the Company's invoice for a portion of the Company's cost (including salaries, administrative costs and overhead) reasonably incurred in connection with the regional advertising program, determined by apportioning the cost equally to all Merlin Shops listed or participating in the program. Otherwise, you have no obligation to participate in a local or regional advertising cooperative.

In addition to your contributions to the Marketing Fund, you must spend annually for local advertising and promotion of the Shop at least 1% of the Net Revenues of the Shop. You must submit quarterly, in a form we require, verification of your expenditures for local advertising and promotion.

C. Lend you one or more copies of an operating manual (the "Operations Manual") containing mandatory and suggested specifications, standards, and operating procedures, required periodically by the Company for Merlin Shops and other information relating to other obligations under the Franchise Agreement and in the operation of a Merlin Shop. All of the contents of the Operations Manual are our proprietary information, and you must keep the Operations Manual and the information contained in the Operations Manual completely confidential. The Operations Manual may consist of several separate manuals, as well as other supplementary materials.

The contents of the Operations Manual will be considered terms and conditions of the Franchise Agreement as if fully stated in it. The Company has the right to add to or otherwise modify the Operations Manual to reflect changes in authorized services and products, standards of service or product quality, the operation of a Merlin Shop and other requirements of the franchise; these additions or modifications to the Operations Manual will be effective 15 days after your receipt of an addition or modification, unless the addition or modification states a different effective date. No addition or modification will alter your fundamental status and rights under the Franchise Agreement (Franchise Agreement, Section 7). We will show you a copy of the Operations Manual prior to your signing the Franchise Agreement. A copy of the Operations Manual table of contents is included in Exhibit F. As of the date of this disclosure document, the Operations Manual consists of 548 total pages.

D. Keep you apprised of then-current customer warranties you will offer (Franchise Agreement, Section 6.I).

E. If you sign the Development Agreement, during the Development Agreement's term, we will grant you franchises for Merlin Shops if we approve your completed site applications in writing. For each Merlin Shop, you must sign our then-current form of franchise agreement and related documents (the terms of which may differ substantially from those in the Franchise Agreement attached to this disclosure document) and, if applicable, the Development Incentive Addendum (Development Agreement, Sections 4 and 5). (The Development Schedule will dictate the respective deadlines by which you (or your approved affiliate) must sign a purchase agreement, lease, or sublease for the premises for, sign the franchise agreement for, and open each Merlin Shop.)

We estimate that the length of time between the signing of the Franchise Agreement and the opening of the Shop will generally be 4 to 18 months depending upon numerous factors, including finding a location, construction schedules, zoning requirements, and condition of the site for the Shop.

You may not open the Shop for business until the Company has determined that the Shop is in suitable condition for opening. You must open the Shop for business and commence business within 30 days after this determination.

Training

The Company will provide you with a mandatory training program on the operation of a Merlin Shop to be conducted at the Company's offices, training center or Merlin Shops and at times the Company designates. You must complete the training program to the Company's satisfaction at least 30 days before you open the Shop. You will be responsible for any travel, living and other expenses which you or the manager and supervisory employees of the Shop incur in connection with the training program (Franchise Agreement, Section 5.A).

The Company has the right to require that you (or the Shop manager) and/or technicians complete supplemental and refresher training programs during the Franchise Agreement's term. Additional training will be conducted at the Company's offices, outside training centers or at Merlin Shops as the Company designates. You will be responsible for any travel and living expenses which you or the Shop manager incurs in connection with supplemental or refresher training.

The initial training program presently has no fixed duration and runs for a minimum of 4 weeks. Training is intended to include exposure to the operation of the entire Merlin Shop. Periodically, certain suppliers conduct seminars to familiarize franchisees and Merlin Shop managers with the installation and use of their products. As the need arises, the Company intends to make available additional training programs to you and to change existing programs as necessary. Managers and supervisory personnel you hire after the opening of the Shop must, subject to reasonable limitations prescribed by the Company, enroll in and successfully complete training programs we conduct. The Company does not presently anticipate charging a fee for training additional personnel.

Currently there are no fixed (i.e., monthly or bi-monthly) training schedules. The initial training program includes the following scheduled components:

TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-the-Job Training	Column 4 Location
Personnel	16	5	Merlin Training Center in Hoffman Estates, IL

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-the-Job Training	Column 4 Location
Record-keeping	6	4	Merlin Training Center in Hoffman Estates, IL
General Operations	50	20	Merlin Training Center in Hoffman Estates, IL
Advertising and Marketing	6	1	Merlin Training Center in Hoffman Estates, IL
Customer Service and Sales	15	16	Merlin Training Center in Hoffman Estates, IL
Total	93	46	

The training materials consist of our Operations Manual, sample ads and other materials. Zaki Zahur is responsible for overseeing the training program. Mr. Zahur has been the Company's General Manager since April 2022. He has approximately 6 years of experience in the automotive repair and maintenance industry. Members of management, the Field Support Staff, or top "leader" franchisees may also provide training.

Computer System

You must purchase (or lease), use, maintain and update computer hardware and other systems and software programs that meet our specifications as they evolve over time and which, in some cases, may only be available from designated suppliers (the "POS System"). You may use any computer hardware you consider to be appropriate, as long as it meets our specifications, and it functions properly with the computer software we require.

You must maintain your POS System's network, and you must promptly update and otherwise change your computer hardware and software systems as we require, at your expense. You must pay all amounts charged by any supplier or licensor of the systems and programs used by you, including charges for use, maintenance, support and/or update of these systems or programs. There are no contractual limitations on the frequency and cost of this obligation. We and our affiliates may condition any license to you of required or recommended proprietary software, and/or your use of technology developed or maintained by or for us (including the M.Key Software and the Franchisee Profitability Program software), on your signing a software license agreement or similar document, or otherwise agreeing to the terms (for example, by acknowledging your consent to and accepting the terms of a click-through license agreement), that we and our affiliates require to regulate your use of the software or technology. We and our affiliates may charge you up-front and ongoing fees for any required or recommended proprietary software or technology that we or our affiliates license to you and for other computer system maintenance and support services provided during the Franchise Agreement's term.

The POS System will generate and store sales, inventory, costs, Customer Data (defined in Item 14) and other operational data. We will have unlimited, independent access to the Customer Data and sales data regarding the Shop that the POS System generates and stores, and there are no contractual limitations on our right to access this information and data. We and our affiliates may use this information and data, together with any records and reports that you are required to provide to us under the Franchise Agreement, for any purpose and in any form as we and they periodically determine, including to conduct marketing and cross-promotional campaigns and to compile on an aggregated basis statistical and performance information relating to our (or our affiliates') services and products, Merlin Shops, and/or other automotive businesses franchised and owned by us and our affiliates. The estimated initial cost of the POS System (hardware and software) is $8,495 to $9,995 (including the $4,995 software license fee for the M.Key Software, as described in Item 5). The POS System includes a server, workstation, and the M.Key Software. The estimated annual cost of any required or optional maintenance, updating, upgrading and support for the POS System is $300 to $500 (in addition to the support fees below), although this amount does not include the cost of replacement hardware, if and when hardware replacements are needed.

As of the date of this disclosure document, you must use the customized M.Key Software in the operation of your Shop. Currently, we or our affiliate is the only approved supplier of the M.Key Software for franchisees, as further detailed below. You will be required to sign the M.Key Software License and Maintenance Agreement, under the terms of which we or our affiliate will grant you the right to use the M.Key Software and provide certain support and maintenance services relating to the M.Key Software. (The maintenance agreement does not apply to hardware.) The cost of the "basic" maintenance support for the M.Key Software is currently $375 (or if you purchase AutoVitals, $275) per month. We or our affiliate may increase this Software Maintenance Fee: (a) on each anniversary of the effective date of the M.Key Software License and Maintenance Agreement to reflect any increase in the CPI for the preceding 12-month period or, if we or our affiliate elected not to increase the Software Maintenance Fee on any anniversary of that effective date, the aggregate increase in the CPI from the date of the last increase; and (b) at any time to reflect any increase in any third party's charges to us or our affiliate. Additional charges for optional support, products and services may apply as described in Item 6.

If you are using the M.Key Software (which is cloud-based software) and you intentionally cease storing the applicable Shop data and information "on the cloud," or you inadvertently cease to store that data and information "on the cloud" and fail to notify us of the software failure and provide us a reasonable opportunity to bypass the failure, the M.Key Software will cease to function as it was intended, and you will be unable to activate the software until you begin to store "on the cloud" the data and information so that it is accessible to us. Except as noted above, you need not obtain, and no party has any obligation to provide, any specific maintenance, repairs, updating, upgrading or support contracts for other parts of the POS System.

You must install and use in the operation of the Shop the Franchisee Profitability Program software. This software assists you in preparing and submitting standardized profit and loss information to our Franchisee Profitability Program department directly, so that we may use the data to improve overall franchisee performance within the Merlin franchise system. You must pay us a monthly software fee (currently, $14.95 per month) for the Franchise Profitability Program software, which defrays our costs for the software and point of sale fees, software support and

assistance, and other coordination support. There is also a one-time onboarding fee of $50. These fees may fluctuate as our vendor's pricing changes.

Item 12

TERRITORY

You will not receive an exclusive territory under the Franchise Agreement, the Development Agreement or, if applicable, the Limited Exclusivity Addendum. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Franchise Agreement

The Franchise Agreement grants you the right to operate the Shop at a specific location. Once you locate and we have approved this site, you will be granted the Territory.

During the Franchise Agreement's term, we will not operate (either directly or through an affiliate) nor grant a franchise (except to you) for the operation of a Merlin Shop to be located within a 2-mile radius of your Shop (the "Territory"). You may not conduct the business of your Shop or use the franchise system at any other location, or relocate your Shop without our prior written consent. We will approve the relocation of the Shop, or the establishment of an additional Merlin Shop, if the new Shop is more than 2 miles from a then-existing Merlin Shop and otherwise meets the Company's site and market criteria. You are not obligated to meet any sales quotas or other requirements, other than those specified in the Franchise Agreement being in force, in order to maintain the Territory. Any Merlin Shop can receive orders outside of the Merlin Shop's Territory without special payment. You are not permitted to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of your Territory. Unless you sign an Area Development Agreement, you have no options, rights of first refusal, or similar rights to acquire additional franchises.

Except as otherwise expressly stated in the Franchise Agreement, we and our affiliates reserve all of our and our affiliates' respective rights and discretion with respect to the Marks, the System and the Merlin Shops anywhere in the world and the right to engage in any business whatsoever, including: (a) the right to operate, and grant to others the right to operate, Merlin Shops at such locations and on such terms and conditions as we consider appropriate; (b) the right to offer and sell, and to allow others to offer and sell, inside and outside your Territory, products and services authorized for sale at Merlin Shops, whether identified by the Marks or under other trademarks or service marks, through any distribution channels other than the Merlin Shops and on any terms and conditions as we consider appropriate; (c) the right to operate, and grant to others the right to operate, anywhere (including inside or outside your Territory) businesses offering similar products and services under trademarks and service marks other than the Marks, including businesses that compete with you and the Shop; and (d) the right to acquire, merge or consolidate with, be acquired by, operate and expand businesses.

Development Agreement

If you wish to enter into a Development Agreement, you must commit to developing a minimum of 4 Merlin Shops within the Development Area. We and you will identify the Development Area in the Development Agreement before signing it. Sizes and boundaries for Development Areas will vary widely depending on factors like economic conditions in the market you are developing, the number of Merlin Shops that you agree to develop, demographics, and site availability. There is no minimum size for Development Areas. We will describe the Development Area using county boundaries. We and you will determine the Development Schedule specifying the number of Merlin Shops that you must develop to keep your development rights and, for each applicable Merlin Shop, the dates by which you must sign the purchase agreement, lease, or sublease, sign the then-current franchise agreement, and open the Merlin Shop. We and you then will complete the Development Schedule in the Development Agreement before signing it. Your acquisition from another franchisee or us of an existing Merlin Shop located in the Development Area, or a Merlin Shop located in the Development Area that has been closed for fewer than 12 months, will not be considered a new Merlin Shop and, consequently, will not count toward your development obligations under the Development Schedule.

Your right to develop Merlin Shops in the Development Area under the Development Agreement is non-exclusive. We and our affiliates retain the absolute right to develop and operate, and license third parties to develop and operate, during and after the Development Agreement's term, any business under any name, including Merlin Shops, in any geographic area, including the Development Area ("Permitted Businesses"), regardless of the proximity to or effect on the Merlin Shops developed under the Development Agreement or otherwise operated by you and/or your affiliates. Permitted Businesses may directly compete with the Merlin Shops developed under the Development Agreement or otherwise operated by you and/or your affiliates.

As stated in Item 1, however, if you commit to developing 5 or more Merlin Shops under the Development Agreement, we and you will also sign a Limited Exclusivity Addendum, which grants you certain limited rights in the Development Area, subject to certain terms and conditions. Specifically, under the Limited Exclusivity Addendum, during the Development Agreement's term, neither we nor our affiliates will grant a franchise for the operation of a Merlin Shop to anyone else in the Development Area, except for any franchised Merlin Shop in operation or under lease, construction, or other commitment to open in the Development Area as of the effective date of the Development Agreement, as long as you: (a) timely comply with the Development Schedule; and (b) are otherwise in material compliance with the terms and provisions of the Development Agreement. Except as expressly stated in the preceding sentence, we and our affiliates retain the absolute right to develop and operate, and license third parties to develop and operate, during and after the term of the Development Agreement, any business under any name in any geographic area, regardless of the proximity to or effect on the Merlin Shops developed under the Development Agreement or otherwise operated by you and/or your affiliates. As an example, we may acquire or be acquired by another business, which business may open and operate, and franchise others to open and operate, businesses similar to Merlin Shops using marks other than the Marks, without providing any rights or compensation to you. We and our affiliates may, and may authorize others to, engage in many business activities, and these business activities may compete with Merlin Shops. After the Limited Exclusivity Addendum terminates or expires,

we and our affiliates may license others to develop and/or operate Merlin Shops in the Development Area.

You may not develop or operate Merlin Shops outside the Development Area. We may terminate the Development Agreement if you do not satisfy your development obligations according to the Development Schedule, or alternatively, (a) reduce the number of Merlin Shops stated in the Development Schedule, (b) withhold evaluation or approval of site proposal packages for new Merlin Shops, (c) extend the Development Schedule, and/or (d) if applicable, terminate the Limited Exclusivity Addendum. Except as described above, continuation of your territorial rights in the Development Area under the Limited Exclusivity Addendum does not depend on your achieving a certain sales volume, market penetration, or other contingency, and we may not alter your Development Area or your territorial rights.

Other Businesses

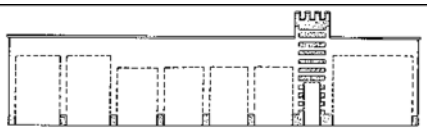
Except as described in Item 1, we do not operate or franchise, or currently plan to operate or franchise, any business under a different trademark that sells or will sell goods or services similar to those that our franchisees sell. However, our affiliates, including the Affiliated Programs described in Item 1 and other portfolio companies that currently are or in the future may be owned by private equity funds managed by Roark Capital Management, LLC, may operate and/or franchise businesses that sell similar goods or services to those that our franchisees sell. Item 1 describes our current Affiliated Programs that offer franchises, their principal business addresses, the goods and services they sell, whether their businesses are franchised and/or company-owned, and their trademarks. All of these other brands (with limited exceptions) maintain offices and training facilities that are physically separate from the offices and training facilities of our franchise network. Most of the Affiliated Programs are not direct competitors of our franchise network given the products or services they sell, although some are, as described in Item 1. All of the businesses that our affiliates and their franchisees operate may solicit and accept orders from customers near your business. Because they are separate companies, we do not expect any conflicts between our franchisees and our affiliates' franchisees regarding territory, customers and support, and we have no obligation to resolve any perceived conflicts that might arise.

Item 13

TRADEMARKS

You may use certain Marks in operating the Shop. The Company, SBA or its predecessors registered the following principal Marks on the Principal Register of the United States Patent and Trademark Office (the "USPTO"). As noted in Item 1, in July 2015, we became the owner of the then-existing Marks.

MARK	REGISTRATION NUMBER	REGISTRATION DATE
"MERLIN"	1,025,371	November 18, 1975
"MERLIN'S"	1,340,568	June 11, 1985

MARK	REGISTRATION NUMBER	REGISTRATION DATE
	1,390,713	April 22, 1986
	2,578,539	June 11, 2002
"We care about you. And your car."	2,751,877	August 19, 2003
"THE DRIVE FOR 200000"	3,211,368	February 20, 2007
"YOU CAN GO FARTHER"	4,510,443	April 8, 2014
	6,985,050	February 21, 2023
	6,985,048	February 21, 2023

All required affidavits have been filed. We have filed all required renewals (for the first 7 Marks in the chart above) or intend to do so when they are due if the particular Mark remains relevant to the franchise program.

We also claim common law trademark rights in all of our Marks and their associated logos. Your right to use the Marks is limited by the terms and conditions of the Franchise Agreement.

There are no effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, any pending interference, opposition, or cancellation proceedings involving any of the Marks. There are no other agreements that limit our right to use or sublicense any of the Marks. We do not know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

You must immediately notify us in writing of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark or similar trade name, trademark or service mark of which you become aware. You must not communicate with anyone except us and our counsel in connection with any infringement, challenge or claim. We will have the sole right to exclusively control any litigation or other proceeding arising out of any

infringement, challenge or claim relating to any Mark. You must sign any documents, render any assistance, and do any acts that our attorneys say is necessary or advisable in order to protect and maintain our interests in any litigation or proceeding related to the Marks or to otherwise protect and maintain our interests in the Marks.

If it becomes advisable at any time in our sole judgment for the Shop to modify or discontinue the use of any Mark and/or use one or more additional or substitute trade or service marks, you must do so. You are responsible for all out-of-pocket expenditures you incur in complying with this obligation.

The Development Agreement does not grant you any rights to use the Marks. You obtain the right to use the Marks only under a Franchise Agreement.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents which are material to the franchise.

The Company claims copyrights in its Operations Manual and related materials used in operating the Merlin Shops. We and our affiliates have not registered these copyrights with the United States Copyright Office but currently need not do so to protect them. These copyrights have been protected under the copyright laws of the United States by virtue of the Company's placing the appropriate notice of copyright on these items.

You may use the Operations Manual and related materials only as we specify during the Franchise Agreement's term. Our Operations Manual and other materials contain our and our affiliates' confidential information (some of which constitutes trade secrets under applicable law). Confidential information includes things like: (1) standards and procedures for real estate site selection; (2) methods, procedures and techniques for merchandising, pricing and selling products and services; (3) inventory control methods; (4) methods for solicitation, recruitment, training, and management of employees; (5) methods, specifications, procedures and techniques for rendering vehicle services; (6) sources of supply for merchandise; (7) methods, techniques, specifications, procedures, information, systems, and knowledge of and experience in the development, operation, and franchising of Merlin Shops; (8) advertising and marketing plans, programs and other promotional initiatives; (9) the Operations Manual; and (10) all data and other information generated by, or used or developed in, operating the Shop, including Customer Data, and any other information contained periodically in the Shop's POS System.

You may use our confidential information under the Franchise Agreement. You must not use the confidential information in any other business or capacity; maintain the absolute secrecy and confidentiality of the confidential information during and after the Franchise Agreement's term; must not make unauthorized copies of any portion of the confidential information; and adopt and implement all reasonable procedures that we periodically specify to prevent unauthorized use or disclosure of the confidential information (including limiting disclosure to your personnel and using confidentiality agreements we specify with those having access).

Merlin Corporation registered the Merlin theme music with the United States Copyright Office on November 6, 2000. The registration number is PA0001030342.

There are currently no effective determinations of the USPTO, United States Copyright Office, or any court, and no pending infringement, opposition or cancellation proceedings or material litigation, involving any of the copyrighted materials. There are no agreements currently in effect that significantly limit our right to use or authorize you to use the copyrighted materials. We do not know of any infringing uses that could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights or confidential information, although we will do so when this action is in the best interest of our franchise system. We may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright.

You must comply with our standards and directions, prevailing industry standards (including payment card industry data security standards), and all applicable laws and regulations regarding the organizational, physical, administrative and technical measures and security procedures to safeguard the confidentiality and security of Customer Data on your POS System or in your possession or control. You also must employ reasonable means to safeguard the confidentiality and security of Customer Data. "Customer Data" means the names, contact information, financial information, customer vehicle information and service history, and other personal information of or relating to the Shop's customers and prospective customers. If there is a suspected or actual breach of security or unauthorized access involving your Customer Data (a "Data Security Incident"), you must notify us immediately after becoming aware of it and specify the extent to which Customer Data was compromised or disclosed. You must comply with our instructions in responding to any Data Security Incident. We and our designated affiliates have the right, but no obligation, to control the direction and handling of any Data Security Incident and any related investigation, litigation, administrative proceeding or other proceeding at your expense.

During and after the Franchise Agreement's term, we and our affiliates may make all disclosures and use the Customer Data in our and their business activities and in any manner that we or they consider necessary or appropriate. You must secure from your vendors, customers, prospective customers and others all consents and authorizations, and provide them all disclosures, that applicable law requires to transmit the Customer Data to us and our affiliates and for us and our affiliates to use that Customer Data in the manner that the Franchise Agreement contemplates.

The Development Agreement does not grant you any right to use our copyrighted materials but does grant you the right to use the confidential information, as described above.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must devote a minimum of 40 hours per week to the business of operating the Shop. You must spend 90% of that 40-hour period on the Shop premises. The Shop must be under your

direct supervision or that of one or more competent employees acting as the Shop manager at all times. Your Shop manager must successfully complete the Company's training program. You must keep us informed at all times of the identity of any employee(s) acting as manager(s) of the Shop. The manager(s) need not have an equity interest in the franchise. You must at all times faithfully, honestly and diligently perform your obligations under the Franchise Agreement; continuously exert your best efforts to promote and enhance the business of the Shop; and not engage in any business or other activities which will conflict with your obligations under the Franchise Agreement.

You must attend all franchise, marketing, and training meetings called by the Company. You will need to pay all costs of travel and hotel and living expenses while at these meetings. If you fail to attend, we may elect to fine you $2,500 for each meeting missed. We will contribute any fine to the Marketing Fund.

If you are a corporation, limited liability company, partnership, or other business entity, each individual owner must not only personally guarantee your obligations under the Franchise Agreement but also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. This "Guaranty" is attached as the last 2 pages of the Franchise Agreement.

If you sign the Development Agreement, prior to opening your first Merlin Shop, you must hire and train a managing director (the "Managing Director"), who will be subject to our approval in our reasonable discretion. Your Managing Director must devote his or her full time and efforts to the management and/or supervision of Merlin Shops within the Development Area.

If you are a corporation, limited liability company, partnership, or other business entity, each individual owner must sign a personal guaranty of your obligations under the Development Agreement. This "Guaranty and Assumption of Obligations" is attached to the Development Agreement as Exhibit D. Your owners' spouses are not required to personally guarantee your performance under the Development Agreement.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer all motor vehicle exhaust systems, tires, ride control components, brake systems and components, maintenance programs, and all other motor vehicle services and products which we periodically authorize for the Shop. Also, the Shop must at all times maintain an inventory of exhaust system components, shock absorbers, brake system components, tires, and other products, materials and supplies, sufficient in variety and quantity of models and sizes to satisfy customer demand and operate efficiently.

You may not, without our prior written approval, offer any other services or products, nor may you operate or use the Shop for any purpose other than the operation of a Merlin Shop in compliance with the Franchise Agreement.

You are not restricted as to the customers to whom you may sell your products and services.

We have the right to change the types of authorized products and services, and there are no limits on our right to do so.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
a. Term of the franchise	Section 1.A of Franchise Agreement; Section 2.A of Development Agreement	The Franchise Agreement's term is 15 years. The Development Agreement expires on the earlier of the final opening deadline specified in the Development Schedule, or the date on which the last Merlin Shop required to be developed under the Development Agreement opens for business.
b. Renewal or extension of the term	Section 1.B of Franchise Agreement	One additional term of 10 years if you are in compliance with the Franchise Agreement. There is no renewal or extension right under the Development Agreement.
c. Requirements for Franchisee to renew or extend	Section 1.B of Franchise Agreement	Proper notice to us, remodel, sign general release, and sign then-current form of renewal franchise agreement. "Renewal" means signing our then-current form of renewal franchise agreement, which may contain materially different terms and conditions than the Franchise Agreement, but the royalty fee will not be greater than the royalty fee that we then impose on similarly-situated renewing franchisees.
d. Termination by Franchisee	Section 14.A of Franchise Agreement	If we breach a material provision, you give us proper notice, and we do not cure within the time period. You also may terminate under any grounds permitted by law.
e. Termination by Franchisor without cause	Not Applicable	Not Applicable
f. Termination by Franchisor with cause	Sections 14.B and 4.F of Franchise Agreement; Section 8.B of Development Agreement	We can terminate only if you commit any one of several listed violations or if you fail to develop or open the Shop.

Provision	Section in franchise or other agreement	Summary
g. "Cause" defined - curable defaults	Section 14.A of Franchise Agreement; Sections 8.B and 9 of Development Agreement; Section 5 of Limited Exclusivity Addendum; Sections J.1 and J.2 of M.Key Software License and Maintenance Agreement	Under the Franchise Agreement, you have 24-hours to cure health or safety ordinance or regulation violations; 10 days to cure monetary defaults; 10 days to cure failure to develop Shop or attend training program; and 30 days to cure other operational defaults not listed in (h.) below. Under the Development Agreement, you have 30 days to cure defaults not listed in (h.) below. Without waiving our option to terminate the Development Agreement, upon your failure to meet your development obligations under the Development Schedule, in lieu of termination, we may (1) reduce the number of Merlin Shops stated in the Development Schedule; (2) withhold evaluation or approval of site proposal packages for new Merlin Shops; (3) extend the Development Schedule; and/or (4) if applicable, terminate the Limited Exclusivity Addendum. The M.Key Software License and Maintenance Agreement will terminate if the Franchise Agreement terminates or expires for any reason or if you breach any provision of the M.Key Software License and Maintenance Agreement and fail to cure the breach within 7 days (unless the breach is incurable). We or our affiliate may block your access to the M.Key Software until you cure the breach or, if not cured, the termination of the Franchise Agreement or the M.Key Software License and Maintenance Agreement (as applicable).

Provision	Section in franchise or other agreement	Summary
h. "Cause" defined - non-curable defaults	Section 14.B of Franchise Agreement; Section 8.B of Development Agreement	Under the Franchise Agreement, non-curable defaults include bankruptcy, conviction of a felony, abandonment, unauthorized transfers, unauthorized use or disclosure of confidential information or the Operations Manual, unauthorized use of the Marks, material misrepresentations, breach of non-compete, loss of right to possession of the premises, and repeated violations. Under the Development Agreement, non-curable defaults include failure to sign purchase agreement, lease, or sublease for any Merlin Shop by applicable secure deadline; failure to develop and open any Merlin Shop by applicable opening deadline; failure to have open and operating at least the cumulative number of new Merlin Shops in the Development Area then required by the Development Schedule; termination of any franchise agreement between you (or any of your affiliates) and us by us; insolvency; bankruptcy-related events; conviction of or pleading no contest to a felony, a crime involving moral turpitude, or other crime or offense likely to affect adversely the reputation and goodwill associated with the Merlin franchise system and the Marks; abandonment or failure to actively operate; violation of laws or regulations; unauthorized transfer; and violation of non-compete or confidentiality restrictions.

Provision	Section in franchise or other agreement	Summary
i. Franchisee's obligations on termination/non-renewal	Section 15 of Franchise Agreement; Section J.3 of M.Key Software License and Maintenance Agreement; Section 8.C of Development Agreement	Under the Franchise Agreement, pay outstanding amounts, de-identification, cease use of and return confidential information and materials, and transfer telephone numbers to the Company (see also (s.) below). Under the Development Agreement, cease using confidential information and return confidential materials to us. Under the M.Key Software License and Maintenance Agreement, immediately deliver the M.Key Software, documentation for the M.Key Software, all data generated by use of the M.Key Software and all other materials or information which relate to or reveal the M.Key Software and its operation.
j. Assignment of contract by Franchisor	Section 16.A of Franchise Agreement; Section 12 of Development Agreement	No restriction on our right to assign the Franchise Agreement or the Development Agreement.
k. "Transfer" by Franchisee - definition	Section 16.B of Franchise Agreement; Section 13 of Development Agreement; Section I of M.Key Software License and Maintenance Agreement	Includes transfer of any interest in the Franchise Agreement or the Development Agreement (as applicable) or transfer of any ownership in you. You may not transfer the license to use the M.Key Software except in conjunction with a transfer of the Franchise Agreement.
l. Franchisor's approval of transfer by Franchisee	Section 16.B of Franchise Agreement; Section 13 of Development Agreement	We have the right to approve all transfers.

Provision	Section in franchise or other agreement	Summary
m. Conditions for Franchisor's approval of transfer	Section 16.B of Franchise Agreement; Sections 13 and 14 of Development Agreement	Transferee qualifies; all obligations, including debts, are fulfilled; transferee completes training; fee paid; you sign general release, and transferee signs the then-current franchise agreement. You may only transfer the Development Agreement with a transfer of all Merlin Shops that you (and, if applicable, your affiliates) own and operate. We will consent to the assignment of the Development Agreement to an entity that you form for convenience of ownership if the entity is newly formed; the entity has and will have no other business other than the development and operation of Merlin Shops; you and the entity satisfy our then-current transfer conditions; and you hold all equity interests in the entity or, if you are owned by multiple individuals, each owner's proportionate equity interest in the entity is the same as his/her equity interest in you pre-transfer.
n. Franchisor's right of first refusal to acquire Franchisee's business	Section 16.D of Franchise Agreement	We can match any offer.
o. Franchisor's option to purchase Franchisee's business	Section 15.D of Franchise Agreement	We can buy the Shop's assets on termination or expiration for the appraised fair market value plus the cost of all good and saleable inventory at the Shop on the closing date.
p. Death or disability of Franchisee	Section 16.D of Franchise Agreement	Must assign franchise to approved buyer within 6 months.

Provision	Section in franchise or other agreement	Summary
q. Non-competition covenants during the term of the franchise	Sections 9 of Franchise Agreement; Section 11.A of Development Agreement	No ownership in any Competitive Business; no interest in any entity that is granting franchises for Competitive Businesses; and no performing services for any Competitive Business or business that is granting franchises for Competitive Businesses (subject to state law). A "Competitive Business" means any business that operates motor vehicle shops specializing in the replacement and/or repair of motor vehicle parts and other automotive services (i.e., vehicle maintenance); however, the following will not be considered a Competitive Business: (a) another Merlin Shop operated under a franchise agreement with us; or (b) another automotive business franchised by Driven Brands Holdings or its subsidiaries.
r. Non-competition covenants after the franchise is terminated or expires	Section 15.E of Franchise Agreement; Section 11.B of Development Agreement	No interest in any Competitive Business for 2 years within the Territory or a radius of 2 miles of any other Merlin Shop, or in any entity granting franchises for Competitive Businesses (subject to state law). Under the Development Agreement, however, the first restriction above applies to any Competitive Business located within the Development Area, within 2 miles of the border of the Development Area, or within a 2-mile radius of any other Merlin Shop then in existence.
s. Modification of the agreement	Section 17.H of Franchise Agreement; Section 16 of Development Agreement	No amendment except by written agreement signed by you and us.
t. Integration/merger claims	Section 17.I of Franchise Agreement; Section 17 of Development Agreement	Generally, only terms of the applicable agreement are binding (subject to state law). Any representations or promises made outside of this disclosure document and Franchise Agreement and/or Development Agreement may not be enforceable.

Provision	Section in franchise or other agreement	Summary
u. Dispute resolution by arbitration or mediation	Section 17.B of Franchise Agreement; Section 21.B of Development Agreement	Except for certain claims, all disputes must be arbitrated at the Company's principal place of business (Charlotte, North Carolina), subject to state law.
v. Choice of forum	Section 17.G of Franchise Agreement; Section 21.C of Development Agreement	Subject to arbitration requirements, litigation generally must be in any state or federal court of general jurisdiction in North Carolina, subject to state law.
w. Choice of law	Section 17.G of Franchise Agreement; Section 21.C of Development Agreement	Except for United States Arbitration Act and other federal law, North Carolina law applies generally, subject to state law.

Item 18

PUBLIC FIGURES

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

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Franchise 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 do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Merlin Shop, however, we may provide you with the actual records of that Merlin Shop. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Scott O'Melia, 440 South Church Street, Suite 700, Charlotte, North Carolina 28202, (704) 377-8855, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

All figures in the following tables are as of our fiscal year ends of December 31, 2022, December 25, 2021, and December 26, 2020.

Table No. 1

Systemwide Outlet Summary
For years 2020 to 2022

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2020	27	28	+1
	2021	28	24	-4
	2022	24	24	0
Company-Owned	2020	1	0	-1
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	28	28	0
	2021	28	24	-4
	2022	24	24	0

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Georgia	2020	1
	2021	0
	2022	0
Illinois	2020	1
	2021	5
	2022	5
Total	2020	2
	2021	5
	2022	5

Table No. 3

Status of Franchised Outlets
For years 2020 to 2022

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina-tions	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at End of the Year
Georgia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Illinois	2020	25	1	0	0	0	0	26
	2021	26	0	0	1	0	3	22
	2022	22	0	2	0	0	0	20
Minnesota	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Texas	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Wisconsin	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Totals	2020	27	1	0	0	0	0	28
	2021	28	0	0	1	0	3	24
	2022	24	2	2	0	0	0	24

Table No. 4

Status of Company-Owned Outlets
For years 2020 to 2022

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Illinois	2020	1	0	0	0	1	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Totals	2020	1	0	0	0	1	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

Table No. 5

Projected Openings as of December 31, 2022

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlet in the Next Fiscal Year
Minnesota	1	0	0
North Carolina	2	0	0
Texas	0	1	0
Wisconsin	1	0	0
Total	4	1	0

Exhibit B is a list of our franchisees as of December 31, 2022 and the addresses and telephone numbers of their Merlin Shops. Also included in Exhibit B is a list of the names and last known home addresses and telephone numbers of every franchisee who has had a franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement or the area development agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of this disclosure document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses restricting them from discussing with you their experiences as a franchisee in our franchise system. We have established the Merlin Franchisee Advisory Committee, which provides non-binding input regarding operational and other issues affecting the Merlin franchise system. The address for the Merlin Franchisee Advisory Committee is the same as our principal business address (440 South Church Street, Suite 700, Charlotte, North Carolina 28202); the Committee does not maintain a separate telephone number, e-mail address, or website. Otherwise, there are no trademark-specific franchisee organizations associated with the Merlin franchise system.

Item 21

FINANCIAL STATEMENTS

Attached as Exhibit E are the audited financial statements of Driven Systems, our parent company, as of December 31, 2022, December 25, 2021, and December 26, 2020; and Driven Systems' unaudited balance sheet as of April 1, 2023, and its unaudited statements of income and cash flows for the 3-month period ended April 1, 2023. Driven Systems guarantees the performance of the Company. A copy of the guarantee of Driven Systems is attached as Exhibit H.

As reflected in Item 1, Driven Brands will be providing required support and services to franchisees under a management agreement with us. Attached as Exhibit E are the audited

financial statements of Driven Brands as of December 31, 2022, December 25, 2021, and December 26, 2020; and Driven Brands' unaudited balance sheet as of April 1, 2023, and its unaudited statements of income and cash flows for the 3-month period ended April 1, 2023. These financial statements are being provided for disclosure purposes only. Driven Brands is not a party to the Franchise Agreement or Development Agreement we sign with franchisees, nor does it guarantee our obligations under the Franchise Agreement or Development Agreement we sign with franchisees.

As noted in Item 1, Driven Brands and certain entities affiliated with Driven Brands entered into the Securitization Transaction and certain additional secured financing transactions subsequent to the Securitization Transaction (and may enter into other securitization/financing transactions in the future). Certain indirect subsidiaries of Driven Brands, including the Company, have guaranteed the indebtedness incurred in connection with each of these transactions. See the Footnotes to the financial statements in Exhibit E for more information about these transactions.

Item 22

CONTRACTS

The following contracts/documents are exhibits:

1. Franchise Agreement (Exhibit A)
2. Franchise Disclosure Questionnaire (Exhibit C)
3. State Riders to Franchise Agreement (Exhibit G)
4. M.Key Software License and Maintenance Agreement (Exhibit I)
5. Area Development Agreement (Exhibit J)
6. Limited Exclusivity Addendum to Area Development Agreement (Exhibit J-1)
7. Form of General Release (Exhibit K)

Item 23

RECEIPTS

Our and your copies of the Franchise Disclosure Document Receipt are located at the last 2 pages of this disclosure document.

EXHIBIT A

FRANCHISE AGREEMENT

MERLIN SHOP

FRANCHISE AGREEMENT

FRANCHISEE:

Dated:

TABLE OF CONTENTS

EXHIBITS

MERLIN SHOP

FRANCHISE AGREEMENT

THIS AGREEMENT (this "Agreement") is made and entered into this ____ day of _____, 20____, by and between MERLIN FRANCHISOR SPV LLC, a Delaware limited liability company, with its principal office at 440 South Church Street, Suite 700, Charlotte, NC 28202 (the "COMPANY") and _____, whose address is _____ ("FRANCHISEE").

The COMPANY grants to qualified persons franchises to own and operate motor vehicle service shops specializing in vehicle longevity, preventive maintenance, and in the repair and replacement of motor vehicle brake systems and components, mufflers and exhaust systems, ride control components, tires, and other automotive services. Such shops are operated utilizing the COMPANY's business systems formats, trademark signs, equipment, layout, systems, methods, procedures and designs (the "System"), and trademarks, service marks and commercial symbols, all of which the COMPANY may modify from time to time (collectively, the "Marks"), which are known as "MERLIN SHOPS" (or "SHOPS").

FRANCHISEE has applied for a franchise to own and operate a SHOP and such application has been approved by the COMPANY in reliance upon all of the representations made therein.

1. GRANT AND RENEWAL OF FRANCHISE

A. GRANT OF FRANCHISE/RESERVATION OF RIGHTS

Subject to the provisions of this Agreement, the COMPANY hereby grants to FRANCHISEE a franchise to operate a SHOP at the premises identified in Exhibit 2 or a substitute premises hereafter approved by the COMPANY (the "Premises") and to use the Marks in the operation thereof, for a term of fifteen (15) years beginning on the Commencement Date (as defined in Section 4.C) of this Agreement (the "Franchise"). Termination or expiration of this Agreement shall constitute a termination or expiration of the Franchise. The Franchise is non-exclusive, and the COMPANY may grant other franchises for SHOP locations selected or approved in its sole discretion, provided that the COMPANY shall not grant franchises for SHOP locations, and the COMPANY will not own or operate any SHOP, within a two (2)-mile radius of the original Premises of the SHOP identified in Exhibit 2 (FRANCHISEE's "Territory").

Except as otherwise expressly provided in this Agreement, the COMPANY and its affiliates reserve all of the COMPANY's and its affiliates' respective rights and discretion with respect to the Marks, the System and the SHOPS anywhere in the world and the right to engage in any business whatsoever, including: (a) the right to operate, and grant to others the right to operate, SHOPS at such locations and on such terms and conditions as the COMPANY deems appropriate; (b) the right to offer and sell, and to allow others to offer and sell, inside and outside FRANCHISEE's Territory, products and services authorized for sale at SHOPS, whether identified by the Marks or under other trademarks or service marks, through any distribution channels other than the SHOPS and on any terms and conditions as the COMPANY deems appropriate; (c) the right to operate, and grant to others the right to operate, anywhere (including inside or outside FRANCHISEE's Territory) businesses offering similar products and services under trademarks and service marks other than the Marks, including businesses that compete with FRANCHISEE and the SHOP; and (d) the right to acquire, merge or consolidate with, be acquired by, operate and expand businesses.

B. RENEWAL OF THE FRANCHISE

If the COMPANY decides to continue to maintain a SHOP in FRANCHISEE's Territory after the expiration of the initial term of the Franchise, FRANCHISEE may, at his option, renew the Franchise for one (1) additional term of ten (10) years without payment of an initial or renewal franchise fee, provided that:

(1) FRANCHISEE has substantially complied with all provisions of this Agreement, any amendment or successor to this Agreement, and any other agreement with the COMPANY;

(2) FRANCHISEE agrees to remodel and/or expand the Premises, add or replace equipment, fixtures, furnishings, furniture and signs, and otherwise modify the SHOP to bring it into compliance with the COMPANY's then applicable standards for SHOPS. If FRANCHISEE cannot maintain possession of the Premises, or if the COMPANY notifies FRANCHISEE that FRANCHISEE's SHOP must be relocated, FRANCHISEE must locate and obtain rights to possess a substitute Premises in FRANCHISEE's Territory and agree to expeditiously develop the substitute Premises in compliance with the COMPANY's then-applicable standards for SHOPS; and

(3) Prior to expiration, FRANCHISEE must execute the COMPANY's then current form of renewal franchise agreement with the royalty fee and Marketing Fund (as defined in Section 10.A) contribution rates then in effect for new franchisees and all other leases, agreements and legal instruments and documents then customarily used by the COMPANY in the grant of franchises for the ownership and operation of SHOPS. FRANCHISEE must also execute a general release, in a form and substance which the COMPANY will prescribe, of any and all claims FRANCHISEE may have against the COMPANY and its affiliates, and its respective officers, directors, agents and employees. FRANCHISEE's failure to execute and deliver the required renewal agreements, leases, instruments, documents and releases to the COMPANY before expiration of this Agreement will be deemed FRANCHISEE's election not to renew FRANCHISEE's Franchise.

FRANCHISEE shall give the COMPANY notice of FRANCHISEE's desire to renew or not to renew the Franchise no more than twelve (12) and no less than nine (9) months prior to the expiration of this Agreement. The COMPANY agrees to give FRANCHISEE written notice, not more than thirty (30) days after the COMPANY receives FRANCHISEE's notice of renewal, of (a) the COMPANY's election to maintain or not to maintain a SHOP in FRANCHISEE's Territory and/or (b) of any deficiencies in the SHOP, the Premises, or in FRANCHISEE's operation of the SHOP, which could cause the COMPANY to refuse to renew the Franchise. The notice will state whether the deficiencies are curable, the time period in which FRANCHISEE must cure the deficiencies, and what actions FRANCHISEE must take to correct curable deficiencies, and will specify the time period in which FRANCHISEE must take these actions. The COMPANY shall have no obligation to renew FRANCHISEE's Franchise if incurable deficiencies exist, if FRANCHISEE does not correct all of the curable deficiencies prior to one hundred twenty (120) days before the expiration of this Agreement, if FRANCHISEE does not comply with all the terms and conditions of this Agreement up to the date of expiration, or if the COMPANY elects not to maintain a SHOP in FRANCHISEE's Territory. The COMPANY shall give FRANCHISEE written notice of a final decision to renew or not to renew the Franchise not less than sixty (60) days prior to the expiration of the initial term of this Agreement. The COMPANY's final notice of non-renewal will state the reasons for the COMPANY's refusal to renew. The COMPANY may extend the term of this Agreement for a period of time to provide FRANCHISEE with the notices of non-renewal this Agreement or applicable law requires.

2. FEES

A. INITIAL FRANCHISE FEE

FRANCHISEE agrees to pay the COMPANY a non-recurring initial franchise fee for the Franchise in the amount of _____ Dollars ($_____), payable upon execution of this Agreement. The initial franchise fee is fully earned by the COMPANY upon execution of this Agreement and is non-refundable.

B. ROYALTY FEE

FRANCHISEE agrees to pay the COMPANY a royalty fee computed at six and nine-tenths percent (6.9%) of the Net Revenues (as defined below) of the SHOP for each week of SHOP operations. The royalty fee is payable by the day of each week that the COMPANY periodically specifies (the "Payment Day") on Net Revenues for the preceding week. For the avoidance of doubt, the COMPANY may modify the Payment Day and the corresponding reporting period at any time in the COMPANY's sole discretion. FRANCHISEE pays this royalty fee to compensate the COMPANY for the use of the COMPANY's Marks, System and the COMPANY's share of the revenue generated from Merlin customers.

C. MARKETING FUND CONTRIBUTIONS

FRANCHISEE agrees to pay the COMPANY, as a contribution to the Marketing Fund maintained by the COMPANY, five percent (5%) of the Net Revenues of the SHOP, payable by the Payment Day of each week on Net Revenues for the preceding week.

D. DEFINITION OF NET REVENUES

As used in this Agreement, the term "Net Revenues" shall mean and include the actual gross charges for all services performed for and products sold to customers of the SHOP, for cash or credit (and regardless of collection in the case of credit), whether such services are performed or such sales are made at the Premises of the SHOP or any other location, but excluding sales, use, service and excise taxes collected from customers and paid to the appropriate taxing authority, customer refunds and customer adjustments.

E. SERVICE CHARGES ON LATE PAYMENTS

All royalty fees, Marketing Fund contributions, amounts due for products purchased by FRANCHISEE from the COMPANY, real estate taxes, and any other amounts owed to the COMPANY by FRANCHISEE shall bear service charges after the due date at the rate of twenty-one percent (21%) per annum or the highest rate permitted by applicable law, whichever is less. FRANCHISEE acknowledges that the COMPANY has not agreed to accept payments after same are due or committed to extend credit to, or otherwise finance FRANCHISEE's operation of, the SHOP. Further, FRANCHISEE's failure to pay all amounts when due under this Agreement will constitute grounds for termination of this Agreement, as provided in Section 14.

F. APPLICATION OF PAYMENTS

Notwithstanding any designation by FRANCHISEE, the COMPANY shall have the right to apply any payments made by FRANCHISEE to any sums due the COMPANY for royalty fees, Marketing Fund contributions, amounts due for products purchased by FRANCHISEE from the COMPANY, or any other sums due to the COMPANY under this Agreement or other agreements between FRANCHISEE and the COMPANY.

G. ELECTRONIC FUND TRANSFER

FRANCHISEE agrees to pay all fees to the COMPANY due under this Agreement via electronic fund transfer ("EFT"), by which the COMPANY will withdraw payments from FRANCHISEE's bank account on their due dates. FRANCHISEE shall execute such documents as may be required to permit the COMPANY to withdraw from FRANCHISEE's general operating checking account the amounts due the COMPANY pursuant to this Agreement. In addition, FRANCHISEE shall not make any change in its banking relationships, including any change in the account number of its general operating account, or any change in banks, without the COMPANY's prior written approval.

3. LOCATION OF SHOP

A. SELECTION OF PREMISES

If this Agreement is for a new SHOP, FRANCHISEE agrees to propose a location for the SHOP within the "Market Area" identified in Exhibit 1 within three hundred sixty-five (365) days after the date of this Agreement. FRANCHISEE's proposed location must conform to the COMPANY's site selection guidelines and requirements and is subject to the COMPANY's approval. FRANCHISEE agrees to submit to the COMPANY all information about the proposed location that the COMPANY requests, including a complete site analysis report. The COMPANY has no obligation to consider a proposed location until the COMPANY receives all requested information. FRANCHISEE agrees not to execute any lease or purchase agreement for, nor commit to any other binding obligation to purchase, occupy or improve, any proposed location until the COMPANY has approved the location in accordance with the COMPANY's standard procedures. In approving or disapproving any proposed location, the COMPANY will consider the factors the COMPANY deems relevant, including general location, neighborhood and the distance to any other SHOP. The COMPANY will have no liability whatsoever to FRANCHISEE or anyone else for disapproving a proposed location. Upon approval of a proposed location, the location will be identified in Exhibit 2. Once Exhibit 2 has been completed and signed, the location identified in Exhibit 2 will be deemed the Premises.

If FRANCHISEE and the COMPANY are unable to mutually agree on a location for the SHOP within three hundred sixty-five (365) days after the date of this Agreement, either party may terminate this Agreement, effective upon notice to the other party.

Neither the COMPANY's site selection guidelines and requirements, the COMPANY's approval of the Premises, nor any information the COMPANY may impart to FRANCHISEE about the Premises, constitutes a warranty or representation of any kind, express or implied, that the SHOP will be profitable or successful. The COMPANY's approval of the Premises merely signifies that the COMPANY authorizes FRANCHISEE to operate the SHOP at that site. FRANCHISEE is solely responsible for the selection of an appropriate site for the SHOP.

B. PURCHASE OR LEASE OF PREMISES

FRANCHISEE agrees to lease, sublease or purchase the Premises within fifteen (15) months after the date of this Agreement. The COMPANY shall have the right to approve the terms of any lease, sublease or purchase contract for the Premises, which approval will not be unreasonably withheld. FRANCHISEE agrees to deliver a copy of such lease, sublease or purchase contract to the COMPANY for its approval before FRANCHISEE signs it. FRANCHISEE agrees that any lease or sublease for the Premises shall, in form and substance satisfactory to the COMPANY: (a) provide for notice to the COMPANY of FRANCHISEE's default under the lease or sublease and an opportunity for the COMPANY to cure such default; (b) require the lessor or sublessor to disclose to the COMPANY, on the COMPANY's request,

sales and other information furnished by FRANCHISEE; (c) give the COMPANY the right on any termination or expiration of this Agreement to assume the lease or sublease or to enter into a further sublease for a period of not less than twelve (12) months and not more than eighteen (18) months (the "Interim Sublease"), without the lessor's or sublessor's consent; (d) give the COMPANY the right to enter the Premises to make any modifications to the SHOP to protect the COMPANY's rights to the Marks; (e) provide that the lessor and/or sublessor relinquish to the COMPANY, on any such termination or expiration of this Agreement, any lien or other ownership interest, whether by operation of law or otherwise, in and to any tangible property that embodies any of the Marks; (f) give the COMPANY the right to assign the lease or sublease to a successor franchisee, in which event the Interim Sublease (if any) shall terminate and be of no further force or effect; and (g) include an acknowledgment by the lessor and/or sublessor that the COMPANY has no liability or obligation whatsoever under the lease or sublease until and unless the COMPANY assumes the lease or sublease on termination or expiration of this Agreement or enters into the Interim Sublease.

FRANCHISEE may not execute a lease, sublease or purchase contract for the Premises or any modification, amendment or assignment thereof before the COMPANY has approved it. The COMPANY's approval of the lease, sublease or purchase contract does not constitute a warranty or representation of any kind, express or implied, as to its fairness or suitability or as to FRANCHISEE's ability to comply with its terms. The COMPANY does not, by virtue of approving the lease, sublease or purchase contact, assume any liability or responsibility to FRANCHISEE or to any third parties. FRANCHISEE agrees to deliver a copy of the fully signed lease, sublease or purchase contract to the COMPANY within five (5) days after its execution.

If for any reason FRANCHISEE fails to lease or purchase the Premises within fifteen (15) months after the date of this Agreement, the COMPANY may terminate this Agreement, effective upon delivery of notice thereof to FRANCHISEE.

C. RELOCATION OF THE SHOP

FRANCHISEE may operate the SHOP only at the location and Premises identified in Exhibit 2. If FRANCHISEE's lease for the Premises of the SHOP expires or terminates without fault of FRANCHISEE, or if the Premises are damaged, condemned or otherwise rendered unusable, or if in the judgment of the COMPANY and FRANCHISEE there is a change in character of the location of the SHOP sufficiently detrimental to its business potential to warrant its relocation and FRANCHISEE locates a substitute location in FRANCHISEE's Territory, FRANCHISEE may request the COMPANY's permission to relocate the SHOP within FRANCHISEE's Territory. The COMPANY will have the right to request any information the COMPANY deems relevant concerning the proposed new location, to inspect and approve or disapprove the location at FRANCHISEE's expense, and to grant or deny permission for the relocation in the COMPANY's sole discretion, which permission may be conditioned as the COMPANY deems appropriate. Any such relocation shall be at FRANCHISEE's sole expense. The COMPANY's permission for FRANCHISEE to relocate the SHOP to the approved new location (the "Substitute Premises") shall not obligate the COMPANY to modify the parameters of FRANCHISEE's Territory.

4. DEVELOPMENT AND OPENING OF THE SHOP

A. DEVELOPMENT OF SHOP

The COMPANY will furnish to FRANCHISEE standard basic plans and specifications for a SHOP, including requirements for dimensions, exterior design, interior layout, building materials, equipment, signs and color scheme and will reasonably assist FRANCHISEE with the development of the SHOP.

FRANCHISEE agrees to do or cause to be done the following, except to the extent that the COMPANY performs these services in connection with the construction of the SHOP:

(1) prepare and submit to the COMPANY for approval, which shall not be unreasonably withheld, detailed plans and specifications for the SHOP at the Premises leased or purchased therefor, which plans and specifications shall comply with the COMPANY's requirements for SHOPS and all applicable ordinances, building codes, permit requirements and lease and deed requirements and restrictions;

(2) obtain all required building, utility, sign, health, sanitation and business permits and licenses and any other required permits and licenses;

(3) construct all required improvements to the Premises and paint the SHOP in compliance with plans and specifications therefor approved by the COMPANY;

(4) purchase or lease and install all equipment and signs required for the SHOP;

(5) purchase the opening inventory of tools, mufflers, exhaust system components, ride control components, brake system components, other motor vehicle parts, tires, and other materials and supplies required by the SHOP; and

(6) secure all financing required by FRANCHISEE to fully develop the SHOP and complete the development of the SHOP within a reasonable time after obtaining possession of the Premises.

B. EQUIPMENT AND SIGNS

FRANCHISEE agrees to use in the operation of the SHOP only those brands and models of equipment and signs that the COMPANY has approved for SHOPS as meeting its specifications and standards for function and performance. FRANCHISEE further agrees to place or display at the Premises of the SHOP (interior and exterior) only such signs, emblems, lettering, logos and display materials that are from time to time approved in writing by the COMPANY. FRANCHISEE may purchase or lease approved brands of equipment from any supplier. If FRANCHISEE proposes to purchase or lease any brand of equipment which is not then approved by the COMPANY, FRANCHISEE shall first notify the COMPANY and shall submit to the COMPANY upon its request sufficient specifications, photographs, drawings and/or other information or samples for a determination by the COMPANY of whether such brand of equipment complies with its specifications and standards, which determination shall be made and communicated to FRANCHISEE within a reasonable time, generally not to exceed thirty (30) days. All signs must be purchased through the COMPANY's approved supplier (which supplier may be the COMPANY or its affiliates) through any manner or method designated by the COMPANY.

C. SHOP OPENING

FRANCHISEE may not open the SHOP for business until the COMPANY notifies FRANCHISEE that all of the COMPANY's requirements for opening have been met. The date of the COMPANY's formal notification to FRANCHISEE that such requirements have been met shall be deemed the "Commencement Date" for purposes of this Agreement. FRANCHISEE agrees to open the SHOP for business and commence the conduct of its business within thirty (30) days after the COMPANY's Commencement Date. In addition, FRANCHISEE agrees to open the SHOP within eighteen (18) months after the date of this Agreement. However, if a failure to open the SHOP within such eighteen (18)-month period is due to reasons beyond FRANCHISEE's control (such as acts of God, unavoidable delays in obtaining zoning permits or unavoidable

construction delays), the COMPANY agrees to grant a reasonable extension of time for FRANCHISEE to open the SHOP. The COMPANY will supply a representative to assist FRANCHISEE in the set up and opening of the SHOP and its initial operations for a duration of time determined by the COMPANY in its sole discretion.

D. INITIAL ADVERTISING PROGRAM

The COMPANY shall, at its expense, develop and implement a local advertising and promotional program in connection with FRANCHISEE's opening of the SHOP. This program may be implemented any time during FRANCHISEE's first five (5) months of business at the SHOP. FRANCHISEE shall fully cooperate with the COMPANY in the implementation of this program, and the COMPANY shall expend not less than Three Thousand Four Hundred Dollars ($3,400) in the development and implementation of this program.

E. TERMINATION UPON FAILURE OF FRANCHISEE TO DEVELOP OR OPEN THE SHOP

If FRANCHISEE fails to complete development of the SHOP within a reasonable time after obtaining possession of the Premises or to open the SHOP and commence business within thirty (30) days after the COMPANY determines that the SHOP is in suitable condition to be opened for business, the COMPANY shall have the right to terminate this Agreement upon ten (10) days prior written notice to FRANCHISEE.

5. TRAINING AND OPERATING ASSISTANCE

A. TRAINING

Prior to opening of the SHOP, the COMPANY shall train FRANCHISEE and the SHOP manager, if any, in the operation of a SHOP. Training shall be conducted at the COMPANY's offices, training center, or at such SHOPS as the COMPANY designates and during such period as the COMPANY designates. FRANCHISEE shall be responsible for any travel and living expenses which FRANCHISEE or the SHOP manager incurs in connection with such training. FRANCHISEE shall also be responsible for any salary and worker's compensation insurance paid or accrued to the SHOP manager in connection with such training.

The COMPANY shall have the right to require that FRANCHISEE (or the SHOP manager) and/or the SHOP employees complete supplemental and refresher training programs during the term of this Agreement. Additional training shall be conducted at the COMPANY's offices, training center or at such SHOPS as the COMPANY designates. FRANCHISEE shall be responsible for any travel and living expenses which FRANCHISEE or the SHOP manager, if any, incurs in connection with such supplemental or refresher training.

B. HIRING AND TRAINING OF EMPLOYEES BY FRANCHISEE

FRANCHISEE agrees that the SHOP at all times will be staffed by a sufficient number of competent and properly trained employees. FRANCHISEE is responsible for hiring all employees of the SHOP and is exclusively responsible for the terms of their employment, including their compensation and training. FRANCHISEE is solely responsible for all employment decisions for the SHOP, including those related to hiring, firing, remuneration, personnel policies, benefits, record keeping, supervision and discipline, and regardless of whether FRANCHISEE received advice from the COMPANY on these subjects.

C. OPERATING ASSISTANCE

The COMPANY shall advise FRANCHISEE from time to time of operating problems of the SHOP disclosed by reports submitted to or inspections made by the COMPANY and shall, through written communications and/or field visits, furnish to FRANCHISEE such assistance in connection with the operation of the SHOP as is from time to time reasonably requested by FRANCHISEE. Operating assistance will consist of advice and guidance with respect to:

(1) methods and procedures utilized by SHOPS in connection with the sales and service of mufflers and exhaust systems, shock absorbers, brake systems and components, vehicle maintenance, and other automotive services approved by the COMPANY for Shops;

(2) additional services and products authorized for SHOPS;

(3) purchasing mufflers, exhaust system components, shock absorbers, brake system components, other motor vehicle parts, tools and other products, materials and supplies;

(4) formulating and implementing advertising and promotional programs; and

(5) the establishment of administrative, bookkeeping, accounting, inventory control and general operating procedures for the proper operating of a SHOP.

6. SHOP IMAGE AND OPERATING STANDARDS

A. CONDITION AND APPEARANCE OF SHOP

FRANCHISEE agrees to maintain the condition and appearance of the SHOP consistent with the image of a SHOP as a modern, clean, convenient and efficiently operated automobile service business providing high quality products and services. FRANCHISEE agrees to effect such maintenance of the SHOP as is reasonably required from time to time to maintain such condition, appearance and efficient operation, including, without limitation, replacement of worn out or obsolete equipment and signs, repair of the interior, exterior and driveways of the SHOP, and painting and periodic cleaning consistent with the nature of the business conducted by the SHOP. Specifically, FRANCHISEE agrees to annually seal coat all asphalt surfaces, if any, and keep the sign pole to the SHOP, if any, rust-free and painted in the approved color. If at any time in the COMPANY's reasonable judgment the general state of repair, appearance or cleanliness of the Premises of the SHOP or its equipment or signs does not meet the COMPANY's standards therefor, the COMPANY shall so notify FRANCHISEE, specifying the action to be taken by FRANCHISEE to correct such deficiency. If FRANCHISEE fails or refuses to initiate within thirty (30) days after receipt of such notice, and thereafter continue, a bona fide program to undertake and complete any such required maintenance, the COMPANY shall have the right, in addition to its other rights under this Agreement and applicable law, but shall not be obligated, to enter upon the Premises of the SHOP and effect such repairs, painting and replacements of equipment or signs on behalf of FRANCHISEE, and FRANCHISEE shall pay the entire costs thereof to the COMPANY on demand.

B. ALTERATIONS TO THE SHOP

FRANCHISEE shall make no material alterations to the leasehold improvements or appearance of the SHOP nor shall FRANCHISEE make any material replacements of or alterations to the equipment or signs of the SHOP without prior written approval by the COMPANY.

C. AUTHORIZED SERVICES AND PRODUCTS

The presentation of a uniform image to the public and the furnishing of uniform products and services is an essential element of a successful franchise system. FRANCHISEE therefore agrees that the SHOP will offer mufflers and exhaust systems, shock absorbers and brake system components and installation services and all other motor vehicle products and services that the COMPANY from time to time authorizes for SHOPS. FRANCHISEE further agrees that the SHOP will not, without prior written approval by the COMPANY, offer any other products or services nor shall the SHOP or the Premises which it occupies be used for any purpose other than the operation of a SHOP in compliance with this Agreement.

D. FRANCHISEE MUST USE APPROVED BRANDS

The reputation and goodwill of the SHOP is based upon, and can be maintained and enhanced only by, the sale of high quality products and the rendering of fast, efficient and high quality service. FRANCHISEE agrees that all motor vehicle parts, components, and other products, materials and supplies sold and used in the operation of the SHOP shall be the COMPANY's or other private brand designated by the COMPANY as being of acceptable quality or other brands of equivalent quality approved by the COMPANY and that the COMPANY may designate the manner or method through which FRANCHISEE purchases such items. FRANCHISEE agrees that he will not sell or use any brand of any such product which the COMPANY has not previously approved or has designated as not being of equivalent quality to the COMPANY's private brand or designated brand of such product.

The COMPANY will not unreasonably withhold approval of any brand of product. If the SHOP proposes to purchase any brand of product that the COMPANY has not previously approved, FRANCHISEE must notify the COMPANY and submit to the COMPANY all information, specifications and other information the COMPANY requests. The COMPANY will have sole discretion as to whether or not to approve any brand and will only approve brands that meet the COMPANY's standards and specifications as published in the Operations Manual (as defined in Section 7), fit the company's overall strategy of uniformity concerning its SHOPS, and whose suppliers provide acceptable verification that they carry adequate product liability insurance. The COMPANY reserves the right, at any time, to revoke approval of any brand if the brand fails to meet the COMPANY's current criteria. The COMPANY also reserves the right to require that other items be purchased exclusively from the COMPANY, its affiliates or its designees.

E. FRANCHISEE MUST MAINTAIN ADEQUATE INVENTORY OF PRODUCTS

The SHOP shall at all times maintain an inventory of approved exhaust system components, ride control components, tires, brake system components, motor oil, other motor vehicle parts and other products, materials and supplies, sufficient in variety and quantity of models and sizes to satisfy customer demand and operate efficiently.

F. USE OF MATERIALS IMPRINTED WITH MARKS

FRANCHISEE shall in the operation of the SHOP use forms, uniforms and other materials labeled or imprinted with the Marks as prescribed from time to time by the COMPANY.

G. STANDARDS OF SERVICE

The SHOP shall at all times give prompt, courteous and efficient service to Merlin customers. All work performed by the SHOP shall be performed competently and in a workmanlike manner. The SHOP shall in all dealings with Merlin customers, suppliers and the public adhere to the highest standards of

honesty, integrity, fair dealing and ethical conduct. If in any situation the COMPANY feels that FRANCHISEE did not fairly handle a customer complaint, the COMPANY has the right to intervene and satisfy the customer. In such event, the COMPANY may in its discretion reimburse the customer up to two hundred percent (200%) of the original sale amount and FRANCHISEE will reimburse the COMPANY for any such payment to a customer within thirty (30) days of receipt of an invoice from the COMPANY.

FRANCHISEE's efforts are essential to the success of the SHOP. It is FRANCHISEE's responsibility to:

(1) enhance the real and perceived value of the brand name in the minds of current customers and the community by building the business;

(2) attract and keep customers through marketing the brand and by routinely and consistently following the Merlin operating system;

(3) become more efficient, effective and profitable by using support services provided by the COMPANY; and

(4) understand, support and be committed to and implement the COMPANY's market share building strategy.

H. SPECIFICATIONS, STANDARDS AND PROCEDURES

FRANCHISEE agrees to comply with all mandatory specifications, standards and operating procedures relating to the operation of a SHOP set forth in the Operations Manual or otherwise in writing, including, without limitation:

(1) quality of products sold and used;

(2) the methods, processes, and procedures relating to the automotive services performed by the SHOP;

(3) the safety, maintenance, cleanliness, sanitation, function and appearance of the SHOP premises and its equipment, furniture, fixtures and signs;

(4) uniforms to be worn by and general appearance of SHOP employees;

(5) use of the Marks;

(6) use of authorized warranties;

(7) hours during which the SHOP will be open for business;

(8) use and retention of standard forms;

(9) use and illumination of signs, posters, displays, standard formats and similar items;

(10) identification of FRANCHISEE as the owner of the SHOP;

(11) personnel standards and programs; and

(12) bookkeeping requirements.

In the event of a dispute as to the contents of the Operations Manual, the COMPANY's master copy shall control.

I. WARRANTIES AND GUARANTIES

The COMPANY and its affiliates have developed certain product warranties for customers of SHOPS ("Shop Warranties") that it deems to be essential elements of the successful operation of a SHOP. FRANCHISEE acknowledges the significance of such Shop Warranties and agrees that, in accordance with the policies and procedures from time to time prescribed by the COMPANY, of which the COMPANY will keep FRANCHISEE apprised, the SHOP shall furnish Shop Warranties to all customers of the SHOP who qualify therefor and shall fully, accurately and clearly inform its customers with respect to the terms of such Shop Warranties. The SHOP shall not provide to the SHOP's customers any Shop Warranties identified as a MERLIN SHOP warranty in connection with the installation of any brand of exhaust system component, ride control component, brake system component, tires, or the use of any motor vehicle part that is not approved by the COMPANY. FRANCHISEE further agrees to honor, at its expense, all proper claims under such Shop Warranties, whether issued by the SHOP or by other MERLIN SHOPS, including any SHOPS owned by the COMPANY, and to replace all components and parts and perform all labor and services in accordance with the terms and conditions of, and otherwise to fully comply with the obligations of a MERLIN SHOP under such Shop Warranties. The COMPANY shall prescribe, and may revise from time to time, policies and procedures to be followed by SHOPS in connection with the furnishing and honoring of Shop Warranties. The COMPANY does not assume and is not responsible for any of the warranty services provided by FRANCHISEE. The COMPANY may at any time modify, add to or discontinue such Shop Warranties and its policies without liability to FRANCHISEE. FRANCHISEE agrees to fully comply with all such policies and procedures.

The SHOP may issue greater warranties than those authorized from time to time by the COMPANY, provided that FRANCHISEE shall fully, clearly and conspicuously inform each customer to whom such a greater warranty is issued that it exceeds the Merlin's standardized Shop Warranty authorized for SHOPS and, to the extent of the excess, will be honored only by the SHOP. To the extent that any warranty issued by the SHOP exceeds the comparable Shop Warranty, FRANCHISEE shall have sole responsibility to the customer to whom such greater warranty or guarantee is issued, and neither the COMPANY nor any other SHOP shall have any obligation to such customer or FRANCHISEE. Notwithstanding the foregoing, FRANCHISEE agrees to reimburse the COMPANY upon demand for any credits granted to other SHOPS for materials and labor utilized in honoring any such greater warranty. THE SHOP SHALL NOT ISSUE ANY WARRANTIES THAT ARE LESS IN SCOPE OR DURATION THAN THOSE AUTHORIZED BY THE COMPANY.

Upon the termination or expiration of the Franchise, FRANCHISEE shall not honor any Shop Warranties, and FRANCHISEE will have no further obligations or rights under this Section 6.I.

J. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES

FRANCHISEE shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the SHOP and shall operate the SHOP in full compliance with all applicable laws, ordinances and regulations, including, without limitation: (1) all government regulations relating to (a) motor vehicle service and repair businesses; (b) environmental cleanup and disposal of hazardous wastes; (c) the issuance of and compliance with warranties and guaranties; (d) occupational hazards and health; (e) worker's compensation insurance; and (f) unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales taxes; (2) the Americans with Disabilities Act (ADA); (3) the CAN-SPAM Act; (4) the Telephone Consumer Protection Act (TCPA), the Telemarketing Sales Rule (TSR), and other federal and state anti-solicitation laws regulating phone calls,

spamming and faxing; and (5) federal and state laws that regulate data security and privacy (including, but not limited to, the use, storage, transmission and disposal of data regardless of media type). FRANCHISEE shall not recommend any product or service to a customer or prospective customer of the SHOP that is not reasonably required. All products to be sold and services to be rendered to customers of the SHOP, and the full cost thereof and authorized warranties thereon, shall be fully, accurately and clearly explained to customers and prospective customers in advance of the sale of such products and performance of such services. All advertising and promotion by FRANCHISEE shall be completely factual and shall conform to the highest standards of ethical advertising. FRANCHISEE agrees to refrain from any business or advertising practice which may be injurious to the business of the COMPANY and the goodwill associated with the Marks and other MERLIN SHOPS.

FRANCHISEE must comply with the System standards, other directions from the COMPANY, prevailing industry standards (including payment card industry data security standards), and all applicable laws and regulations, as any of them may be modified from time to time, regarding the organizational, physical, administrative and technical measures and security procedures to safeguard the confidentiality and security of Customer Data on FRANCHISEE's computer system or otherwise in FRANCHISEE's possession or control and, in any event, employ reasonable means to safeguard the confidentiality and security of Customer Data. "Customer Data" means the names, contact information, financial information, customer vehicle information and service history, and other personal information of or relating to the SHOP's customers and prospective customers.

If there is a suspected or actual breach of security or unauthorized access involving FRANCHISEE's Customer Data (a "Data Security Incident"), FRANCHISEE must notify the COMPANY immediately after becoming aware of such actual or suspected occurrence and specify the extent to which Customer Data was compromised or disclosed. FRANCHISEE must comply with the COMPANY's instructions in responding to any Data Security Incident. The COMPANY (and its designated affiliates) have the right, but no obligation, to control the direction and handling of any Data Security Incident and any related investigation, litigation, administrative proceeding or other proceeding at FRANCHISEE's expense.

The COMPANY and its affiliates may, through FRANCHISEE's computer system or otherwise, have access to Customer Data. During and after the term of this Agreement, the COMPANY and its affiliates may make any and all disclosures and use the Customer Data in its and their business activities and in any manner that the COMPANY or they deem necessary or appropriate. FRANCHISEE must secure from its vendors, customers, prospective customers and others all consents and authorizations, and provide them all disclosures, that applicable law requires to transmit the Customer Data to the COMPANY and its affiliates and for the COMPANY and its affiliates to use that Customer Data in the manner that this Agreement contemplates.

K. PRICES TO BE DETERMINED BY FRANCHISEE

The COMPANY may from time to time advise or offer guidance to FRANCHISEE relative to prices and charges for products and services offered by MERLIN SHOPS that in the COMPANY's judgment constitute good business practice. FRANCHISEE shall not be obligated to accept any such advice or guidance and shall have the sole right to determine the prices and charges to be charged from time to time by the SHOP, and no such advice or guidance shall be deemed or construed to impose upon FRANCHISEE any obligation to charge any fixed or minimum price or charge for any product or service offered for sale by the SHOP.

L. MANAGEMENT OF THE SHOP/CONFLICTING INTERESTS

The SHOP shall at all times be under the direct, on-premises supervision of FRANCHISEE or a trained and competent employee. FRANCHISEE shall keep the COMPANY informed at all times of the identity of any employee(s) acting as manager(s) of the SHOP. FRANCHISEE shall devote a minimum of forty (40) hours per week to the business of which ninety percent (90%) of the time must be spent on Premises. FRANCHISEE shall attend and complete the COMPANY's training program prior to opening the SHOP for business, and each manager of the SHOP shall attend and complete the COMPANY's training program within ninety (90) days after being employed as a manager. FRANCHISEE agrees that FRANCHISEE will at all times faithfully, honestly and diligently perform its obligations hereunder, that FRANCHISEE will continuously exert its best efforts to promote and enhance the business of the SHOP, that FRANCHISEE will consistently follow the System and use the support services provided by the COMPANY, and that FRANCHISEE will not engage in any business or other activity that will conflict with its obligations hereunder.

FRANCHISEE acknowledges that FRANCHISEE is responsible for the success of the SHOP. The COMPANY provides FRANCHISEE with the System and certain support services. FRANCHISEE's success, however, depends in large part upon consistent implementation of the System and the fulfillment of FRANCHISEE's obligations as defined by this Agreement.

M. INSURANCE

FRANCHISEE shall at all times during the term of the Franchise maintain in force at FRANCHISEE's sole expense comprehensive public, product, garage keepers, general casualty insurance, fire and extended coverage and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the SHOP or otherwise in conjunction with the conduct of business by FRANCHISEE pursuant to the Franchise. Such insurance coverage shall be maintained under one or more policies of insurance containing minimum liability protection of Two Million Dollars ($2,000,000) for bodily and personal injury and death as a result of one occurrence and Five Hundred Thousand Dollars ($500,000) for property damage and issued by insurance carriers rated A or better by A.M. Best Company, Inc. All such liability insurance policies shall name the COMPANY as an additional insured and shall provide that the COMPANY receive thirty (30) days prior written notice of termination, expiration or cancellation of any such policy. These policies shall not exclude coverage of claims made between co-insureds based solely on their designation as co-insureds. The COMPANY may reasonably increase the minimum liability protection requirements upon sixty (60) days advance written notice to FRANCHISEE and require different or additional kinds of insurance, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability or higher damage awards in public, product, garage keepers or motor vehicle liability litigation, other relevant changes in circumstances, or the risk history of the SHOP. FRANCHISEE shall submit to the COMPANY annually a copy of the certificate of or other evidence of the renewal or extension of each such insurance policy. If FRANCHISEE at any time fails or refuses to maintain in effect any insurance coverage required by the COMPANY, or to furnish satisfactory evidence thereof, the COMPANY, at its option and in addition to its other rights and remedies hereunder, may, but need not, obtain such insurance coverage on behalf of FRANCHISEE, and FRANCHISEE shall promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to the COMPANY, on demand, any costs and premiums incurred by the COMPANY.

FRANCHISEE's obligation to maintain insurance coverage pursuant to this Agreement will not be excused in any manner by reason of any separate insurance the COMPANY maintains. The COMPANY does not warrant that any insurance which FRANCHISEE is required to purchase, or which the COMPANY purchases on FRANCHISEE's behalf, provides adequate protection to FRANCHISEE, as the insurance

requirements of this Agreement are for the COMPANY's protection. Further, the COMPANY is under no duty to advise FRANCHISEE of circumstances that may warrant insurance coverage greater than that required by this Agreement or otherwise by the COMPANY.

N. MEETING ATTENDANCE

The COMPANY requires FRANCHISEE to attend national and regional franchise meetings which may be conducted by the COMPANY on an annual basis or otherwise from time to time, provided that attendance will not be required at more than six (6) such meetings in any calendar year. Said meetings shall be conducted at the COMPANY's offices or at such other location as the COMPANY designates. FRANCHISEE shall be responsible for any travel and living expenses which FRANCHISEE incurs in connection with attendance at the aforesaid meetings. If FRANCHISEE fails to attend such required meeting, there shall be a fine of Two Thousand Five Hundred Dollars ($2,500) for each meeting missed, at the sole discretion of the COMPANY. Any such fine shall be contributed to the Marketing Fund.

O. COMPUTER SYSTEM

The COMPANY may require FRANCHISEE to purchase or lease, at FRANCHISEE's expense, such computer hardware and software, required dedicated telephone and power lines, Internet connections and other data transmission facilities, modems, printers, and other computer-related accessories or peripheral equipment as the COMPANY may specify from time to time for management information functions, such as recording and reporting Net Revenues. FRANCHISEE may be required to purchase or lease such computer hardware or software from the COMPANY, an affiliate or a designated supplier. The COMPANY and its affiliates may condition any license of required or recommended proprietary software to FRANCHISEE, and/or FRANCHISEE's use of technology developed or maintained by or for the COMPANY, on FRANCHISEE's signing a software license agreement or similar document, or otherwise agreeing to the terms (for example, by acknowledging FRANCHISEE's consent to and accepting the terms of a click-through license agreement), that the COMPANY and its affiliates periodically prescribe to regulate FRANCHISEE's use of, and the COMPANY's (or its affiliates') and FRANCHISEE's respective rights and responsibilities with respect to, the software or technology. The COMPANY and its affiliates may charge FRANCHISEE up front and ongoing fees for any required or recommended proprietary software or technology that the COMPANY or its affiliates license to FRANCHISEE and for other computer system maintenance and support services provided during the term of this Agreement. FRANCHISEE agrees not to use any point of sale software in the operation of the SHOP that the COMPANY has not approved.

FRANCHISEE agrees to provide such assistance as may be required to connect FRANCHISEE's computer system with the COMPANY's computer system or the computer system of a third-party data collection service the COMPANY designates. FRANCHISEE agrees to transmit electronically to the COMPANY such data from FRANCHISEE's computer system as the COMPANY, in the COMPANY's sole discretion, deems desirable, including Customer Data, with the cost of such telephonic transmission to be borne by FRANCHISEE if the COMPANY mandates electronic submission of such data. FRANCHISEE understands and agrees that the COMPANY and its affiliates may use such information and data, together with any records and reports required by Section 11 or any other provision of this Agreement, for any purpose and in any form as determined by the COMPANY and its affiliates from time to time, including, without limitation, to conduct marketing and cross-promotional campaigns and to compile on an aggregated basis statistical and performance information relating to the COMPANY's (or its affiliates') services and products, SHOPS, and/or other automotive businesses franchised and owned by the COMPANY and its affiliates.

FRANCHISEE agrees, at FRANCHISEE's expense, to keep FRANCHISEE's computer systems in good condition and to promptly install such additions, changes, modifications, substitutions or replacements

to the computer hardware, computer software, Internet connections, telephone and power lines, and other data transmission facilities as the COMPANY directs to ensure full operational efficiency and optimum communication capability between and among computer systems. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, FRANCHISEE agrees to use computer software that complies with the COMPANY's specifications.

7. MANUALS

The COMPANY will lend to FRANCHISEE during the term of the Franchise one or more copies of an operating manual for MERLIN SHOP and supplemental program and training guides (collectively, the "Operations Manual") containing mandatory and suggested specifications, standards and operating procedures prescribed from time to time by the COMPANY for SHOPS and information relative to other obligations of FRANCHISEE hereunder and the operation of a SHOP. The COMPANY shall have the right to add to and otherwise modify the Operations Manual from time to time to reflect changes in authorized products and services, standards of product quality or service, the operation of a SHOP and other requirements of the Franchise. These additions or modifications to the Operations Manual shall be effective fifteen (15) days after FRANCHISEE's receipt thereof, unless the addition or modification states a different effective date. No such addition or modification to the Operations Manual shall alter FRANCHISEE's fundamental status and rights under this Agreement. The Operations Manual contains proprietary information of the COMPANY, and FRANCHISEE agrees to keep the Operations Manual confidential at all times during and after the term of the Franchise.

8. CONFIDENTIAL INFORMATION

The COMPANY possesses certain confidential and proprietary information and trade secrets, consisting of the following categories of information, methods, techniques, procedures and knowledge which the COMPANY has developed (collectively, the "Confidential Information"): (1) standards and procedures for real estate site selection; (2) methods, procedures and techniques for merchandising, pricing and selling products and services; (3) inventory control methods; (4) methods for solicitation, recruitment, training, and management of employees; (5) methods, specifications, procedures and techniques for rendering vehicle services; (6) sources of supply for merchandise; (7) methods, techniques, specifications, procedures, information, systems, and knowledge of and experience in the development, operation, and franchising of SHOPS; (8) advertising and marketing plans, programs and other promotional initiatives; (9) the Operations Manual; and (10) all data and other information generated by, or used or developed in, operating the SHOP, including Customer Data, and any other information contained from time to time in the SHOP's computer system.

The COMPANY will disclose the Confidential Information to FRANCHISEE during training, in the Operations Manual, and in guidance and assistance the COMPANY furnishes to FRANCHISEE during the term of the Franchise. FRANCHISEE may also learn additional Confidential Information and trade secrets of the COMPANY's during the term of the Franchise. FRANCHISEE acknowledges and agrees that FRANCHISEE will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the SHOP during the term of this Agreement, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition with the COMPANY and other MERLIN SHOP franchisees.

FRANCHISEE acknowledges and agrees that the Confidential Information is a valuable asset of the COMPANY's, includes the COMPANY's trade secrets, and is disclosed to FRANCHISEE solely on the condition that FRANCHISEE agrees, and FRANCHISEE hereby agrees, that FRANCHISEE: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute secrecy and confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not

make unauthorized copies of any portion of the Confidential Information disclosed in written or electronic form; and (4) will adopt and implement all reasonable procedures the COMPANY prescribes from time to time to prevent unauthorized use or disclosure of the Confidential Information. At the COMPANY's request, FRANCHISEE agrees to cause FRANCHISEE's managers and any of FRANCHISEE's personnel having access to any of the COMPANY's Confidential Information to execute covenants that FRANCHISEE's managers will maintain the confidentiality of information they receive in connection with their employment at the SHOP in a form satisfactory to the COMPANY and identifying the COMPANY as a third party beneficiary of the covenant with an independent right to enforce it.

FRANCHISEE further agrees to require key employees or other personnel who have access to the Confidential Information to enter into a confidentiality agreement with respect to the Operations Manual and operation procedures as the COMPANY prescribes. FRANCHISEE must furnish the COMPANY with a copy of each executed confidentiality agreement.

9. EXCLUSIVE RELATIONSHIP

The COMPANY would not be able to protect the Confidential Information against unauthorized use or disclosure, and would be unable to encourage a free exchange of ideas and information between and with the COMPANY's franchisees if franchisees, the owners of direct or indirect interests in franchisees and members of their respective immediate families were permitted to engage in, own, operate, franchise or perform services for a Competitive Business. "Competitive Business" means any business that operates motor vehicle shops specializing in the replacement and/or repair of motor vehicle parts and other automotive services (i.e., vehicle maintenance), provided that, for purposes of this Agreement, the following will not be deemed a Competitive Business: (a) another SHOP operated under a franchise agreement with the COMPANY; or (b) another automotive business franchised by Driven Brands Holdings Inc. or its subsidiaries. The COMPANY has entered into this Agreement with FRANCHISEE on the express condition that with respect to the operation of a Competitive Business, FRANCHISEE, the owners of direct or indirect interests in FRANCHISEE (the "Owners") and FRANCHISEE's and its Owners' immediate families, will deal exclusively with the COMPANY. FRANCHISEE therefore agrees that during the term of this Agreement, neither FRANCHISEE, any Owner nor any member of FRANCHISEE's or an Owner's immediate family, shall:

(1) have any direct or indirect ownership interest in any Competitive Business;

(2) have any direct or indirect ownership interest in any entity which is granting franchises or licenses or establishing joint ventures for the operation of Competitive Businesses; or

(3) perform services as a director, officer, manager, employee, consultant, representative, agent, lender, lessor, or otherwise for any Competitive Business or for a business which is granting franchises or licenses or establishing joint ventures for the operation of Competitive Businesses.

The restrictions of this Section will not apply to the ownership of shares of a class of securities listed on a stock exchange or publicly traded on the over-the-counter market that represent three percent (3%) or less of the number of shares of that class of securities issued and outstanding.

10. MARKETING

A. MARKETING FUND

The COMPANY owns and administers a marketing fund (the "Marketing Fund") for marketing programs the COMPANY deems necessary or appropriate to promote the goodwill and public image of MERLIN SHOPS.

The COMPANY will direct all marketing programs financed by the Marketing Fund and will have sole discretion over the creative concepts, materials, and endorsements used and the geographic, market, and media placement and allocation of the programs. The Marketing Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials; administering multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising; employing advertising agencies to assist in these activities; and supporting public relations, market research, quality control, and other advertising and marketing activities. The Marketing Fund will furnish FRANCHISEE with marketing, advertising and promotional formats, and sample materials without charge. The COMPANY will furnish FRANCHISEE with multiple copies of marketing, advertising and promotional materials at the COMPANY's direct cost of producing them.

While the Marketing Fund is not maintained in a separate bank account, the Marketing Fund will be accounted for separately from the COMPANY's other funds, reconciled and budgeted on an annual basis. The Marketing Fund will not be used to defray any of the COMPANY's general operating expenses, except for salaries, administrative costs and overhead which the COMPANY may incur in activities reasonably related to the administration of the Marketing Fund and its marketing programs (including, without limitation, conducting market research, preparing advertising and marketing materials and collecting and accounting for contributions to the Marketing Fund).

The COMPANY may spend in any fiscal year an amount greater or less than the total contributions of all SHOPS to the Marketing Fund in that year, and the COMPANY may cause the Marketing Fund to allocate any surplus for future use by the Marketing Fund.

The COMPANY will prepare an annual statement of monies collected and costs incurred by the Marketing Fund and will furnish it to FRANCHISEE upon written request. The COMPANY may cause the Marketing Fund to be incorporated or operated through an entity separate from the COMPANY. If the COMPANY does so, the successor entity will have all the COMPANY's rights and duties pursuant to this Section 10.A.

FRANCHISEE agrees that the Marketing Fund is intended to maximize recognition of the Marks and patronage of all MERLIN SHOPS. Although the COMPANY will endeavor to utilize the Marketing Fund to develop advertising and marketing materials and programs, and to place advertising that will benefit all SHOPS, the COMPANY undertakes no obligation to ensure that expenditures by the Marketing Fund in or affecting any geographic area will be proportionate or equivalent to the contributions to the Marketing Fund by SHOPS operating in that geographic area or that any SHOP will benefit directly or in proportion to its contribution to the Marketing Fund from the development of advertising and marketing materials or the placement of advertising. Except as expressly provided in this Section 10.A, the COMPANY will assume no direct or indirect liability or obligation to FRANCHISEE with respect to the maintenance, direction or administration of the Marketing Fund. Although the COMPANY intends the Marketing Fund to be of unlimited duration, the COMPANY will have the right to terminate the Marketing Fund at any time after all amounts in the Marketing Fund have been expended.

B. REGIONAL ADVERTISING

In addition to the Marketing Fund, the COMPANY may, from time to time, institute, maintain or engage in regional advertising programs within the Area of Dominant Influence (as defined in the most current Arbitron Ratings/Television published by Arbitron Ratings or, if not available, a reasonably comparable definition) ("ADI") in which the SHOP is located. The COMPANY will offer FRANCHISEE the right to participate in or be listed in these regional advertising programs. If FRANCHISEE elects to do so, FRANCHISEE agrees to reimburse the COMPANY upon FRANCHISEE's receipt of the COMPANY's invoice for a portion of the COMPANY's cost (including salaries, administrative costs and overhead) reasonably incurred in connection with the regional advertising program, determined by apportioning the cost equally to all SHOPS listed or participating in the program.

C. FRANCHISEE'S ADVERTISING OBLIGATIONS

In addition to FRANCHISEE's contributions to the Marketing Fund, FRANCHISEE agrees to spend annually for local advertising and promotion of the SHOP not less than one percent (1%) of the Net Revenues of the SHOP. FRANCHISEE agrees to submit quarterly, in form the COMPANY prescribes, verification of FRANCHISEE's expenditures for local advertising and promotion.

Prior to FRANCHISEE's use, samples of all local advertising and promotional materials the COMPANY did not prepare or previously approve must be submitted to the COMPANY for approval. If FRANCHISEE does not receive the COMPANY's written approval within fifteen (15) days from the date of the COMPANY's receipt of submitted materials, the materials will be deemed disapproved. FRANCHISEE may not use any advertising or promotional materials that the COMPANY has disapproved. The COMPANY will have the right to withdraw the COMPANY's approval of any advertising and promotional materials by giving FRANCHISEE notice thereof.

D. FRANCHISEE WEBSITE

The COMPANY currently maintains a centralized Internet site that promotes the Merlin chain as a whole and, as well, each individual MERLIN SHOP with a corresponding promotional page. FRANCHISEE may also maintain a website in connection with FRANCHISEE's SHOP with the COMPANY's prior approval. FRANCHISEE agrees to submit to COMPANY, for prior approval, true and correct printouts of all website pages, materials and content FRANCHISEE proposes to use on FRANCHISEE's website associated with FRANCHISEE's SHOP. FRANCHISEE agrees to provide all hyperlinks or other links that the COMPANY may reasonably require. All modifications to FRANCHISEE's website are subject to the COMPANY's prior approval. FRANCHISEE may not post on its website any material (including text, video clips, photographs, images and sound bites) in which any third party has any direct or indirect ownership interest. FRANCHISEE agrees to obtain the COMPANY's prior written approval for any Internet domain name and/or home page address.

11. SHOP RECORDS AND REPORTING

A. BOOKKEEPING, ACCOUNTING AND RECORDS

FRANCHISEE shall establish a bookkeeping, accounting and record-keeping system conforming to the requirements prescribed by the COMPANY, including, without limitation, the use and retention of cash register tapes, invoices, payroll records, check stubs, bank deposit receipts, sales tax records and returns, cash disbursements journals and general ledgers.

FRANCHISEE may not commingle any of its funds derived from the operation of the SHOP with any other funds. If FRANCHISEE commingles any of the funds derived from the operation of the SHOP with other funds, such as FRANCHISEE's personal funds or funds from FRANCHISEE's operation of any other business, then, in addition to the COMPANY's other rights hereunder and under applicable law, the COMPANY will have the right to review and photocopy all of the records and accounts relating to such other funds, including FRANCHISEE's personal records and accounts, and FRANCHISEE will be required to pay the COMPANY Two Thousand Five Hundred Dollars ($2,500), plus Two Hundred Fifty Dollars ($250) for each month thereafter until the funds are separately accounted for, as determined by the COMPANY in its sole discretion.

B. REPORTS, FINANCIAL STATEMENTS AND TAX RETURNS

FRANCHISEE shall furnish to the COMPANY in the form from time to time prescribed by the COMPANY:

(1) by the Payment Day of each week, a report of the gross and Net Revenues of the SHOP for the preceding week on the report form specified by the COMPANY, together with copies of such other information and supporting records as the COMPANY from time to time requires;

(2) within thirty (30) days after the end of each fiscal quarter of the SHOP, a quarterly profit and loss statement, a quarterly balance sheet and a statement of cash flows for the SHOP, prepared by an independent public accountant, verified and signed by FRANCHISEE;

(3) within sixty (60) days after the end of each fiscal year of the SHOP, an unaudited annual statement of profit and loss and source and application of funds of the SHOP for the fiscal year and a balance sheet for the SHOP as of the end of the fiscal year, prepared by an independent public accountant and verified and signed by FRANCHISEE as to the information furnished to such accountant; and

(4) within thirty (30) days after such returns are filed, exact copies of the federal and state income tax returns (or schedules included in FRANCHISEE's returns if FRANCHISEE is a proprietorship) and state sales tax returns of the SHOP.

If the COMPANY reasonably believes that any weekly report, financial statement or tax return or schedule furnished by FRANCHISEE understates the Net Revenues of the SHOP, distorts any other information or is unclear or misleading, the COMPANY shall have the right to require FRANCHISEE to furnish audited annual financial statements thereafter.

FRANCHISEE hereby agrees that the COMPANY shall be permitted to disclose any such financial information to prospective franchisees. FRANCHISEE consents to the use of FRANCHISEE's name, photograph, and biographical and financial data concerning the operation of FRANCHISEE's business, as well as photographs of the interior and exterior of FRANCHISEE's SHOP, in the COMPANY's advertising and other literature promoting Merlin's.

12. MARKS

A. OWNERSHIP OF MARKS

FRANCHISEE acknowledges that the COMPANY is the exclusive owner of all Marks licensed to FRANCHISEE by this Agreement, that FRANCHISEE's right to use the Marks is derived solely from this Agreement, is limited to the operation of the SHOP in compliance with this Agreement at the Premises or

a Substitute Premises in accordance with all applicable standards, specifications and operating procedures prescribed by the COMPANY from time to time during the term of the Franchise. FRANCHISEE agrees that all usage of the Marks by FRANCHISEE and any goodwill established thereby shall inure to the exclusive benefit of the COMPANY. FRANCHISEE further agrees that after the termination or expiration of the Franchise, FRANCHISEE will not directly or indirectly at any time or in any manner identify itself, any motor vehicle service or repair business, or any other business as a SHOP, a former SHOP, or as a franchisee of or otherwise associated with the COMPANY, or use in any manner or for any purpose any Mark or other indicia of a SHOP.

B. LIMITATIONS ON FRANCHISEE'S USE OF MARKS

FRANCHISEE agrees to use the Marks as the sole service mark and trade name identification of the SHOP. FRANCHISEE shall not use any Mark as part of any corporate name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos sublicensed to FRANCHISEE hereunder), or in any modified form, nor may FRANCHISEE use any Mark in connection with the sale of any unauthorized product or service or in any other manner not explicitly authorized in writing by the COMPANY. FRANCHISEE agrees to give such notices of trade and service mark registrations as the COMPANY specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law. FRANCHISEE agrees not to contest the validity of the Marks or the COMPANY's ownership of the Marks during or after the term of this Agreement.

C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS

FRANCHISEE shall immediately notify the COMPANY of any apparent infringement of or challenge to FRANCHISEE's use of any Mark, or claim by any person of any rights in any Mark, and FRANCHISEE shall not communicate with any person other than the COMPANY and its counsel in connection with any such infringement, challenge or claim. The COMPANY shall have sole discretion to take such action as the COMPANY deems appropriate and the right to exclusively control any litigation or Patent and Trademark Office or other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark, and FRANCHISEE shall execute such instruments and documents, render such assistance, and do such acts and things as may, in the opinion of the COMPANY's counsel, be necessary or advisable to protect or maintain the COMPANY's interests in any litigation or other proceeding or settlement thereof or to otherwise protect or maintain the COMPANY's interests in the Marks.

D. MODIFICATION OR DISCONTINUANCE OF USE OF MARKS

If it becomes advisable at any time in the sole discretion of the COMPANY for FRANCHISEE to modify or discontinue use of any Mark, and/or use one or more additional or substitute Marks, FRANCHISEE agrees to do so. FRANCHISEE is responsible for the out-of-pocket costs of complying with such obligation.

13. INSPECTIONS AND AUDITS

A. THE COMPANY'S RIGHT TO INSPECT SHOP

To determine whether FRANCHISEE is complying with this Agreement, the COMPANY or its designated agent shall have the right at any time during business hours, and without prior notice to FRANCHISEE, to inspect the SHOP, interview SHOP employees and customers, and conduct, supervise or observe a physical inventory of exhaust system, ride control, and brake system components, tires, other motor vehicle parts and other products, lubricants, tools, materials and supplies of the SHOP.

FRANCHISEE shall fully cooperate with representatives of the COMPANY making any such inspection or conducting, supervising or observing any such inventory and other quality control measurement activities.

B. THE COMPANY'S RIGHT TO AUDIT

The COMPANY shall have the right at any time during business hours, and without prior notice to FRANCHISEE, to inspect and to audit or cause to be inspected or audited the business records, bookkeeping and accounting records, cash register tapes, invoices, payroll records, check stubs, bank deposit receipts, sales tax records and returns and other supporting records, weekly reports, financial statements, tax returns and schedules and other forms, information and supporting records which FRANCHISEE is required to submit to the COMPANY hereunder and the books and records of the SHOP and of any corporation or partnership which owns or operates the SHOP. FRANCHISEE shall fully cooperate with representatives of the COMPANY and independent accountants hired by the COMPANY to conduct any such audit or inspection. In the event any such audit or inspection shall disclose an understatement of the Net Revenues of the SHOP for any period or periods, FRANCHISEE shall pay to the COMPANY, within fifteen (15) days after receipt of the audit or inspection report, the royalty fees and Marketing Fund contributions due on the amount of such understatement. Further, in the event such audit or inspection is made necessary by the failure of FRANCHISEE to furnish reports, financial statements or tax returns or schedules as herein required, or if an understatement of Net Revenues for any period is determined by any such audit or inspection to be greater than three percent (3%), FRANCHISEE shall reimburse the COMPANY for the cost of such audit or inspection, including, without limitation, the charges of any independent accountant and the travel expenses, room and board and compensation of employees of the COMPANY.

14. TERMINATION OF THE FRANCHISE

A. BY FRANCHISEE

FRANCHISEE shall have the right to terminate this Agreement upon the COMPANY's receipt of not less than ten (10) days' prior written notice of termination if: (1) FRANCHISEE is in substantial compliance with this Agreement; (2) the COMPANY commits a material breach of its obligations pursuant to this Agreement; (3) FRANCHISEE gives the COMPANY written notice specifying the breach; and (4) the COMPANY fails to cure the breach within thirty (30) days of the COMPANY's receipt of FRANCHISEE's notice, or if the COMPANY cannot reasonably cure the breach within thirty (30) days, the COMPANY fails to institute within thirty (30) days and continue reasonable steps to cure the breach. Any attempt by FRANCHISEE to terminate this Agreement other than in accordance with this Section 14.A shall be invalid, will cause the COMPANY irreparable injury, and shall constitute a material breach of this Agreement by FRANCHISEE.

B. BY THE COMPANY - ON NOTICE

This Agreement will terminate immediately upon FRANCHISEE's receipt of notice of termination from the COMPANY, with no opportunity to cure, if FRANCHISEE or its Owners either:

(1) makes an assignment for the benefit of creditors, admits an inability to pay obligations as they become due, or in the COMPANY's reasonable judgment, FRANCHISEE is insolvent in the sense that its current liabilities exceed its current assets or FRANCHISEE is unable to pay its debts as they become due;

(2) abandons, surrenders or transfers control of the operation of the SHOP without the COMPANY's prior approval;

(3) has made any material misrepresentation or omission in the application for the Franchise;

(4) is convicted by a trial court of or pleads no contest to a felony, or other crime or offense that is likely to adversely affect FRANCHISEE's reputation or the reputation of the SHOP or the goodwill associated with the Marks;

(5) makes an unauthorized transfer, assignment or encumbrance in violation of Section 16;

(6) makes any unauthorized use or disclosure of any Confidential Information, makes any unauthorized use of the Marks, or uses, duplicates or discloses any portion of the Operations Manual in a manner not authorized by this Agreement;

(7) fails to comply or cause compliance with the provisions of Sections 8 and 9 of this Agreement; or

(8) loses the right to possession of the Premises, whether or not through any fault of FRANCHISEE.

C. TERMINATION AFTER NOTICE

This Agreement will terminate immediately without further action by the COMPANY or notice to FRANCHISEE, if FRANCHISEE or its Owners either:

(1) fails to comply with FRANCHISEE's development obligations as provided in Section 4 or fails to attend and complete the training program to the COMPANY's satisfaction and does not correct either failure within ten (10) days of receipt of the COMPANY's notice of the failure;

(2) fails to accurately report the gross revenues or Net Revenues of the SHOP or fails to make payments of any amounts due the COMPANY for royalty fees, Marketing Fund contributions, regional advertising reimbursements or any other amounts due to the COMPANY or the COMPANY's affiliate as required under this Agreement or required under any other agreement between FRANCHISEE (or its guarantors) and the COMPANY, and does not correct such failure within ten (10) days after written notice of such failure is delivered to FRANCHISEE;

(3) operates the SHOP in a manner that presents a health or safety hazard to its customers, employees or the public and does not correct all such operational deficiencies within twenty-four (24) hours after written notice of the deficiency is delivered to FRANCHISEE or violates any applicable law, rule, regulation or ordinance relative to health or safety and does not correct the violation within twenty-four (24) hours after written notice of the violation is delivered to FRANCHISEE;

(4) causes or permits to exist a default under the lease for the Premises and fails to cure such default within the applicable cure period set forth in the lease; or

(5) fails to comply with any other provision of this Agreement or other agreements by and between FRANCHISEE and the COMPANY or any mandatory specification, standard or operating procedure the COMPANY prescribes and does not: (a) correct such failure within thirty (30) days after written notice of such failure to comply is delivered to FRANCHISEE; or (b) if such

failure cannot reasonably be corrected within the aforesaid thirty (30)-day period, undertake within ten (10) days after such written notice is delivered to FRANCHISEE, and continue efforts to bring the SHOP into full compliance, and furnish proof acceptable to the COMPANY of such efforts and the date full compliance will be achieved.

D. TERMINATION FOR REPEATED DEFAULTS

This Agreement will terminate immediately upon FRANCHISEE's receipt of notice of termination from the COMPANY with no opportunity to cure, if FRANCHISEE or its Owners:

(1) submits to the COMPANY on two (2) or more separate occasions at any time during the term of the Franchise a weekly report, financial statement, tax return or schedule or other information or supporting records which understates the Net Revenues of the SHOP for any period by more than three percent (3%);

(2) makes more than three (3) separate payments of royalty fees, Marketing Fund contributions, regional advertising reimbursements or other amounts due the COMPANY over seven (7) days late within any twenty-four (24)-month period if the COMPANY has given written notice of late payment on each occasion; or

(3) fails on three (3) or more separate occasions within any period of twelve (12) consecutive months to comply with this Agreement, whether or not such failures to comply are corrected after notice of default is given, or fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to comply with the same obligation under this Agreement, whether or not such failures to comply are corrected after notice of default is given.

15. FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. PAYMENT OF AMOUNTS OWED TO THE COMPANY

FRANCHISEE agrees to pay to the COMPANY within fifteen (15) days after the effective date of termination or expiration of the Franchise, or such later date that the amounts due to the COMPANY are determined, such royalty fees, Marketing Fund contributions, regional advertising reimbursements, amounts owed for products purchased by FRANCHISEE from the COMPANY, and all other amounts owed to the COMPANY which are then unpaid.

B. RETURN OF MANUALS, SALES RECORDS, AND CUSTOMER DATA

FRANCHISEE further agrees that upon termination or expiration of the Franchise, FRANCHISEE will immediately cease to use all Confidential Information and return to the COMPANY all copies of the Operations Manual and all other COMPANY-supplied manuals for SHOPS which have been loaned to FRANCHISEE by the COMPANY, daily sales reports for the previous thirty-six (36)-month period, Customer Data and customer files and lists, sales invoice copies for the previous thirty-six (36)-month period, and all other Confidential Information embodied in tangible form.

C. CANCELLATION OF ASSUMED NAMES/TRANSFER OF PHONE NUMBERS

FRANCHISEE further agrees that upon termination or expiration of the Franchise, FRANCHISEE will take such action as may be required to cancel all assumed name or equivalent registrations relating to FRANCHISEE's use of any Mark and to notify the telephone company and all listing agencies of the termination or expiration of FRANCHISEE's right to use any telephone number and any classified and

other telephone directory listings associated with any Mark or with the SHOP and to authorize transfer of same to the COMPANY or its designated franchisee. FRANCHISEE acknowledges that as between the COMPANY and FRANCHISEE, the COMPANY has the sole rights to and interest in all telephone numbers and directory listings associated with any Mark or the SHOP and FRANCHISEE authorizes the COMPANY, and hereby appoints the COMPANY and any officer of the COMPANY as FRANCHISEE's attorney-in-fact to direct the telephone company and all listing agencies to transfer same to the COMPANY or its franchisee, should FRANCHISEE fail or refuse to do so, and the telephone company and all listing agencies may accept such direction of this Agreement as conclusive of the exclusive rights of the COMPANY in such telephone numbers and directory listings and its authority to direct their transfer.

D. THE COMPANY HAS RIGHT TO PURCHASE SHOP

Upon termination or expiration of this Agreement for any reason, the COMPANY will have the option, exercisable by giving written notice of exercise to FRANCHISEE no later than thirty (30) days after the effective date of expiration or termination, to purchase from FRANCHISEE any or all of the assets of the SHOP and assume all of FRANCHISEE's agreements relating to the SHOP, including the lease of the Premises. Assets of the SHOP will include, without limitation, leasehold improvements, shop equipment, phone system, computer system, furniture, furnishings, signs and inventory. The COMPANY shall have the right to assign this option to purchase. The COMPANY or the COMPANY's assignee will be entitled to all customary warranties and representations in connection with the COMPANY's asset purchase, including, without limitation, representations and warranties as to ownership, condition and title to assets, liens and encumbrances on the assets, validity of contracts and agreements, and liabilities inuring to the COMPANY or affecting the assets, contingent or otherwise. The purchase price for the assets of the SHOP shall be determined by adding the following sums: (i) the appraised fair market value of the equipment, leasehold improvements, computer system, fixtures, furnishings and signs of the SHOP based on sale in the ordinary course of business; and (ii) FRANCHISEE's cost of all good and saleable inventory at the SHOP on the closing date. The COMPANY may exclude from the assets of the Shop any inventory, equipment, fixtures, furniture, signs, cash registers, modems, fax machines, computers, or leasehold improvements that have not been acquired in compliance with this Agreement or do not, otherwise, conform to the COMPANY's current specifications for similar SHOPS. All inventory must be saleable, listed in the corresponding vendors' current catalogs, and not represent discontinued or obsolete applications. All brake, ride control, steering and similar hard parts that are unboxed or not properly packaged shall not be counted in the inventory valuation. The appraisal shall be conducted by an independent appraiser unless both the COMPANY and FRANCHISEE agree beforehand on a purchase price. Both FRANCHISEE and the COMPANY shall select an appraiser whose sole function would be to select a third, neutral appraiser, who would determine the fair market value. The inventory shall be conducted as mutually agreed by both parties or on the closing date by the independent appraiser. The COMPANY will pay one-half (1/2) of the cost of conducting the inventory and appraisal. FRANCHISEE agrees to pay, by crediting the purchase price or otherwise, one-half (1/2) of these costs. The purchase price will be paid in cash at the closing of the purchase, which shall take place no later than ninety (90) days after FRANCHISEE's receipt of notice of the COMPANY's exercise of this option to purchase, at which time FRANCHISEE must deliver instruments transferring to the COMPANY or the COMPANY's assignee: (1) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to the COMPANY or the COMPANY's assignee), with all sales and other transfer taxes paid by FRANCHISEE; and (2) all licenses of the SHOP and/or permits which may be assigned or transferred. If FRANCHISEE cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale shall be accomplished through an escrow. Further, prior to closing, the applicable Bulk Sales provisions of the Uniform Commercial Code of the state where the SHOP is located must be complied with. The COMPANY will have the right to set off against and reduce the purchase price by any and all amounts owed by FRANCHISEE to the COMPANY or the COMPANY's affiliates, and the amount of any encumbrances or liens against the assets. If the COMPANY or the COMPANY's assignee

exercises this option to purchase, pending the closing of the purchase, the COMPANY will have the right to appoint a manager to maintain the operation of the SHOP. Alternatively, the COMPANY may require FRANCHISEE to close the SHOP during this time period without removing any assets. FRANCHISEE must maintain in force all insurance policies required by Section 6.M of this Agreement until the date of closing.

E. COVENANT NOT TO COMPETE

If this Agreement expires or is terminated by the COMPANY in accordance with the provisions of this Agreement or by FRANCHISEE without cause, FRANCHISEE agrees that for a period of two (2) years, commencing on the effective date of expiration or termination of this Agreement, FRANCHISEE will not have any direct or indirect interest as an owner (except of publicly traded securities), partner, director, officer, employee, consultant, representative, lender, lessor, or agent, or in any other capacity, in any Competitive Business located within FRANCHISEE's Territory described in Section 1.A of this Agreement or a radius of two (2) miles of any other MERLIN SHOP in existence on the effective date of termination of this Agreement or in any entity which is granting franchises, licenses or entering into joint venture relationships for the operation of Competitive Businesses. In the event that FRANCHISEE engages in the activities prohibited in this Section in violation of said covenant, said two (2)-year period of non-competition shall extend beyond the two (2)-year anniversary date of termination or expiration of this Agreement for a period of time equal to the duration of FRANCHISEE's competition in violation of said covenant, but only to the extent necessary to ensure that FRANCHISEE refrains from competition for a full two (2)-year period and no longer. In the event the COMPANY seeks an injunction in court or in arbitration to enforce the covenant not to compete, the time period during which competition is restrained shall not begin to run until the earlier of: (i) the date the COMPANY obtains said injunction, or (ii) the date FRANCHISEE begins to comply with the covenant not to compete.

F. ENFORCEMENT OF COVENANTS NOT TO COMPETE

FRANCHISEE acknowledges that violation of the covenants not to compete contained in this Agreement, including those set forth in Section 9, would result in immediate and irreparable injury to the COMPANY for which no adequate remedy at law will be available. Accordingly, FRANCHISEE hereby consents to the entry of an injunction prohibiting any conduct by FRANCHISEE in violation of the terms of the covenants not to compete set forth in this Agreement. FRANCHISEE expressly agrees that it may conclusively be presumed that any violation of the terms of said covenants not to compete was accomplished by and through FRANCHISEE's unlawful utilization of the COMPANY's Confidential Information. Further, FRANCHISEE expressly agrees that the existence of any claims FRANCHISEE may have against the COMPANY, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by the COMPANY of the covenants not to compete set forth in this Agreement.

G. CONTINUING OBLIGATIONS

All obligations of the COMPANY and FRANCHISEE which expressly or by their nature survive the expiration or termination of the Franchise shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement and until they are satisfied in full or by their nature expire.

16. ASSIGNMENT, TRANSFER AND ENCUMBRANCE

A. BY THE COMPANY

This Agreement is fully assignable by the COMPANY and shall inure to the benefit of any assignee or other legal successor to the interest of the COMPANY herein.

B. FRANCHISEE MAY NOT ASSIGN WITHOUT APPROVAL OF THE COMPANY

The Franchise is personal to FRANCHISEE and its Owners and neither the Franchise (except as hereinafter provided with respect to assignment to a partnership or corporation) nor any part or all of the ownership of FRANCHISEE or the SHOP may be voluntarily, involuntarily, directly or indirectly assigned, subdivided, subfranchised or otherwise transferred by FRANCHISEE or its Owners (including, without limitation, in the event of the death of FRANCHISEE or an Owner of FRANCHISEE, by will, declaration of or transfer in trust or the laws of intestate succession) without the prior written approval of the COMPANY, and any such assignment or transfer without such approval shall constitute a breach hereof. The COMPANY may impose such conditions on its approval as it deems appropriate, including a requirement that the transferee or his manager attend and successfully complete training prior to such transfer or that FRANCHISEE or its transferring Owners execute covenants against competition agreeing to be bound by the restrictions of Section 15.E of this Agreement. FRANCHISEE shall not pledge or encumber the Franchise. FRANCHISEE may pledge or encumber assets of the SHOP owned by FRANCHISEE, provided that the terms and conditions of such pledge or encumbrance are first approved in writing by the COMPANY. If FRANCHISEE is in full compliance with this Agreement, the COMPANY shall not unreasonably withhold its approval of an assignment or transfer to proposed assignees or transferees who are of good moral character, have sufficient business experience and financial resources, otherwise meet the COMPANY's then applicable standards for franchisees, are willing to assume all obligations of FRANCHISEE hereunder and to execute and be bound by all provisions of the COMPANY's then current form of standard franchise agreement, which shall provide for the same royalty fee and Marketing Fund contribution provided hereunder and a term equal to the remaining term of the Franchise. The COMPANY shall not charge such assignee an initial franchise fee for the Franchise, but will charge FRANCHISEE a transfer fee of Nine Thousand Dollars ($9,000). The COMPANY shall have the right to require FRANCHISEE and its Owners to execute a general release of all claims against the COMPANY as a condition of the assignment of the Franchise or ownership of FRANCHISEE, as well as a condition of the release of FRANCHISEE and its Owners from liability hereunder.

C. ASSIGNMENT TO PARTNERSHIP OR CORPORATION

The Franchise may be assigned to a partnership or corporation which conducts no business other than the SHOP (and other SHOPS under franchise agreements with the COMPANY), which is actively managed by FRANCHISEE and in which FRANCHISEE owns and controls not less than fifty-one percent (51%) of the general partnership interest or the equity and voting power, provided that all partners or shareholders shall execute an assignment agreement in form approved by the COMPANY undertaking to be bound jointly and severally by all provisions of this Agreement, and all issued and outstanding stock certificates of such corporation shall bear a legend reflecting or referring to the restrictions of Section 16.B.

D. DEATH OR DISABILITY OF FRANCHISEE

If FRANCHISEE or any Owner dies or becomes permanently disabled, the executor, administrator, conservator, or other personal representative of that person must, in addition to appointing a manager for the SHOP, as set forth in Section 6.L above, transfer its or his interest to a third party (whom the COMPANY approves) within a reasonable time (not to exceed six (6) months), from the date of death or

permanent disability. The transfer will be subject to all the terms and conditions described in Section 16.B except that the COMPANY will not have a right of first refusal to purchase the interest unless the transfer is for consideration.

E. THE COMPANY'S RIGHT OF FIRST REFUSAL

If FRANCHISEE or its Owners shall at any time determine to sell the SHOP or an ownership interest in FRANCHISEE and if FRANCHISEE or its Owners receives a bona fide, executed written offer from a responsible and fully disclosed purchaser, then FRANCHISEE or its Owners shall submit an exact copy of such offer to the COMPANY, and the COMPANY shall, for a period of thirty (30) days from the date of delivery of such offer to the COMPANY, have the right, exercisable by written notice to FRANCHISEE or its Owners, to purchase the SHOP or such ownership interest for the price and on the terms and conditions contained in such offer, provided that the COMPANY may substitute cash for any form of payment proposed in such offer. If the COMPANY does not exercise its right of first refusal, FRANCHISEE or its Owners may complete the sale of the SHOP or such ownership interest to such purchaser, subject to the COMPANY's approval of the purchaser as provided in Paragraph B of this Section 16, provided that if the sale to such purchaser is not completed within one hundred twenty (120) days after delivery of such offer to the COMPANY, or if there is a change in the terms and conditions of the offer, the COMPANY shall again have the right of first refusal herein provided. Notwithstanding any language to the contrary, neither the COMPANY nor its assignee will exercise its right of first refusal for any partial transfer of the franchised business.

17. ENFORCEMENT

A. JUDICIAL ENFORCEMENT, INJUNCTION AND SPECIFIC PERFORMANCE

The COMPANY shall be entitled to the entry by a court of temporary and permanent injunctions and orders of specific performance without bond enforcing the provisions of this Agreement relating to FRANCHISEE's use of the Marks or protection of Confidential Information, the obligations of FRANCHISEE under Sections 7, 8, 9 and 11 or upon termination or expiration of this Agreement and assignment of the Franchise and ownership interests in FRANCHISEE and to prohibit any act or omission by FRANCHISEE, the SHOP or employees of the SHOP that constitutes a violation of any applicable law, ordinance or regulation, is dishonest or misleading to customers or prospective customers of the SHOP or other SHOPS, constitutes a danger to employees or customers of the SHOP or to the public, or may impair the goodwill associated with the Marks and SHOPS. If the COMPANY secures any such injunction or order of specific performance, FRANCHISEE agrees to pay to the COMPANY an amount equal to the aggregate of its costs of obtaining such relief, including, without limitation, reasonable attorneys' and expert witness' fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, and any damages incurred by the COMPANY as a result of the breach of any such provision.

B. ARBITRATION

Except insofar as the COMPANY elects to enforce this Agreement by judicial process, injunction or specific performance as herein above provided, all disputes and claims relating to any provisions hereof, any specification, standard or operating procedure or any other obligation of FRANCHISEE prescribed by the COMPANY, or any obligation of the COMPANY, or the alleged breach thereof (including, without limitation, any claim that this Agreement, any provision thereof, any specification, standard or operating procedure or any other obligation of FRANCHISEE or the COMPANY, is illegal or otherwise unenforceable or voidable under any law, ordinance or ruling) shall be settled by arbitration at the COMPANY's principal place of business, under the United States Arbitration Act (9 U.S.C. Sections 1 et seq.), if applicable, and the Rules of the American Arbitration Association (relating to the arbitration of

disputes arising under arbitration), provided that the arbitrator shall award, or include in his or her award, the specific performance of this Agreement unless he or she determines that performance is impossible and shall award attorneys' fees and costs of arbitration to the prevailing party. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof or of the COMPANY or FRANCHISEE. The COMPANY and FRANCHISEE further agree to be bound by any statute of limitations which would otherwise be applicable to the controversy, dispute or claim being arbitrated subject to the provisions of Section 17.J below. During the pendency of an arbitration proceeding hereunder, FRANCHISEE and the COMPANY shall fully perform this Agreement.

C. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required hereunder or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by the COMPANY is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the notice requirements hereof, or such invalid or unenforceable provision, specification, standard or operating procedure shall be modified to the extent required only in such jurisdiction and shall be enforced as originally made and entered into in all other jurisdictions.

D. WAIVER OF OBLIGATIONS

FRANCHISEE or the COMPANY may, in writing, unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or such other effective date stated in the notice of waiver. Any waiver the COMPANY grants will be without prejudice to any other rights the COMPANY may have, will be subject to the COMPANY's continuing review, and may be revoked, in the COMPANY's sole discretion, at any time and for any reason, effective upon the COMPANY's delivery after ten (10) days' prior written notice to FRANCHISEE. Neither FRANCHISEE nor the COMPANY will be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition, and covenant of this Agreement, or to declare any breach thereof to be a default and to terminate the Franchise prior to the expiration of its term), by virtue of any custom or practice of the parties at variance with the terms of this Agreement; any failure, refusal, or neglect of either FRANCHISEE or the COMPANY to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement, including, without limitation, any mandatory specification, standard, or operating procedure; any waiver, forbearance, delay, failure, or omission of the COMPANY's to exercise any right, power, or option, whether of the same, similar or different nature, with respect to any other SHOP; or the COMPANY's acceptance of any payments from FRANCHISEE after FRANCHISEE's breach of this Agreement.

E. FRANCHISEE MAY NOT WITHHOLD PAYMENTS DUE THE COMPANY

FRANCHISEE agrees that he will not, on grounds of the alleged nonperformance by the COMPANY of any of its obligations hereunder, withhold payment of any royalty fees, Marketing Fund contributions, regional advertising reimbursements, amounts due to the COMPANY for products purchased by FRANCHISEE, or any other amounts due the COMPANY. All such claims by FRANCHISEE, if not otherwise resolved by the COMPANY and FRANCHISEE, shall be resolved pursuant to the provisions of Section 17.B.

F. RIGHTS OF PARTIES ARE CUMULATIVE

The rights of the COMPANY and FRANCHISEE hereunder are cumulative and exercise or enforcement by the COMPANY or FRANCHISEE of any right or remedy hereunder shall not preclude the exercise or enforcement by the COMPANY or FRANCHISEE of any other right or remedy hereunder or which the COMPANY or FRANCHISEE is entitled by law to enforce.

G. GOVERNING LAW/CONSENT TO JURISDICTION

Except to the extent governed by the United States Trademark Act of 1946, as amended (Langham Act, 15 U.S.C. Section 1051 et seq.) and the United States Arbitration Act, this Agreement and the Franchise shall be governed by the laws of North Carolina without regard to its conflict of law rules, provided the foregoing does not constitute a waiver of FRANCHISEE's rights under any applicable franchise registration and disclosure or franchise relationship law of another state. FRANCHISEE further agrees that the COMPANY may institute any action against FRANCHISEE and its Owners to enforce the arbitration provisions of this Agreement or on causes of action which are not to be arbitrated in any state or federal court of general jurisdiction in the State of North Carolina, and FRANCHISEE and its Owners hereby irrevocably submit to the jurisdiction of such courts and waive any objection they may have to either the jurisdiction or venue of such courts.

H. BINDING EFFECT

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. This Agreement may not be amended or modified except by a written agreement signed by both the COMPANY and FRANCHISEE.

I. CONSTRUCTION

The recitals are a part of this Agreement. This Agreement and all Exhibits to this Agreement constitute the entire agreement of the parties and, with the exception of a lease or sublease for the premises of the SHOP or a SHOP development agreement between the COMPANY, or its affiliates and FRANCHISEE, there are no other oral or written understandings or agreements between the COMPANY and FRANCHISEE relating to the subject matter of this Agreement. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations the COMPANY made in the Franchise Disclosure Document that the COMPANY furnished to FRANCHISEE. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit or construe the contents of such sections or paragraphs. The term "FRANCHISEE" as used herein is applicable to one or more persons, a corporation, limited liability company or a partnership, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. References to "FRANCHISEE," "assignees" and "transferees" shall mean and include the principal owner or owners of the equity or operating control of FRANCHISEE or any such assignee or transferee if FRANCHISEE or such assignee or transferee is a corporation or partnership.

J. LIMITATIONS OF CLAIMS

Except for claims against FRANCHISEE concerning the under-reporting of gross revenues or Net Revenues or involving the non-payment of any sums due hereunder by FRANCHISEE, any and all claims arising out of or relating to this Agreement or the relationship among the parties hereto shall be barred unless an action or legal or arbitration proceeding is commenced within one (1) year from the date FRANCHISEE or the COMPANY knows of the facts giving rise to such claims.

18. INDEPENDENT CONTRACTORS/INDEMNIFICATION

FRANCHISEE is an independent contractor. Nothing in this Agreement is intended to or does in fact or law make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose. This Agreement does not create a fiduciary relationship between the parties. Further, the COMPANY and FRANCHISEE are not and do not intend to be partners, associates, or joint employers in any way, and the COMPANY shall not be construed to be jointly liable for any of FRANCHISEE's acts or omissions under any circumstances. Although the COMPANY retains the right to establish and modify the System that FRANCHISEE must follow, FRANCHISEE retains the responsibility for the day-to-day management and operation of the SHOP and implementing and maintaining standards at the SHOP. To the extent that the Operations Manual or the COMPANY's guidelines or standards contain employee-related policies or procedures that might apply to FRANCHISEE's employees, those policies and procedures are provided for informational purposes only and do not represent mandatory policies and procedures to be implemented by FRANCHISEE. FRANCHISEE must determine to what extent, if any, these policies and procedures may be applicable to FRANCHISEE's operations at the SHOP. The COMPANY and FRANCHISEE recognize that the COMPANY neither dictates nor controls labor or employment matters for franchisees and that FRANCHISEE, and not the COMPANY, is solely responsible for dictating the terms and conditions of employment for FRANCHISEE's employees, including, but not limited to, training, wages, benefits, promotions, hirings and firings, vacations, safety, work schedules, and specific tasks. The COMPANY has no relationship with FRANCHISEE's employees, and FRANCHISEE has no relationship with the COMPANY's employees.

FRANCHISEE shall conspicuously identify himself at the Premises of the SHOP and in all dealings with suppliers, clients, customers, public officials and other third parties as the owner of the SHOP. Neither the COMPANY nor FRANCHISEE shall make any agreements or representations in the name of or on behalf of the other or that their relationship is other than that of franchisor and franchisee, and neither the COMPANY nor FRANCHISEE shall be obligated by or have any liability under any agreements or representations made by the other party hereto that are not expressly authorized hereunder, nor shall the COMPANY be obligated for any damages to any person or property directly or indirectly arising out of the operation of the SHOP, or out of FRANCHISEE's business conducted pursuant to the Franchise, whether caused by FRANCHISEE's negligent or willful action or failure to act. The COMPANY shall have no liability for any sales, use, excise, income, property or other taxes levied upon the SHOP or its assets or in connection with the services performed, sales made or business conducted by the SHOP.

From and after the date of this Agreement, FRANCHISEE and its Owners, jointly and severally, shall indemnify the COMPANY and its affiliates and their respective officers, directors, stockholders, members, managers, partners, employees, agents, attorneys, contractors, legal predecessors, legal successors, and assigns of each of the forgoing entities/individuals (in their corporate and individual capacities) (collectively, all such individuals and entities are referred to herein as the "Company Indemnitees") and hold the Company Indemnitees harmless to the fullest extent permitted by applicable laws, from any and all Losses and Expenses incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether it is reduced to judgment) or any settlement thereof which arises directly or indirectly from, or as a result of, a claim of a third party in connection with the selection, development, ownership, operation or closing of the SHOP, including the failure of FRANCHISEE to perform any covenant or agreement under this Agreement or any activities of FRANCHISEE on or after the date of this Agreement, or any claims by any employee of FRANCHISEE arising out of or relating to his or her employment with FRANCHISEE (collectively, "Event"), and regardless of whether it resulted from any strict or vicarious liability imposed by law on the Company Indemnitees; provided, however, that this indemnity will not apply to any liability arising from a breach of this Agreement by any of the Company Indemnitees or the gross negligence or willful acts of any of the Company Indemnitees (except to the extent that joint liability is involved, in which

event the indemnification provided herein will extend to any finding of comparative or contributory negligence attributable to FRANCHISEE). "Losses and Expenses" means losses, liabilities, claims, penalties, damages (compensatory, exemplary, and punitive), fines, payments, attorneys' fees, experts' fees, court costs, costs associated with investigating and defending against claims, settlement amounts, judgments, assessments, compromises, compensation for damages to the COMPANY's reputation and goodwill, and all other costs associated with any of the foregoing losses and expenses.

Promptly after the receipt by any Company Indemnitee of notice of the commencement of any action against such Company Indemnitee by a third party (such action, a "Third-Party Claim"), the Company Indemnitee will, if a claim with respect thereto is to be made for indemnification pursuant to this Section 18 give a claim notice to FRANCHISEE with respect to such Third-Party Claim. No delay or failure on the part of the Company Indemnitee in so notifying FRANCHISEE will limit any liability or obligation for indemnification pursuant to this Section 18, except to the extent of any material prejudice to FRANCHISEE with respect to such claim caused by or arising out of such delay or failure. The COMPANY will have the right to assume control of the defense of such Third-Party Claim, and FRANCHISEE and its Owners will be responsible for the costs incurred in connection with the defense of such Third-Party Claim. FRANCHISEE and its Owners will furnish the COMPANY with such information as it may have with respect to such Third-Party Claim (including copies of any summons, complaint or other pleading which may have been served on such party and any written claim, demand, invoice, billing or other document evidencing or asserting the same) and will otherwise cooperate with and assist the COMPANY in the defense of such Third-Party Claim. The fees and expenses of counsel incurred by the COMPANY will be considered Losses and Expenses for purposes of this Agreement. The COMPANY may as it deems necessary and appropriate take such actions to take remedial or corrective action with respect thereof as may be, in the COMPANY's reasonable discretion, necessary for the protection of the Company Indemnitees or MERLIN SHOPS generally. The COMPANY will not agree to any settlement of, or the entry of any judgment arising from, any Third-Party Claim without the prior written consent of FRANCHISEE and its Owners, which will not be unreasonably withheld, conditioned or delayed. Any settlement or compromise of any Third-Party Claim must include a written release from liability of such claim for all Company Indemnitees. The indemnity in this Section 18 will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

19. NOTICES AND PAYMENTS

All notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Operations Manual shall be made in writing and shall be deemed delivered at the time personally delivered, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. All payments and reports required by this Agreement shall be directed to the COMPANY at the address the COMPANY notifies FRANCHISEE of from time to time, or to such other persons and places as the COMPANY directs from time to time. If the COMPANY does not receive any required payment or report during regular business hours on the date due (or postmarked by postal authorities at least two (2) days prior to the date due), the payment or report will be deemed delinquent.

20. MISCELLANEOUS

A. ACKNOWLEDGMENTS

THE FOLLOWING ACKNOWLEDGMENTS ARE MADE BY AND BINDING UPON ALL FRANCHISEES SIGNING THIS AGREEMENT, EXCEPT THOSE FRANCHISEES AND

FRANCHISES THAT ARE SUBJECT TO THE STATE FRANCHISE REGISTRATION/DISCLOSURE LAWS IN CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN:

FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS READ THIS AGREEMENT AND THE COMPANY'S FRANCHISE DISCLOSURE DOCUMENT AND THAT FRANCHISEE HAS HAD THE OPPORTUNITY TO EVALUATE THIS AGREEMENT AND BE ADVISED BY COUNSEL WITH RESPECT TO FRANCHISEE'S RIGHTS AND OBLIGATIONS UNDER THIS AGREEMENT. FRANCHISEE FURTHER ACKNOWLEDGES THAT FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT. FRANCHISEE RECOGNIZES THAT THIS VENTURE INVOLVES BUSINESS RISKS AND THAT THE SUCCESS OF THE VENTURE IS LARGELY DEPENDENT UPON FRANCHISEE'S BUSINESS ABILITIES. FRANCHISEE FURTHER REPRESENTS TO THE COMPANY, AS AN INDUCEMENT TO THE COMPANY'S ENTRY INTO THIS AGREEMENT, THAT FRANCHISEE HAS MADE NO MISREPRESENTATIONS IN OBTAINING THIS FRANCHISE.

B. REPRESENTATIONS

FRANCHISEE UNDERSTANDS AND ACCEPTS THE TERMS, CONDITIONS, AND COVENANTS CONTAINED IN THIS AGREEMENT AS BEING REASONABLY NECESSARY TO MAINTAIN THE COMPANY'S HIGH STANDARDS OF QUALITY AND SERVICE AND THE UNIFORMITY OF THOSE STANDARDS AT ALL SHOPS IN ORDER TO PROTECT AND PRESERVE THE GOODWILL OF THE MARKS AND THE COMPANY'S SYSTEM. FRANCHISEE ACKNOWLEDGES THAT IN ALL DEALINGS WITH FRANCHISEE, THE COMPANY'S OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS ACT ONLY IN A REPRESENTATIVE CAPACITY AND NOT IN AN INDIVIDUAL CAPACITY.

C. THE COMPANY'S AND ITS AFFILIATES' RIGHT TO DERIVE REVENUE

The COMPANY and/or its affiliates may derive revenue based on FRANCHISEE's purchases and leases, including, but not limited to, from charging FRANCHISEE (at prices exceeding its and their costs) for services and products that the COMPANY or its affiliates sell FRANCHISEE and from promotional allowances, rebates, volume discounts, and other amounts paid to the COMPANY and its affiliates by suppliers that the COMPANY designates, approves, or recommends for some or all of the COMPANY's franchisees. The COMPANY and its affiliates may use all amounts received from suppliers, whether or not based on FRANCHISEE's and other franchisees' prospective or actual dealings with them, without restriction for any purposes that the COMPANY and its affiliates deem appropriate.

D. NO RECOURSE

FRANCHISEE acknowledges and agrees that except as provided under an express statutory liability for such conduct, none of the COMPANY's past, present or future directors, officers, employees, incorporators, members, partners, stockholders, subsidiaries, affiliates, controlling parties, entities under common control, ownership or management, vendors, service providers, agents, attorneys or representatives will have any liability for (a) any of the COMPANY's obligations or liabilities relating to or arising from this Agreement, (b) any claim against the COMPANY based on, in respect of, or by reason of, the relationship between FRANCHISEE and the COMPANY, or (c) any claim against the COMPANY based on any of the COMPANY's alleged unlawful act or omission. For the avoidance of doubt, this provision constitutes an express waiver of any claims based on a theory of vicarious liability, unless such

vicarious claims are authorized by a guarantee of performance or statutory obligation. It is not meant to bar any direct contractual, statutory or common law claim that would otherwise exist.

E. NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgement signed or agreed to by 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 the COMPANY, any franchise seller, or any other person acting on behalf of the COMPANY. This provision supersedes any other term of any document executed in connection with the franchise.

21. FRANCHISEE'S DEFAULTS FOR WHICH MONETARY PENALTIES ARE IMPOSED

If FRANCHISEE commits any of the defaults described in this Section 21, the COMPANY may impose monetary penalties on FRANCHISEE, in addition to any other remedies set forth in this Agreement. The imposition of a penalty in no manner limits the COMPANY's right to exercise any other remedy available under this Agreement or in law.

A. FAILURE TO REPORT SALES

FRANCHISEE shall pay the COMPANY a penalty of One Hundred Dollars ($100) per day, from the date performance is due, up through and including the day the default is cured, if FRANCHISEE fails to furnish reports set forth in Section 11.B(l) by the stated deadline.

B. FAILURE TO PAY ROYALTY FEES OR MARKETING FUND CONTRIBUTION

FRANCHISEE shall pay the COMPANY a penalty of One Hundred Dollars ($100) per day, from the date performance is due, up through and including the day the default is cured, if FRANCHISEE fails to pay royalty fees or Marketing Fund contributions when due.

C. FAILURE TO MAINTAIN STANDARDS

FRANCHISEE shall pay the COMPANY a penalty of One Hundred Dollars ($100) per day for each and every day that FRANCHISEE fails to maintain the minimum standards and policies of the COMPANY, or otherwise is in violation of any obligation set forth in Section 6 (exclusive of Section 6.N, which has specified a specific fine of Two Thousand Five Hundred Dollars ($2,500)).

D. FAILURE TO FURNISH FINANCIAL STATEMENTS

FRANCHISEE shall pay the COMPANY a penalty of Twenty-Five Dollars ($25) per day, from the date performance is due, up through and including the day the default is cured, if FRANCHISEE fails to furnish the COMPANY the returns, reports, and financial statements required under Sections 11.B(2), 11.B(3) or 11.B(4).

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date stated on the first page hereof.

FRANCHISEE
If a corporation, limited liability company or partnership:

_____
a _____
(Name of corporation, limited liability company or partnership)

By:_____

Print Name:_____
Title:_____

If individuals:

_____
(Signature)

_____
(Print Name)

_____
(Signature)

_____
(Print Name)

MERLIN FRANCHISOR SPV LLC

By:_____
Print Name:_____
Title:_____

EXHIBIT 1

MARKET AREA

The "Market Area" is: _____

_____

FRANCHISEE
If a corporation, limited liability company or partnership:

_____
a _____
(Name of corporation, limited liability company or partnership)

By: _____

Print Name: _____
Title: _____

If individuals:

_____
(Signature)

_____
(Print Name)

_____
(Signature)

_____
(Print Name)

MERLIN FRANCHISOR SPV LLC

By: _____
Print Name: _____
Title: _____

EXHIBIT 2

PREMISES

The "Premises" of the SHOP shall be as follows:

A _____ (__)-Bay Automotive Service Facility located at: _____

_____

_____

FRANCHISEE
If a corporation, limited liability company or partnership:

_____
a _____
(Name of corporation, limited liability company or partnership)

By:_____

Print Name:_____
Title:_____

If individuals:

_____
(Signature)

_____
(Print Name)

_____
(Signature)

_____
(Print Name)

MERLIN FRANCHISOR SPV LLC

By:_____
Print Name:_____
Title:_____

OWNER'S GUARANTY

In consideration of, and as an inducement to, the execution of the Franchise Agreement dated _____ (the "Agreement") by MERLIN FRANCHISOR SPV LLC (the "COMPANY"), each of the undersigned, who will derive direct financial benefits from the Agreement, hereby personally and unconditionally (1) guarantee to COMPANY and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("FRANCHISEE") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (2) agree to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement. Each of the undersigned waives:

(1) acceptance and notice by the COMPANY of the foregoing undertakings;

(2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;

(3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

(4) any right he may have to require that an action be brought against FRANCHISEE or any other person as a condition of liability;

(5) any and all notices and legal or equitable defenses to which he may be entitled; and

(6) any defense based upon the COMPANY's failure to accept or refund any payment by reason of assertion of any claim.

Each of the undersigned consents and agrees that:

(1) his direct and immediate liability under this Owner's Guaranty shall be joint and several and shall not be affected by any circumstance which might constitute a legal or equitable defense or discharge of any guarantee of guarantor;

(2) he shall render any payment or performance required under the Agreement upon demand if FRANCHISEE fails or refuses punctually to do so;

(3) such liability shall not be contingent or conditioned upon pursuit by the COMPANY of any remedies against FRANCHISEE or any other person; and

(4) such liability shall not be diminished, relieved or otherwise affected by any amendment or waiver of the Agreement, any extension of time, credit or other indulgence which the COMPANY may from time to time grant to FRANCHISEE or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Owner's Guaranty, which shall be continuing and irrevocable during the term of the Agreement.

This Owner's Guaranty shall survive the death of the undersigned, be binding upon the heirs, executors, administrators, successors and assigns of the undersigned, and inure to the benefit of the

successors and assigns of the COMPANY. This Owner's Guaranty shall be governed and construed under the laws of North Carolina.

The undersigned further agree to pay all expenses of the COMPANY, including, without limitation, reasonable attorneys' fees and costs incurred by the COMPANY, in its endeavors to collect on or enforce this Owner's Guaranty.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

WITNESS:	FRANCHISEE:
By: _____	By: _____
Print Name: _____	as: an individual

EXHIBIT B

LIST OF CURRENT AND FORMER FRANCHISEES

LIST OF FRANCHISED MERLIN SHOPS
AS OF DECEMBER 31, 2022 (24)

GEORGIA (1)

Number	Franchisee Entity	Franchisee Name	Address	City	State	Zip Code	Telephone
4662-01	N/A	Mitesh Patel	280 N. Glynn St.	Fayetteville	GA	30214	678/817-0068

ILLINOIS (20)

Number	Franchisee Entity	Franchisee Name	Address	City	State	Zip Code	Telephone
4648	RK Jenlor, Inc.	Ron Gorecki	101 Sandbloom Rd.	Algonquin	IL	60102	847/854-7100
4689-01	MOHAQ Auto Inc.	Mohammed Haq	2480 S. Eola Rd.	Aurora	IL	60503	630/907-7837
4659-03	TJ Auto Group, Inc.	Josh Borgstrom	162 Independence Dr.	Batavia	IL	60510	630/761-1155
4658-03	MNM Automotive Inc.	Mitesh Patel	265 S. Bolingbrook Drive	Bolingbrook	IL	60440	630-378-0288
4672-01	NEXTGEN Auto Inc.	Nilay Patel	852 W. Army Trail Road	Carol Stream	IL	60188	630/581-7921
4625	N/A	Luis Olmos	8 S. Western Ave.	Carpentersville	IL	60110	847/428-5330
4674	PJ Automotive, Inc.	Jeff Strauss	534 W. Northwest Hwy.	Cary	IL	60013	847/462-8966
4663-02	TJ Auto Group, Inc.	Josh Borgstrom	1812 Sycamore Rd.	Dekalb	IL	60115	815/748-5411
4667-02	N/A	Kenny Reese	927 E. Washington St.	East Peoria	IL	61611	309/694-7200
4655-01	NOELJMM Inc.	Luis Olmos	350 S. Randall Rd.	Elgin	IL	60123	847/622-0055
4626	N/A	Mitesh Patel	603 Meacham Rd.	Elk Grove Village	IL	60007	847/891-4133
4665	S&Q Technologies, Inc.	Muffazal Simba	600 E. North Ave.	Glendale Heights	IL	60139	630/469-9776
4601	LAXMI Automotive Enterprises, Inc.	Arunkumar Patel	1680 W. Irving Park Rd.	Hanover Park	IL	60133	630/289-5656
4669-03	TJ Auto Group, Inc.	Josh Borgstrom	5590 E. Riverside Blvd.	Loves Park	IL	61111	815/877-5577
4652-01	N/A	Mitesh Patel	3926 W. Elm St.	McHenry	IL	60050	815/344-1118

Number	Franchisee Entity	Franchisee Name	Address	City	State	Zip Code	Telephone
4649-01	MNM Downers Grove, Inc.	Mitesh Patel	202 Gensis Way	North Aurora	IL	60542	630/495-2750
4673	JCJ Automotive, Inc.	John Mieczkowski	16007 S. Rt. 59, Unit 100	Plainfield	IL	60586	815/609-9070
4680	JLKK, Inc.	Jason Powell	14120 S. Rt. 30	Plainfield	IL	60544	815/439-9200
4651-03	SAQ Automotive Corp.	Simba Muffazal	1606 N. Main St.	Wheaton	IL	60187	630/871-9800
4684-02	TJ Auto Group, Inc.	Josh Borgstrom	1216 Davis Rd.	Woodstock	IL	60098	815/337-1200

MINNESOTA (1)

Number	Franchisee Entity	Franchisee Name	Address	City	State	Zip Code	Telephone
New License 4968	MERLINMN001, LLC	Steve Johnson	13476 Hanson Boulevard, NW	Andover	MN	55304	763/755-4460

TEXAS (1)

Number	Franchisee Entity	Franchisee Name	Address	City	State	Zip Code	Telephone
New License 4973	IMD WIZ	Jos Selig	1224 Southwest Military Drive	San Antonio	TX	78221	210/688-5888

WISCONSIN (1)

Number	Franchisee Entity	Franchisee Name	Address	City	State	Zip Code	Telephone
4671	Double Decker Automotive, Inc.	Mike Decker	8601 75th St.	Kenosha	WI	53142	262/694-1299

FRANCHISE AGREEMENT SIGNED BUT MERLIN SHOP NOT YET OPEN AS OF DECEMBER 31, 2022

Franchisee Name	City	State	Telephone
Steve Johnson	Minneapolis	MN	651/398-7650
Dildar Singh & Satwant Kaur	Charlotte	NC	269/290-4258
Dildar Singh & Satwant Kaur	Charlotte	NC	269/290-4258
LAVAGIO Enterprises LLC	Milwaukee	WI	630/926-8119

FRANCHISEES WHO HAVE LEFT THE SYSTEM DURING 2022

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

Number	Franchisee Entity	Franchisee Name	City	State	Zip Code	Telephone	Reason
4676	Magic Wrench Inc.	Donald J. Hankes	Fox Lake	IL	60020	847/271-6285	Abandonment
4645	Ronlor Enterprises, Inc.	Ron Thomas	Naperville	IL	60563	630/357-6300	Terminated

FRANCHISEES WHO HAVE TRANSFERRED THEIR LOCATIONS DURING 2022

Number	Franchisee Entity	Franchisee Name	City	State	Zip Code	Telephone
4659-02	MTS Holding Corporation	Mitesh Patel	Batavia	IL	60510	847/530-7938
4663-01	MTS Holding Corporation	Mitesh Patel	Dekalb	IL	60115	847/530-7938
4669-01	MTS Holding Corporation	Mitesh Patel	Loves Park	IL	61111	847/530-7938
4651-02	MNM Automotive Inc.	Mitesh Patel	Wheaton	IL	60187	847/530-7938
4687	LMW Corporation	Timothy Williams	Woodstock	IL	60098	847/477-9910

EXHIBIT C

MERLIN SHOP
FRANCHISE DISCLOSURE QUESTIONNAIRE

THIS DOCUMENT SHALL NOT BE SIGNED BY APPLICANT, AND WILL NOT APPLY, IF THE OFFER OR SALE OF THE FRANCHISE IS SUBJECT TO THE STATE FRANCHISE REGISTRATION/DISCLOSURE LAWS IN THE STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.

IF THE FRANCHISE IS TO BE OPERATED IN, OR YOU ARE A RESIDENT OF, CALIFORNIA OR MARYLAND, DO NOT SIGN THIS DOCUMENT.

The undersigned ("Applicant") does hereby apply for a franchise for the operation of a MERLIN SHOP to be located in the following general area: _____ (the "Market Area").

Applicant represents and warrants that its responses to the following questions are true as of the date of this Questionnaire:

1. Have you received a complete copy of Company's Franchise Disclosure Document at least 14 business days before the earlier of the date on which you signed the Franchise Agreement or made any payments?

_____Yes _____ No _____ Initials _____ Initials

_____ Initials _____ Initials

2. Has any representative of Company made any promises, agreements, contracts, commitments, representations, "side deals," or granted you any options or rights of first refusal with respect to any matter other than as set forth in Company's Franchise Disclosure Document and exhibits (including the franchise agreement) attached thereto?

_____Yes _____ No _____ Initials _____ Initials

_____ Initials _____ Initials

If you answered "Yes," please explain: _____
_____
_____

3. Has any representative of Company made an oral, written or visual statement, claim or representation, which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise with respect to a MERLIN SHOP franchise which varies in any way from information contained in Company's Franchise Disclosure Document?

_____Yes _____ No _____ Initials _____ Initials

_____ Initials _____ Initials

If you answered "Yes", please explain: _____
_____
_____

4. Has any representative of Company made any oral, written or visual statement, claim or representation which contradicted, expanded upon or was inconsistent with the information contained in Company's Franchise Disclosure Document?

_____Yes _____ No _____ Initials _____ Initials

_____ Initials _____ Initials

If you answered "Yes", please explain: _____
_____
_____

Franchise License to be completed/executed on _____, _____.

This Questionnaire was signed and delivered to Company on _____, _____.

APPLICANTS(S):

X_____ X_____

_____ _____
Print Name Print Name

X_____ X_____

_____ _____
Print Name Print Name

EXHIBIT D

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

STATE AGENCIES/AGENTS
FOR SERVICE OF PROCESS

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

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

CALIFORNIA

Website: www.dfpi.ca.gov
Email: ask.DFPI@dfpi.ca.gov

Commissioner of Department of Financial Protection & Innovation
Department of Financial Protection & Innovation
Toll Free: 1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento

2101 Arena Boulevard
Sacramento, California 95834
(866) 275-2677

San Diego

1455 Frazee Road, Suite 315
San Diego, California 92108
(619) 525-4233

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94104-4428
(415) 972-8559

HAWAII

(for service of process)

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

(for other matters)

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

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

INDIANA

(for service of process)

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

(state agency)

Indiana Secretary of State
Securities Division
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND

(for service of process)

Maryland Securities Commissioner
at the Office of Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(state agency)

Office of the Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
(517) 335-7567

MINNESOTA

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1500

NEW YORK

(for service of process)

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

(Administrator)

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236

NORTH DAKOTA

(for service of process)

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-4712

(state agency)

North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-2910

OREGON

Oregon Division of Financial Regulation
350 Winter Street NE, Suite 410
Salem, Oregon 97301
(503) 378-4140

RHODE ISLAND

Securities Division
Department of Business Regulations
1511 Pontiac Avenue
John O. Pastore Complex-Building 69-1
Cranston, Rhode Island 02920
(401) 462-9500

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

(for service of process)

Clerk, State Corporation Commission
1300 East Main Street
First Floor
Richmond, Virginia 23219
(804) 371-9733

(for other matters)

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

WASHINGTON

(for service of process)

Director Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501
(360) 902-8760

(for other matters)

Department of Financial Institutions
Securities Division
P. O. Box 9033
Olympia, Washington 98501-9033
(360) 902-8760

WISCONSIN

(for service of process)

Administrator, Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-2139

(state administrator)

Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-9555

EXHIBIT E

FINANCIAL STATEMENTS

DRIVEN SYSTEMS LLC

Consolidated Financial Statements and Report of Independent Auditors

Driven Systems LLC and Subsidiaries

For the years ended
December 31, 2022, December 25, 2021, and
December 26, 2020

Table of contents

Report of Independent Auditors

To the Management and Board of Directors
Driven Systems LLC

Opinion

We have audited the accompanying consolidated financial statements of Driven Systems LLC and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2022, and the related statement of income, statement of comprehensive income, statement of shareholders' equity, and statement of cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its 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 (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements of the Company as of December 25, 2021 and as of December 26, 2020, and for the years then ended were audited by other auditors whose report, dated May 23, 2022, expressed an unmodified opinion on those statements.

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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the 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 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

PricewaterhouseCoopers LLP

Charlotte, North Carolina
June 2, 2023

DRIVEN SYSTEMS LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands)	December 31, 2022	December 25, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 1,000	$ 1,000
Accounts and notes receivable, net	7,028	9,743
Total current assets	8,028	10,743
Notes receivable, net	454	91
Intangible assets, net	488,626	500,695
Goodwill	19,390	19,390
Total assets	$ 516,498	$ 530,919
Liabilities and members' equity		
Current liabilities:		
Deferred franchise revenue	$ 25,682	$ 21,713
Total liabilities	25,682	21,713
Members' equity	490,816	509,206
Total members' equity	490,816	509,206
Total liabilities and members' equity	$ 516,498	$ 530,919

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

DRIVEN SYSTEMS LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands)	For the years ended December 31, 2022	December 25, 2021	December 26, 2020
Revenue:			
Franchise fee revenue	$ 211,935	$ 173,404	$ 134,239
Other revenue	49,382	35,360	23,276
Total revenue	261,317	208,764	157,515
Costs and expenses:			
Operating expenses	75,834	66,909	62,024
Amortization	8,925	8,925	9,206
Total costs and expenses	84,759	75,834	71,230
Net income	$ 176,558	$ 132,930	$ 86,285

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

DRIVEN SYSTEMS LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

in thousands		
Balance as of December 28, 2019		502,723
Net income		86,285
FUSA contribution		34,317
Deemed distribution to Parent		(99,761)
Balance as of December 26, 2020	$	523,564
Net income		132,930
Deemed distribution to Parent		(147,288)
Balance as of December 25, 2021	$	509,206
Net income		176,558
Deemed distribution to Parent		(194,948)
Balance as of December 31, 2022	$	490,816

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

DRIVEN SYSTEMS LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	For the years ended December 31, 2022	December 25, 2021	December 26, 2020
Net income	$ 176,558	$ 132,930	$ 86,285
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	8,925	8,925	9,206
Other, net	3,144	—	1,800
Changes in assets and liabilities:			
Accounts and notes receivable, net	2,352	(775)	(1,244)
Deferred franchise revenue	3,969	6,208	3,714
Cash provided by operating activities	194,948	147,288	99,761
Cash flows from financing activities:			
Deemed distribution to parent	(194,948)	(147,288)	(99,761)
Cash used in financing activities	(194,948)	(147,288)	(99,761)
Net change in cash	—	—	—
Cash, beginning of period	1,000	1,000	1,000
Cash, end of period	$ 1,000	$ 1,000	$ 1,000
			1,000
Supplemental cash flow disclosures - non-cash items:			
FUSA contribution	$ —	$ —	$ 34,317

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

Note 1—Description of Business

Description of Business

Driven Systems LLC (the "Company") is a single member limited liability company organized in the state of Delaware on June 9, 2015. The Company, together with its subsidiaries, are referred to herein as the "Securitization Entities." The other Securitization Entities include Meineke Franchisor SPV LLC, Maaco Franchisor SPV LLC, Econo Lube Franchisor SPV LLC, Take 5 Franchisor SPV LLC, Drive N Style Franchisor SPV LLC, Merlin Franchisor SPV LLC, 1-800 Radiator Franchisor SPV LLC, CARSTAR Franchisor SPV LLC, FUSA Franchisor SPV LLC and ABRA Franchisor SPV LLC. The Company is a direct, wholly-owned subsidiary of Driven Brands Funding, LLC, ("Driven Funding") which is a direct, wholly-owned subsidiary of Driven Funding Holdco, LLC ("Driven Holdco"), which is a direct, wholly-owned subsidiary of Driven Brands, Inc. (the "Parent"), which is a direct, wholly-owned subsidiary of Driven Holdings, LLC ("Driven Holdings"), which is a direct, wholly-owned subsidiary of Driven Brands Holdings Inc. (the "Ultimate Parent").

As of December 31, 2022, the Parent and its subsidiaries comprised the worldwide operations of Meineke Car Care Centers ("Meineke"), Maaco Collision Repair and Auto Painting ("Maaco"), Merlin's 200,000 Miles shops ("Merlin's"), Pro Oil Change ("Pro Oil"), Take 5 Oil Change ("Take 5"), Econo-Lube N' Tune ("Econo Lube"), 1-800-Radiator & A/C ("Radiator"), Spire Supply, Drive N Style, CARSTAR auto body repair experts ("CARSTAR"), Fix Auto USA ("FUSA") and ABRA Auto Body Repair of America ("ABRA"), (collectively, the "Driven Franchise Brands"). The Driven Franchise Brands develop, operate, franchise and license their individual business systems to provide retail and business-to-business automotive services. Driven Brands, Inc. is also comprised of Automotive Training Institute ("ATI"), Clairus Group ("Clairus"), and Auto Glass Now ("AGN"), which are not contributed to the Securitization Entities. ATI provides automotive business training services to assist shop owners with efficiencies and profitability, and Clairus and AGN are providers of on-demand auto glass, calibration services, and auto appearance services. As of December 31, 2022, the Parent and its subsidiaries encompassed 3,694 units worldwide, with 82% located within the United States and the remainder located in Canada. Approximately 78% of the units were franchised. These financial statements only represent the securitization entities within the United States.

Meineke, Merlin's, Pro Oil, and Econo Lube each provide automotive repair and maintenance services through retail locations. Maaco, CARSTAR, FUSA and ABRA provide auto body repairs and painting services through retail locations. Drive N Style provides automotive appearance services to customers through mobile vans. Radiator provides certain automotive parts to automotive repair stores, automotive parts stores, body shops and service stations. Take 5 is an operator of oil change centers, offering rapid oil changes and light maintenance services within the United States and Canada.

On July 31, 2015, the Parent contributed to the Securitization Entities, through Driven Holdco, Driven Funding, and the Company, substantially all of its U.S. and Canadian intellectual property, trademarks/tradenames, franchise agreements, development agreements, and all rights to develop and expand the Driven Franchise Brands excluding Radiator, CARSTAR, Take 5, and ABRA (collectively, the "Securitization IP") along with certain franchisee notes receivable, collectively the "Managed Assets". The Parent, certain non-securitization Canadian subsidiaries, and the Securitization Entities entered into the Driven Brands License Agreement, Econo Lube License Agreement, Pro Oil Canadian Franchisor License Agreement, Meineke Canadian Franchisor License Agreement and Maaco Canadian Franchisor License Agreement (collectively, the "License Agreements") pursuant to which the Securitization Entities, collectively, granted to Parent (i) a non-exclusive license to use and sublicense to non-Securitization Entities the Securitization IP in connection with owning and operating the company-owned store locations and (ii) an exclusive license to use and sublicense the Securitization IP in connection with other products and services for a royalty varying in amount according to brand and license use.

On April 24, 2018, the Parent contributed to Take 5 Franchisor SPV LLC, CARSTAR Franchisor SPV LLC, and 1-800 Radiator Franchisor SPV LLC through Driven Holdco, Driven Funding, and the Company, substantially all of its U.S. and Canadian intellectual property, trademarks/tradenames, franchise agreements, development agreements, and all rights to develop and expand the franchise brands (collectively, the "Take 5, CARSTAR and Radiator Securitization IPs") along with 1-800 Radiator franchisee note receivables (collectively the "Radiator

Managed Assets"). Take 5 Franchisor SPV LLC was established on April 24, 2018 and the Parent contributed intangible assets at a value of $31 million. The Parent, certain non-securitization subsidiaries, Take 5 Franchisor SPV LLC, CARSTAR Franchisor SPV LLC, and 1-800 Radiator Franchisor SPV LLC entered into the 2018 Amended and Restated Master License Agreement whereby Take 5 Franchisor SPV LLC, CARSTAR Franchisor SPV LLC, and 1-800 Radiator Franchisor SPV granted to Parent (i) a non-exclusive license to use and sublicense to Non-Securitization Entities the Take 5, CARSTAR and Radiator Securitization IPs in connection with an (i) an exclusive license to use and sublicense the Take 5, CARSTAR and Radiator Securitization IPs in connection with other products and services for a royalty varying by brand and licensed use.

On October 4, 2019, the Parent contributed to ABRA Franchisor SPV LLC, through the Company and Driven Brands Funding, LLC, substantially all of its U.S. intellectual property, trademarks/tradenames, franchise agreements, and all rights to develop and expand the ABRA franchise brand (collectively, the "ABRA Securitization IP") at a value of approximately $38 million. The Parent, certain non-securitization subsidiaries, and ABRA Franchisor SPV LLC entered into the 2019 Amended and Restated Master License Agreement whereby ABRA Franchisor SPV LLC granted to Parent an exclusive license to use and sublicense the ABRA Securitization IP in connection with other products and services for a royalty varying by brand and licensed use.

On July 6, 2020, the Parent contributed to FUSA Franchisor SPV LLC, through the Company and Driven Brands Funding, LLC, substantially all of its U.S. intellectual property, trademarks/tradenames, franchise agreements, and all rights to develop and expand the Fix Auto franchise brand (collectively, the "FUSA Securitization IP") at a value of approximately $34 million, which included $19 million of goodwill. The Parent, certain non-securitization subsidiaries, and FUSA Franchisor SPV LLC entered into the 2020 Mondofix License Assignment Agreement whereby FUSA Franchisor SPV LLC was granted an exclusive license to use and sublicense the FUSA Securitization IP in connection with other products and services for a royalty varying by brand and licensed use.

The contributions of the Take 5 Securitization IP, CARSTAR Securitization IP, FUSA Securitization IP, Radiator Securitization IPs, Radiator Managed Assets, ABRA Securitization IP, cash, and franchisee notes receivable are between entities under common control and were recorded at book value. No gain or loss was recognized on the transactions.

The Securitization Entities entered into a Management Agreement dated April 24, 2018, as amended on October 4, 2019 and July 6, 2020 ("the Management Agreement"), which obligates the Parent (the "Manager") to manage and service the Managed Assets, Take 5 Securitization IP, CARSTAR Securitization IP, Radiator Securitization IPs, FUSA Securitization IP, and ABRA Securitization IP as defined in the Management Agreement. The primary responsibilities of the Manager under the Management Agreement include administering collections and otherwise managing the Managed Assets, Take 5 Securitization IP, CARSTAR Securitization IP, Radiator Securitization IPs, FUSA Securitization IP, and ABRA Securitization IP on behalf of the Securitization Entities, and to perform certain franchising, marketing, intellectual property and operation and reporting services on behalf of the Securitization Entities with respect to the Managed Assets. In performing its obligations under the Management Agreement, the Manager acts solely as an independent contractor of the Securitization Entities, except to the extent the Manager is deemed to be an agent of the Securitization Entities by virtue of engaging in franchise sales activities or receiving payments on behalf of the Securitization Entities. In exchange for providing such services, the Manager is entitled to receive certain management fees on a weekly basis.

Note 2—Summary of Significant Accounting Policies

Fiscal Year

The Company operates and reports financial information on a 52 or 53 week year with the fiscal year ending on the last Saturday in December. Our fiscal year ended December 31, 2022 consisted of 53 weeks, and our fiscal years ended December 25, 2021 and December 26, 2020 reflected the results of operations for 52 weeks.

Basis of Presentation

The consolidated financial statements include the accounts of the Securitization Entities. Intercompany accounts and transactions have been eliminated in consolidation. The preparation of financial statements in

conformity with generally accepted accounting principles in the United States ("GAAP") requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, if any, at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates are made in the valuation of notes receivable, intangible assets and goodwill, as well as impairment of intangible assets and goodwill. On an ongoing basis, the Company evaluates its estimates based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from those estimates.

Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and short-term, highly liquid investments with original maturities of three months or less. These investments are carried at cost, which approximates fair value. The Company maintains cash balances in non-interest bearing transaction accounts with various financial institutions, which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250 thousand. Although the Company maintains balances that exceed the federally insured limit, we have not experienced any losses related to this balance, and the Company believes credit risk to be minimal.

Accounts and Notes Receivable

The Company's accounts receivable consists principally of amounts due related to product sales, supply sales, and franchise fees. These receivables are generally due within 30 days of the period in which the corresponding sales occur and are classified as Accounts and notes receivable, net on the consolidated balance sheets. Accounts receivable are reported at their estimated net realizable value.

Notes receivable are primarily from franchisees and relate to financing arrangements for certain past due balances. The notes are typically collateralized by the assets of the franchisee shop with interest rates up to 12%, depending on the level of credit risk and payment terms. Interest income recognized on these notes is included in revenue on the accompanying consolidated statements of operations. The Company places notes receivable on a non-accrual status based on management's determination if it is probable that the principal balance is not expected to be repaid per the contractual terms. When the Company places a note on non-accrual status, interest or fee income ceases to be recognized. Notes receivable are reported at their estimated net realizable value.

Goodwill and Intangible Assets

Goodwill is recorded when the aggregate purchase price of an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Intangible assets resulting from an acquisition are accounted for using the purchase method of accounting and are estimated by management based on the fair value of the assets acquired. The Company's identifiable intangible assets are comprised primarily of trademarks, franchise agreements, license agreement and software. Identifiable intangible assets with finite lives (franchise agreements, license agreements and software) are amortized over the period of estimated benefit using the straight-line method.

Goodwill and intangible assets considered to have an indefinite life (trade names) are not subject to amortization. The determination of indefinite life is subject to reassessment if changes in facts and circumstances indicate the period of benefit has become finite. Goodwill and indefinite-lived intangible assets are assessed annually for impairment as of the first day of the fiscal fourth quarter, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit or the fair value of an indefinite-lived intangible asset below its carrying value.

We have completed our annual test of goodwill and indefinite-lived intangibles for impairment and have determined there was no impairment.

Allowance for Uncollectible Receivables

The Company adopted ASU 2016-13, *Financial Instruments - Credit Losses*, on December 26, 2020, which was retroactively applied as of the first day of fiscal year 2020. This accounting standard requires companies to

measure expected credit losses on financial instruments based on the total estimated amount to be collected over the lifetime of the instrument. Prior to the adoption of this accounting standard, the Company recorded incurred loss reserves against receivable balances based on current and historical information. The Company adopted this guidance using the modified retrospective adoption method on December 26, 2020, which was retroactively applied as of the first day of fiscal year 2020. Upon adoption of the this guidance, the Company recognized an increase to its allowance for credit losses of $2 million and a corresponding adjustment to retained earnings, net of tax.

Expected credit losses for uncollectible receivable balances consider both current conditions and reasonable and supportable forecasts of future conditions. Current conditions considered include pre-defined aging criteria, as well as specified events that indicate the balance due is not collectible. Reasonable and supportable forecasts used in determining the probability of future collection consider publicly available macroeconomic data and whether future credit losses are expected to differ from historical losses.

The Company is not party to any off-balance sheet arrangements that would require an allowance for credit losses in accordance with this accounting standard.

Revenue Recognition

In accordance with the Management Agreement, 2016 Amended and Restated Master License Agreement, 2018 Amended and Restated Master License Agreement and License Agreements, and the 2019 Amended and Restated Master License Agreement and License Agreements, revenue is recognized for amounts received or due to the Company for the use of the Company's intellectual property. Franchise revenue is comprised of royalties generated from franchisee fees as well as the Parent's company owned stores. Franchise fee royalty revenue is based on the fee agreements defined in the subsidiaries' franchise agreements. Royalties generated from the Parent's company owned stores are based on the fee agreements defined in the Management Agreement, Amended and Restated Master License Agreement, and any applicable sub-license agreements. Canadian royalty revenue is based on agreed upon fees defined in the Pro Oil Canadian Franchisor License Agreement, Meineke Canadian Franchisor License Agreement, 1-800 Radiator Canadian Franchisor License Agreement, and Maaco Canadian Franchisor License Agreement. Product distribution margin revenue is based on paint and supply products delivered to franchisees. Initial franchise fees are recognized on a straight-line basis over the life of the franchise agreement as the performance obligation is satisfied.

Income Taxes

The Company is a limited liability company treated as a partnership for federal and state income tax purposes with all income tax liabilities and/or benefits of the Company being passed through to the member. As such, no recognition of federal or state income taxes for the Company or its subsidiaries that are organized as limited liability companies have been provided for in the accompanying consolidated financial statements. Any uncertain tax position taken by the member is not an uncertain position of the Company.

As it pertains to the Company and the impact on the Ultimate Parent, the Company follows applicable authoritative guidance with respect to the accounting for uncertainty in income taxes recognized in the Company's consolidated financial statements. It prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. The Company records any interest and penalties associated as additional income tax expense in the consolidated statements of income. Based on management analysis, the Company does not believe any unrecognized tax benefits significantly changed in the current period. Furthermore, the Company does not believe any remaining unrecognized tax benefits will significantly change in the next fiscal year.

Recently Issued Accounting Standards

We reviewed all other recently issued accounting pronouncements and concluded they were either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

Note 3 - Accounts and Notes Receivable, net

Accounts and notes receivable, net consisted of the following:

(in thousands)	December 31, 2022	December 25, 2021
Accounts receivable	$ 12,835	$ 13,498
Notes receivable	645	631
Accounts and notes receivables, gross	13,480	14,129
Less:		
Allowance for doubtful accounts	(5,998)	(4,295)
Accounts and notes receivables, net	$ 7,482	$ 9,834
Accounts and notes receivable long-term	$ 454	$ 91
Accounts and notes receivable current	7,028	9,743
Accounts and notes receivables, net	$ 7,482	$ 9,834

Note 4 - Intangible Assets

Intangible assets consisted of the following:

(in thousands)	December 31, 2022		
	Gross carrying value	Accumulated amortization	Net Carrying Value
Definite-lived intangible assets			
Franchise Agreements	$ 198,874	$ 51,998	146,876
License Agreements	10,517	3,967	6,550
	209,391	55,965	153,426
Indefinite-lived intangible assets			
Trademarks	335,200	—	335,200
Total intangible assets	$ 544,591	$ 55,965	$ 488,626

(in thousands)	December 25, 2021		
	Gross carrying value	Accumulated amortization	Net Carrying Value
Definite-lived intangible assets			
Franchise Agreements	$ 198,874	$ 44,347	$ 154,527
License Agreements	10,517	2,695	7,822
	209,391	47,042	162,349
Indefinite-lived intangible assets			
Trademarks	338,346	—	338,346
Total intangible assets	$ 547,737	$ 47,042	$ 500,695

Intangible assets with definite lives are being amortized on a straight-line basis over the estimated useful life of each asset. Intangible asset amortization expense was $9 million for the years ended December 31, 2022, December 25, 2021, and December 26, 2020.

Amortization expense related to intangible assets for the next five fiscal years and thereafter is as follows:

(in thousands)		
2023	$	8,925
2024		8,925
2025		8,925
2026		8,925
2027		8,192
Thereafter		109,534
Total amortization	$	153,426

Note 5 - Related Party Transactions

Cash collections from revenue and cash disbursements for management fees, interest expense and other operating expenses are made at Driven Holdco. Because the revenue and expenses related to these cash flows are recorded on the consolidated financial statements of the Company, the Company has recorded deemed distributions to Driven Holdco of $195 million, $147 million, and $100 million for the years ended December 31, 2022, December 25, 2021, and December 26, 2020, respectively.

In exchange for providing management services, the Parent is entitled to receive certain management fees on a weekly basis. The Company's management fees to the Parent were $36 million, $32 million, and $26 million for each of the years ended December 31, 2022, December 25, 2021, and December 26, 2020, respectively. These fees are included in operating expenses on the consolidated statements of operations.

Driven Brands Funding, LLC (the "Issuer") holds approximately $2.1 billion in debt in the form of six Senior Notes maturing in April 2048, April 2049, October 2049, January 2051, October 2051, and October 2052. The Senior Notes are secured by substantially all assets of the Issuer and guaranteed by Driven Holdco and subsidiaries of the Issuer. The interest expense allocated to the Company was $40 million, $35 million, and $36 million for the years ended December 31, 2022, December 25, 2021, and December 26, 2020, respectively. These amounts are included in operating expenses on the consolidated statements of operations.

Note 6 - Subsequent Events

The Company evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 2, 2023, the date the financial statements were available to be issued and determined that there were no such events requiring recognition or disclosure in the financial statements.

UNAUDITED FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF THIS FRANCHISE SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

Consolidated Financial Statements
(Unaudited)

Driven Systems LLC and Subsidiaries

For the three months ended
April 1, 2023 and March 26, 2022

Table of contents

DRIVEN SYSTEMS LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands)	**April 1, 2023**	**December 31, 2022**
Assets		
Current assets:		
Cash and cash equivalents	$ 1,000	$ 1,000
Accounts and notes receivable, net	8,913	7,028
Total current assets	9,913	8,028
Notes receivable, net	915	454
Intangible assets, net	486,380	488,626
Goodwill	19,390	19,390
Total assets	$ 516,598	$ 516,498
Liabilities and members' equity		
Current liabilities:		
Deferred franchise revenue	$ 26,346	$ 25,682
Total liabilities	26,346	25,682
Members' equity	490,252	490,816
Total members' equity	490,252	490,816
Total liabilities and members' equity	$ 516,598	$ 516,498

DRIVEN SYSTEMS LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(in thousands)	For the three months ended	
	April 1, 2023	**March 26, 2022**
Revenue:		
Franchise fee revenue	$ 50,871	$ 49,580
Other revenue	12,942	10,251
Total revenue	63,813	59,831
Costs and expenses:		
Operating expenses	19,650	17,914
Amortization	2,247	2,231
Total costs and expenses	21,897	20,145
Net income	$ 41,916	$ 39,686

DRIVEN SYSTEMS LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
(UNAUDITED)

in thousands		
Balance as of December 25, 2021	$	508,555
Net income		39,686
Deemed distribution to Parent		(40,534)
Balance as of March 26, 2022	$	507,707
Balance as of December 31, 2022	$	490,816
Net income		41,916
Deemed distribution to Parent		(42,480)
Balance as of April 1, 2023	$	490,252

DRIVEN SYSTEMS LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the three months ended	
(in thousands)	**April 1, 2023**	**March 26, 2022**
Net income	$ 41,916	$ 39,686
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	2,247	2,231
Changes in assets and liabilities:		
Accounts and notes receivable, net	(2,347)	(2,123)
Deferred franchise revenue	664	740
Cash provided by operating activities	42,480	40,534
Cash flows from financing activities:		
Distributions to parent	(42,480)	(40,534)
Cash used in financing activities	(42,480)	(40,534)
Net change in cash	—	—
Cash, beginning of period	1,000	1,000
Cash, end of period	$ 1,000	$ 1,000

DRIVEN BRANDS, INC.

Consolidated Financial Statements and Report of Independent Auditors

Driven Brands, Inc. and Subsidiaries

For the years ended
December 31, 2022, December 25, 2021, and December 26, 2020

Table of contents

Report of Independent Auditors

To the Management and Board of Directors
Driven Brands, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Driven Brands, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2022, and the related statement of income, statement of comprehensive income, statement of shareholders' equity, and statement of cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its 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 (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements of the Company as of December 25, 2021 and December 26, 2020 and for the years then ended were audited by other auditors whose report, dated April 29, 2022, expressed an unmodified opinion on those statements.

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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the 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 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

PricewaterhouseCoopers LLP

Charlotte, North Carolina
May 26, 2023

DRIVEN BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands)	December 31, 2022	December 25, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 158,799	$ 82,676
Restricted cash	657	657
Accounts and notes receivable, net	167,249	105,838
Inventory	54,696	34,092
Prepaid and other assets	26,878	17,644
Related parties receivable	258,476	384,432
Income tax receivable	1,698	1,539
Assets held for sale	—	3,275
Advertising fund assets, restricted	36,421	45,360
Total current assets	704,874	675,513
Related parties receivable	128,144	128,144
Property and equipment, net	303,893	222,870
Operating lease right-of-use assets	335,760	312,470
Deferred commissions	7,121	10,567
Intangibles, net	727,646	645,816
Goodwill	1,225,457	938,137
Deferred tax asset	1,827	—
Other assets	28,414	2,184
Total assets	$ 3,463,136	$ 2,935,701
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 41,348	$ 67,897
Income taxes payable	4,834	5,109
Accrued expenses and other liabilities	184,561	190,016
Current portion of long-term debt	27,605	21,527
Advertising fund liabilities	36,726	26,441
Total current liabilities	295,074	310,990
Long-term debt, net	2,213,218	1,860,144
Operating lease liabilities	313,644	295,897
Deferred tax liabilities	139,568	136,007
Deferred revenue	29,310	27,456
Accrued expenses and other long-term liabilities	5,947	2,739
Total liabilities	2,996,761	2,633,233
Shareholders' equity:		
Class A common stock, $.01 par value, authorized 60,000,000 voting shares; 56,560,217 shares issued and outstanding at December 31, 2022 and December 25, 2021	565	565
Class B common stock, $.01 par value, authorized 12,461,152 non-voting shares; 0 shares issued and outstanding at December 31, 2022 and December 25, 2021	—	—
Additional paid-in-capital	274,922	247,505
Retained earnings	209,246	55,615
Accumulated other comprehensive loss	(18,728)	(1,623)
Total shareholders' equity attributable to Driven Brands Holdings Inc.	466,005	302,062
Non-controlling interests	370	406
Total shareholders' equity	466,375	302,468
Total liabilities and shareholders' equity	$ 3,463,136	$ 2,935,701

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

DRIVEN BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)	Fiscal year ended December 31, 2022	December 25, 2021	December 26, 2020
Revenue:			
Franchise royalties and fees	$ 171,734	$ 144,413	$ 117,126
Company-operated store sales	933,906	566,528	409,298
Advertising contributions	87,750	75,599	59,672
Supply and other revenue	247,084	193,305	168,425
Total revenue	1,440,474	979,845	754,521
Operating expenses:			
Company-operated store expenses	553,650	336,280	256,370
Advertising expenses	87,986	74,765	61,989
Supply and other expenses	140,107	108,121	92,016
Selling, general and administrative expenses	325,462	244,761	195,648
Acquisition costs	9,657	57,659	12,884
Store opening costs	2,809	2,331	2,799
Depreciation and amortization	55,892	43,571	36,012
Asset impairment charges	107	582	8,142
Total operating expenses	1,175,670	868,070	665,860
Operating income	264,804	111,775	88,661
Other (income) expense, net			
Interest expense, net	88,124	71,748	72,398
Loss on debt extinguishment	—	54	5,490
Loss (gain) on foreign currency transactions, net	5,511	(1,472)	(8,625)
Total other expenses, net	93,635	70,330	69,263
Income before taxes	171,169	41,445	19,398
Income tax expense	17,538	26,242	13,405
Net income	153,631	15,203	5,993
Net loss attributable to non-controlling interests	—	(19)	(62)
Net income attributable to Driven Brands, Inc.	$ 153,631	$ 15,222	$ 6,055

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

DRIVEN BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Fiscal year ended		
(in thousands)	**December 31, 2022**	**December 25, 2021**	**December 26, 2020**
Net income	$ 153,631	$ 15,203	$ 5,993
Other comprehensive loss:			
Foreign currency translation adjustment	(15,275)	(2,537)	(2,069)
Unrealized gain cash flow hedge, net of tax	(1,866)	(672)	—
Other comprehensive loss, net	(17,141)	(3,209)	(2,069)
Total comprehensive income	136,490	11,994	3,924
Comprehensive loss attributable to non-controlling interests	(36)	$ (10)	$ (38)
Comprehensive income attributable to Driven Brands, Inc.	$ 136,526	$ 12,004	$ 3,962

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

DRIVEN BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

in thousands	Common stock, Class A and B	Additional paid-in-capital	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance as of December 28, 2019	$ 565	$ 242,240	$ 40,147	$ 3,626	$ 1,464	$ 288,042
Cumulative effect of ASU 2016-02 adoption	$ —	$ —	$ (4,012)	$ —	$ —	$ (4,012)
Cumulative effect of ASU 2016-13 adoption	$ —	$ —	$ (1,797)	$ —	$ —	$ (1,797)
Balance as of December 29, 2019	$ 565	$ 242,240	$ 34,338	$ 3,626	$ 1,464	$ 282,233
Net income (loss)	—	—	6,055	—	(62)	5,993
Other comprehensive loss	—	—	—	(2,031)	(38)	(2,069)
Equity-based compensation expense	—	1,323	—	—	—	1,323
Contributions	—	2,609	—	—	—	2,609
Balance as of December 26, 2020	$ 565	$ 246,172	$ 40,393	$ 1,595	$ 1,364	$ 290,089
Net income (loss)	—	—	15,222	—	(19)	15,203
Other comprehensive income (loss)	—	—	—	(3,218)	9	(3,209)
Equity-based compensation expense	—	4,301	—	—	—	4,301
Distributions	—	(2,968)	—	—	—	(2,968)
Net distributions	—	—	—	—		—
At-Pac divestiture	—	—	—	—	(948)	(948)
Balance as of December 25, 2021	$ 565	$ 247,505	$ 55,615	$ (1,623)	$ 406	$ 302,468
Net income	—	—	153,631	—	—	153,631
Other comprehensive (loss)	—	—	—	(17,105)	(36)	(17,141)
Equity-based compensation expense	—	20,583	—	—	—	20,583
Contributions	—	6,834	—	—	—	6,834
Balance as of December 31, 2022	$ 565	$ 274,922	$ 209,246	$ (18,728)	$ 370	$ 466,375

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

DRIVEN BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31, 2022	December 25, 2021	December 26, 2020
Net income	$ 153,631	$ 15,203	$ 5,993
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	55,892	43,571	36,012
Equity-based compensation expense	20,583	4,301	1,323
Loss (gain) on foreign denominated transactions	10,287	(1,108)	(8,625)
Gain on foreign currency derivative	(4,776)	(364)	—
Gain (loss) on sale of fixed assets	(13,918)	707	630
Bad debt expense	5,746	1,763	7,002
Asset impairment costs	107	582	8,142
Amortization of deferred financing costs and bond discounts	7,058	6,155	5,557
Amortization of interest rate hedge	—	—	—
Provision for deferred income taxes	2,467	15,294	6,952
Loss on extinguishment of debt	—	54	5,490
Other, net	1,104	(1,382)	203
Changes in assets and liabilities:			
Accounts and notes receivable, net	(49,043)	(28,325)	(9,910)
Inventory	(16,836)	(6,585)	(2,220)
Prepaid and other assets	(9,333)	16,964	(18,139)
Related parties receivable	126,011	(512,576)	—
Advertising fund assets and liabilities, restricted	13,495	8,554	(369)
Other assets	(22,907)	1,486	—
Deferred commissions	3,407	(1,899)	(1,927)
Deferred revenue	1,925	6,678	6,278
Accounts payable	(31,122)	17,127	(1,943)
Accrued expenses and other liabilities	(51,271)	81,521	26,801
Income tax receivable	352	3,452	3,817
Cash provided by (used in) operating activities	202,859	(328,827)	71,067
Cash flows from investing activities:			
Capital expenditures	(103,239)	(55,650)	(42,879)
Cash used in business acquisitions, net of cash acquired	(405,011)	(77,450)	(31,006)
Proceeds from sale-leaseback transactions	16,107	6,117	—
Proceeds from disposition of business	19,918	1,529	—
Cash used in investing activities	(472,225)	(125,454)	(73,885)
Cash flows from financing activities:			
Payment of contingent consideration related to acquisitions	—	—	(2,783)
Payment of debt issuance cost	(7,172)	(8,508)	(22,932)
Proceeds from the issuance of long-term debt	365,000	450,000	625,000
Repayment of long-term debt	(20,159)	(17,489)	(445,417)
Repayment of variable funding securitization senior notes	—	—	(386,800)
Proceeds from variable funding securitization senior notes	—	—	327,301
Repayment of principal portion of finance lease liability	(2,561)	(1,164)	(343)
Contribution from (distribution to) parent	6,834	(2,968)	—

Stock option exercises	340	—	—
Proceeds from failed sale-leaseback transactions	—	538	2,201
Proceeds from issuance of equity shares	—	—	2,609
Other, net	(14)	152	—
Cash provided by financing activities	342,268	420,561	98,836
Effect of exchange rate changes on cash	(2,489)	174	1,421
Net change in cash, cash equivalents, restricted cash, and cash included in advertising fund assets, restricted	70,413	(33,546)	97,439
Cash and cash equivalents, beginning of period	82,676	129,208	34,935
Cash included in advertising fund assets, restricted, beginning of period	38,586	19,369	23,091
Restricted cash, beginning of period	657	6,888	—
Cash, cash equivalents, restricted cash, and cash included in advertising fund assets, restricted, beginning of period	121,919	155,465	58,026
Cash and cash equivalents, end of period	158,804	82,676	129,208
Cash included in advertising fund assets, restricted, end of period	32,871	38,586	19,369
Restricted cash, end of period	657	657	6,888
Cash, cash equivalents, restricted cash, and cash included in advertising fund assets, restricted, end of period	$ 192,332	$ 121,919	$ 155,465

Supplemental cash flow disclosures - non-cash items:			
Capital expenditures included in accrued expenses and other liabilities	$ 4,942	$ 3,430	$ 3,839
Deferred consideration included in accrued expenses and other liabilities	27,303	415	—
Contingent consideration	—	56,000	4,309
Supplemental cash flow disclosures - cash paid for:			
Interest	$ 88,655	$ 71,308	$ 68,119
Income taxes	13,202	7,936	4,591

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

Note 1—Description of Business

Description of Business

Driven Brands, Inc. and Subsidiaries (collectively,"the Company") comprises the worldwide operations of Meineke Car Care Centers ("Meineke"), Maaco Collision Repair and Auto Painting ("Maaco"), Fix Auto USA ("FUSA"), Merlin's 200,000 Miles shops ("Merlin's"), Uniban ("Go Glass"), Econo-Lube N' Tune ("Econo"), 1-800-Radiator & A/C ("Radiator"), Spire Supply, Drive N Style, Take 5 Oil Change ("Take 5"), CARSTAR auto body repair experts ("CARSTAR"), ABRA Auto Body Repair of America ("ABRA"), and Clairus Group ("Clairus") (collectively, the "Driven Franchise Brands"). The Driven Franchise Brands develop, operate, franchise and license their individual business systems to provide retail and business-to-business automotive services. The Company is also comprised of Automotive Training Institute ("ATI"), which provides business-to-business automotive training services, and Auto Glass Now ("AGN"), which is comprised of our U.S. Glass business. As of December 31, 2022, the Driven Franchise Brands and AGN encompass 3,694 units worldwide, with 82% located within the United States and the remainder located primarily in Canada. Approximately 78% of the units are franchised. The Company is a direct, wholly-owned subsidiary of Driven Holdings, LLC, which is a direct wholly-owned subsidiary of Driven Brands Holdings Inc. (the "Ultimate Parent").

Meineke, Merlin's, and Econo each provide automotive repair and maintenance services through retail locations. Maaco, CARSTAR, FUSA, and ABRA, provide auto body repairs and painting services through retail locations. Driven N Style provides automotive appearance services to customers through mobile vans. Radiator provides certain automotive parts to automotive repair stores, automotive parts stores, body shops and service stations. Take 5 is an operator of oil change centers, offering rapid oil changes and light maintenance services within the United States and Canada. Spire Supply and PH Glass are distribution and sourcing companies serving as a single point for inventory sourcing for the Company. AGN, Driven Glass, Go Glass, and Clairus are providers of on-demand auto glass, calibration services, and auto appearance services. ATI provides automotive business training services to assist shop owners with efficiencies and profitability. The Company has also completed acquisition transactions, and in certain circumstances has retained the target's brand name.

Note 2—Summary of Significant Accounting Policies

Fiscal Year

The Company operates and reports financial information on a 52- or 53-week year with the fiscal year ending on the last Saturday in December. The fiscal year for the Company ending December 31, 2022 consisted of of 53 weeks and the 2021 and 2020 fiscal years ending December 25, 2021 and December 26, 2020, respectively, consisted of 52 weeks.

Basis of Presentation

The consolidated financial statements include the accounts of the the Company. Intercompany accounts and transactions have been eliminated in consolidation. The preparation of financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, if any, at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates are made in the valuation of intangible assets and goodwill, as well as impairment of intangible assets and goodwill, income tax, allowance for credit losses, valuation of derivatives, and self-insurance claims. On an ongoing basis, the Company evaluates its estimates based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from those estimates.

Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and short-term, highly liquid investments with original maturities of three months or less. These investments are carried at cost, which approximates fair value. The Company continually monitors its positions with, and the credit quality of, the financial institutions in which it maintains its deposits. As of December 31, 2022 and December 25, 2021, the Company maintained balances in various cash accounts in excess of federally insured limits.

Restricted Cash

The Company had total restricted cash of $34 million and $39 million at December 31, 2022 and December 25, 2021, respectively, which primarily consisted of funds from franchisees pursuant to franchise agreements, the usage of which was restricted to advertising activities, and letters of credit collateral. Advertising funds are presented within advertising fund assets, restricted, on the consolidated balance sheet.

Accounts and Notes Receivable

The Company's accounts receivable consists principally of amounts due related to product sales, centrally billed commercial fleet work, centrally billed insurance claims, advertising, franchise fees, rent due from franchisees and training services. These receivables are generally due within 30 days of the period in which the corresponding sales occur and are classified as Accounts and notes receivable, net on the consolidated balance sheets. Accounts receivable are reported at their estimated net realizable value.

Notes receivable are primarily from franchisees and relate to financing arrangements for certain past due balances or to partially finance the acquisition of company-operated stores or refranchising locations. The notes are typically collateralized by the assets of the store being purchased. Interest income recognized on these notes is included in supply and other revenue on the accompanying consolidated statements of income. The Company places notes receivable on a non-accrual status based on management's determination if it is probable that the principal balance is not expected to be repaid per the contractual terms. When the Company places a note receivable on a non-accrual status, interest income recorded on the note is reversed through supply and other revenue. The Company recorded an immaterial amount of interest income related to its notes receivables during the years ended December 31, 2022, December 25, 2021, and December 26, 2020.

Allowance for Uncollectible Receivables

The Company adopted ASU 2016-13, *Financial Instruments - Credit Losses*, on December 26, 2020, which was retroactively applied as of the first day of fiscal year 2020. This accounting standard requires companies to measure expected credit losses on financial instruments based on the total estimated amount to be collected over the lifetime of the instrument. Prior to the adoption of this accounting standard, the Company recorded incurred loss reserves against receivable balances based on current and historical information. The Company adopted this guidance using the modified retrospective adoption method on December 26, 2020, which was retroactively applied as of the first day of fiscal year 2020. Upon adoption of the this guidance, the Company recognized an increase to its allowance for credit losses of $2 million and a corresponding adjustment to retained earnings, net of tax.

Expected credit losses for uncollectible receivable balances consider both current conditions and reasonable and supportable forecasts of future conditions. Current conditions considered include pre-defined aging criteria, as well as specified events that indicate the balance due is not collectible. Reasonable and supportable forecasts used in determining the probability of future collection consider publicly available macroeconomic data and whether future credit losses are expected to differ from historical losses.

The Company is not party to any off-balance sheet arrangements that would require an allowance for credit losses in accordance with this accounting standard.

Inventory

Inventory is stated at the lower of cost or net realizable value. The Company primarily purchases its oil, lubricants, and auto glass in bulk quantities to take advantage of volume discounts and to ensure inventory availability to complete services. Inventories are presented net of volume rebates.

Property and Equipment, net

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are depreciated over the shorter of the estimated useful life or the remaining lease term of the related asset.

Estimated useful lives are as follows:

Buildings and improvements	5 to 40 years
Furniture and fixtures	5 to 7 years
Store equipment	5 to 15 years
Leasehold improvements	5 to 15 years
Vehicles	3 to 5 years
Computer equipment and software	3 to 5 years

Cloud computing arrangements

The Company capitalizes qualified cloud computing implementation costs associated with the application development stage and subsequently amortize these costs over the term of the hosting arrangement and stated renewal period, if it is reasonably certain we will renew. Capitalized costs are included in other assets on the consolidated balance sheet. As of December 31, 2022, no cloud computing arrangements were in service.

Leases

The lease standard requires the lessee in an operating lease to record a balance sheet gross-up upon lease commencement by recognizing an ROU asset and lease liability equal to the present value of the lease payments over the expected lease term. The ROU asset and lease liability are derecognized in a manner that effectively yields a straight-line lease expense over the lease term. In addition to the changes to the lessee operating lease accounting requirements, the amendments also change the types of costs that can be capitalized related to a lease agreement for both lessees and lessors.

Finance lease ROU assets are depreciated on a straight-line basis over the lesser of the useful life of the leased asset or lease term. Finance lease liabilities are recognized using the effective interest method, with interest determined as the amount that results in a constant periodic discount rate on the remaining balance of the liability. Interest associated with finance lease liabilities is recognized in interest expense, net, on the consolidated statements of operations and is included in changes in accrued expenses and other liabilities in the consolidated statements of cash flows.

At contract inception, we determine whether the contract is or contains a lease based on the terms and conditions of the contract. Lease contracts are recognized on our consolidated balance sheet as ROU assets and lease liabilities; however, we have elected not to recognize ROU assets and lease liabilities on leases with terms of one year or less. Variable lease payments that are dependent on usage, output, or may vary for other reasons are excluded from lease payments in the measurement of the ROU assets and lease liabilities and are recognized as lease expense in the period the obligation is incurred. For lease agreements entered into or reassessed after the adoption of Topic 842, we combine lease and non-lease components. The Company’s vehicle and equipment leases are comprised of a single lease component.

If a lease does not provide enough information to determine the implicit interest rate in the agreements, the Company uses its incremental borrowing rate in calculating the lease liability. The Company determines its incremental borrowing rate for each lease by reference to yield rates on collateralized debt issuances, which

approximates borrowings on a collateralized basis, by companies of a similar credit rating as the Company, with adjustments for differences in years to maturity and implied company-specific credit spreads.

Certain leases include renewal and termination options and the option to renew is under our sole discretion. These leases are included in the lease term in determining the ROU assets and liabilities when we are reasonably certain we will exercise the option.

The ROU asset also includes initial direct costs paid less lease incentives received from the lessor. The Company also records lease income for subleases of franchise stores to certain franchisees. Lease income from sublease rentals is recognized on a straight-line basis over the lease term.

The Company adopted Accounting Standards Update ("ASU") 2016-02, *Leases*, as of the first day of fiscal year 2020. We determine whether the contract is or contains a lease based on the terms and conditions of the contract. Lease contracts are recognized on our consolidated balance sheet as right-of-use ("ROU") assets and lease liabilities; however, we have elected not to recognize ROU assets and lease liabilities on leases with terms of one year or less. Lease liabilities and their corresponding ROU assets are recorded based on the present value of the future lease payments over the expected lease term. As the Company's leases do not provide enough information to determine the implicit interest rate in the agreements, the Company uses its incremental borrowing rate in calculating the lease liability. The Company determines its incremental borrowing rate for each lease by reference to yield rates on collateralized debt issuances, which approximates borrowings on a collateralized basis, by companies of a similar credit rating as the Company, with adjustments for differences in years to maturity and implied company-specific credit spreads. The ROU asset also includes initial direct costs paid less lease incentives received from the lessor. Our lease contracts are generally classified as operating and, as a result, we recognize a single lease cost within operating expenses on the consolidated statement of income on a straight-line basis over the lease term. The Company also records lease income for subleases of franchise stores to certain franchisees. Lease income from sublease rentals are recognized on a straight-line basis over the lease term.

We adopted ASU 2016-02 and the subsequent ASUs that modified ASU 2016-02 (collectively, "the amendments") during the year ended December 26, 2020 and retroactively adopted the amendments as of December 29, 2019. We elected not to adjust prior period comparative information and will continue to disclose prior period financial information in accordance with the previous lease accounting guidance. We have elected certain practical expedients permitted within the amendments that allow us to not reassess (i) current lease classifications, (ii) whether existing contracts meet the definition of a lease under the amendments to the lease guidance, and (iii) whether current initial direct costs meet the new criteria for capitalization, for all existing leases as of the adoption date. We made an accounting policy election to calculate the impact of adoption using the remaining minimum lease payments and remaining lease term for each contract that was identified as a lease, discounted at our incremental borrowing rate as of the adoption date.

The adoption of the amendments as of December 29, 2019 resulted in a ROU asset of approximately $324 million primarily from operating leases for our company-owned stores, a $4 million reduction to retained earnings, net of taxes, and a lease liability of $330 million. The remaining impact related to the derecognition of certain liabilities and assets that had been recorded in accordance with GAAP that had been applied prior to the adoption of the amendments.

Impairment of Long-Lived Assets

Long-lived assets that are used in operations are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through undiscounted future cash flows. Recognition and measurement of a potential impairment is performed on assets grouped with other assets and liabilities at the lowest level where identifiable cash flows are largely independent of the cash flows of other assets and liabilities. An impairment loss is the amount by which the carrying amount of a long-lived asset or asset group exceeds its estimated fair value. Fair value is generally estimated by internal specialists based on the present value of anticipated future cash flows or, if required, with the assistance of independent third-party valuation specialists, depending on the nature of the assets or asset group.

Goodwill and Intangible Assets

Goodwill is recorded when the aggregate purchase price of an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. The Company's indefinite-lived intangibles are comprised of trademarks and tradenames.

In performing a quantitative test for impairment of goodwill, we primarily use the income approach method of valuation that includes the discounted cash flow method and the market approach that includes the guideline public company method to determine the fair value of goodwill and indefinite-lived intangible assets. Significant assumptions are made by management in estimating fair value under the discounted cash flow model including future trends in sales and terminal growth rates, operating expenses, overhead expenses, tax depreciation, capital expenditures, and changes in working capital, along with an appropriate discount rate based on our estimated cost of equity capital and after-tax cost of debt. Significant assumptions used to determine fair value under the guideline public company method include the selection of guideline companies and the valuation multiples applied.

In the process of a quantitative test of our tradename intangible assets, we primarily use the relief-from-royalty method under the income approach method of valuation. Significant assumptions used to determine fair value under the relief of royalty method include future trends in sales, a royalty rate, and a discount rate to be applied to the forecast revenue stream.

There is an inherent degree of uncertainty in preparing any forecast of future results. Future trends in system-wide sales are dependent to a significant extent on national, regional, and local economic conditions. Any decreases in customer traffic or average repair order due to these or other reasons could reduce gross sales at franchise locations, resulting in lower royalty and other payments from franchisees, as well as lower sales at company-operated locations. This could reduce the profitability of franchise locations, potentially impacting the ability of franchisees to make royalty payments owed to us when due (which could adversely impact our current cash flow from franchise operations), and company-operated sites.

The determination of indefinite life is subject to reassessment if changes in facts and circumstances indicate the period of benefit has become finite.

We have completed our annual test of goodwill and indefinite-lived intangibles for impairment and have determined there was no impairment.

Definite Lived Intangible Assets

The Company's definite lived intangible assets are comprised primarily of trademarks, franchise agreements, license agreements, membership agreements, customer relationships, and developed technology.

Intangible assets with definite lives are being amortized on a straight-line basis over the estimated useful life of each asset as follows:

	Estimated Useful Life
Tradenames	1 to 3 years
Franchise agreements	13 to 30 years
License agreements	7 to 19 years
Membership agreements	7 to 9 years
Customer relationships	13 to 16 years
Developed technology	5 to 8 years

The lives of definite lived intangibles are reviewed and reduced if changes in their planned use occurs. If changes in the assets planned use is identified, management reviews the useful life and carrying value of the asset to assess the recoverability of the assets if facts and circumstances indicate the carrying value may not be recoverable. The recoverability test requires management to compare the undiscounted cash flows expected to be generated by the intangible asset or asset group to the carrying value. If the carrying amounts of the intangible asset is not recoverable on an undiscounted cash flow basis, an impairment charge is recognized to the extent the carrying value exceeds its fair value.

Management reviews business combinations to identify intangible assets, which are typically tradenames and customer relationships, and value the assets based on information and assumptions available to us at the date of purchase utilizing income and market approaches to determine fair value.

Assets Held for Sale

Assets currently available for sale and expected to be sold within one year are classified as assets held for sale. There were no assets designated as held for sale as of December 31, 2022.

Derivative instruments

We utilize derivative financial instruments to manage our interest rate and foreign exchange exposure. For derivatives instruments where we have not elected hedge accounting, the change in fair value is recognized in earnings. For derivative instruments where we have elected hedge accounting, the changes in the derivative and the hedged item attributable to the hedged risks are recognized in the same line within our consolidated statement of operations. For derivatives designated as cash flow hedges, changes in the fair value of the derivative is initially recorded in accumulated other comprehensive income (loss) and subsequently recorded to the statement of operations when the hedged item impacts earnings. Derivatives designated as hedge accounting are assessed at inception and on an ongoing basis whether the instrument is, and will continue to be, highly effective in offsetting cash flow or fair value of the hedged item and whether it remains probable the forecasted transaction will occur. Changes in the fair value for derivative instruments that do not qualify as hedge accounting are recognized in the consolidated statement of operations.

Revenue Recognition

Franchise royalties and fees

Franchisees are required to pay an upfront license fee prior to the opening of a location. The initial license payment received is recognized ratably over the life of the franchise agreement. Franchisees will also pay continuing royalty fees, at least monthly, based on a percentage of the store level retail sales or a flat amount, depending on the brand. The royalty income is recognized as the underlying sales occur. In addition to the initial fees and royalties, the Company also recognizes revenue associated with development fees charged to franchisees, which are recognized as income over the life of the associated franchise agreement. Development fees relate to the right of a franchisee to open additional locations in an agreed upon territory.

Company-operated store sales

Company-operated store sales are recognized, net of sales discounts, upon delivery of services and the service-related product.

The states and municipalities in which the Company operates impose sales tax on all of the Company's nonexempt revenue. The Company collects the sales tax from its customers and remits the entire amount to the appropriate taxing authority. The Company's policy is to exclude the tax collected and remitted from net revenue and direct costs. The Company accrues sales tax liabilities as it records sales, maintaining the amount owed to the taxing authorities in accrued expenses and other liabilities in the consolidated balance sheet.

Advertising contributions

Franchised and company-operated stores are generally required to contribute advertising dollars according to the terms of their respective contract (typically based on a percentage of sales) that are used for, among other activities, advertising the brand on a national and local basis, as determined by the brand's franchisor. The Company's franchisees make their contributions to a marketing fund which in turn administers and distributes their advertising contributions directly to the franchisor. This advertising fee revenue is recognized as the underlying sales occur. Advertising expenses are recorded as incurred. Revenues and expenses related to these advertising collections and expenditures are reported on a gross basis in the consolidated statements of operations. The assets related to the advertising fund are considered restricted and disclosed as such on the Company's consolidated balance sheets.

Any excess or deficiency of advertising fee revenue compared to advertising expenditures is recognized in the fourth quarter of the Company's fiscal year. Any excess of revenue over expenditures is recognized only to the

extent of previously recognized deficits. When advertising revenues exceed the related advertising expenses and there is no recovery of a previously recognized deficit of advertising revenues, advertising costs are accrued up to the amount of revenues.

Supply and other revenue

Supply and other revenue includes revenue related to product sales, vendor incentive revenue, insurance licensing fees, store leases, software maintenance fees and automotive training services revenue. Supply and other revenue is recognized once title of goods is transferred to franchisees or other independent parties, as the sales of the related products occur, or ratably. Vendor incentive revenue is recognized as sales of the related product occur. Insurance licensing fee revenue is generated when the Company is acting as an agent on behalf of its franchisees and is recognized once title of goods is transferred to franchisees. The insurance license revenue is presented net of any related expense with any residual revenue reflecting the management fee the Company charges for the program. Store lease revenue is recognized ratably over the underlying property lease term. Software maintenance fee revenue is recognized monthly in connection with providing and servicing software. Automotive training services provided to third party shop owner/operators in accordance with agreed upon contract terms. These contracts may be for one-time shop visits or agreements to receive access to education and training programs for multiple years. For one-time shop visits, revenue is recognized at the time the service is rendered. For the multi-year education and training contracts, revenue is recognized ratably over the contract term.

Assets Recognized from the Costs to Obtain a Contract with a Customer:

The Company has elected a practical expedient to expense costs as incurred for costs to obtain a contract when the amortization period would have been one year or less. The Company records contract assets for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year and if such costs are material. Commission expenses, a primary cost associated with the sale of franchise licenses, are amortized to selling, general and administrative expenses in the consolidated statements of income ratably over the life of the associated franchise agreement.

Contract Balances

The Company generally records a contract liability when cash is provided for a contract with a customer before the Company has completed its contractual performance obligation. This includes cash payments for initial franchise fees as well as upfront payments on store owner consulting and education contracts. Franchise fees and shop owner consulting contract payments are recognized over the life of the agreement, which range from five to 20 and three to four year terms, respectively.

Company-Operated Store Expenses

Company-operated store expenses consist of payroll and benefit costs for employees at company-operated locations, as well as rent, costs associated with procuring materials from suppliers, and other store-level operating costs. The Company receives volume rebates based on a variety of factors which are included in accounts receivable on the accompanying consolidated balance sheet and accounted for as a reduction of company-operated store expenses as they are earned. Sales discounts received from suppliers are recorded as a reduction of the cost of inventory. Advanced rebates are included in accrued expenses and other liabilities on the accompanying consolidated balance sheet and are accounted for as a reduction of company-operated store expenses as they are earned over the term of the supply agreement. Additionally, the Company includes subleasing expense associated with the subleasing of store buildings to franchisees within supply and other expenses in the consolidated statements of income.

Store Opening Costs

Store opening costs consist of employee, facility, and grand opening marketing costs that company-operated stores incur prior to opening. The Company typically incurs store opening costs when opening new company-operated stores and when converting independently branded, acquired company-operated stores to one of its brands. These expenses are charged to expense as incurred.

Equity-based Compensation

The Company recognizes expense related to equity-based compensation awards over the service period (generally the vesting period) in the consolidated financial statements based on the estimated fair value of the award on the grant-date.

Fair Value of Financial Instruments

Fair value measurements enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The Company classifies and discloses assets and liabilities carried at fair value in one of the following three categories.

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity as the ability to access at the measurement date,

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or

Level 3: Inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

Financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2022 are summarized as follows:

(in thousands)	Level 1	Significant other observable inputs (Level 2)	Total
Mutual fund investments held in rabbi trust	758	$ —	$ 758
Derivative assets, recorded in other assets	—	2,148	2,148
Derivative liabilities, recorded in accrued expenses and other liabilities	—	165	165

Financial assets and liabilities measured at fair value on a recurring basis as of December 25, 2021 are summarized as follows:

(in thousands)	Level 1	Significant other observable inputs (Level 2)	Total
Mutual fund investments held in rabbi trust	$ 976	$ —	$ 976
Derivative liabilities, recorded in accrued expenses and other liabilities	—	336	336
Derivative liabilities, recorded in long-term accrued expenses and other liabilities	—	200	200

The fair value of the Company's derivative instruments are derived from valuation models, which use observable inputs such as quoted market prices, interest rates and forward yield curves.

The Company estimates the fair values of financial instruments using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value for non-traded financial instruments. Accordingly, such estimates are not necessarily indicative of the amounts that the Company would realize in a current market exchange. The carrying amount for cash and cash equivalents, accounts receivable, inventory, other current assets, accounts payable and accrued expenses approximate fair value because of their short maturities.

The carrying value and estimated fair value of total long-term debt were as follows:

	December 31, 2022		December 25, 2021	
(in thousands)	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Long-term debt	$ 2,277,675	$ 1,998,250	$ 1,881,671	$ 1,913,792

Income Taxes

The Company accounts for income taxes under the liability method whereby deferred tax assets and liabilities are measured using enacted tax laws and rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effects on deferred tax assets and liabilities of subsequent changes in the tax laws and rates are recognized in income during the year the changes are enacted.

In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized on the consolidated financial statements from such positions are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with tax authorities. The Company records any interest and penalties associated as additional income tax expense in the consolidated statements of income.

Deferred Financing Costs

The costs related to the issuance of debt are presented in the balance sheet as a direct deduction from the carrying amount of that debt and amortized over the terms of the related debt agreements as interest expense using the effective interest method.

Insurance Reserves

The Company is partially self-insured for employee medical coverage. The Company records a liability for the ultimate settlement of claims incurred as of the balance sheet date based upon estimates provided by the third-party that administers the claims on the Company's behalf. The Company also reviews historical payment trends and knowledge of specific claims in determining the reasonableness of the reserve. Adjustments to the reserve are made when the facts and circumstances of the underlying claims change. If the actual settlements of the medical claims are greater than the estimated amount, additional expense will be recognized.

Foreign Currency Translation

We translate assets and liabilities of non-U.S. operations into U.S. dollars at rates of exchange in effect at the balance sheet date, and revenues and expenses at the average exchange rates prevailing during the period. Resulting translation adjustments are recorded as a separate component of other comprehensive income (loss). Transactions resulting in foreign exchange gains and losses are included in the consolidated statements of income.

Recently Issued Accounting Standards

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In response to the concerns about structural risks of interbank offered rates and, particularly, the risk of cessation of LIBOR, regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction based and less susceptible to manipulation. The ASU provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be

discontinued. This guidance is effective immediately and the amendments may be applied prospectively through December 31, 2024. The Company is evaluating the impact of adopting this new accounting guidance and does not believe it will have a material impact on the Company's consolidated financial statements.

Note 3—Accounts and Notes Receivable, net

Accounts and notes receivable, net consisted of the following:

(in thousands)	December 31, 2022	December 25, 2021
Accounts receivable	$ 185,180	$ 121,717
Notes receivable	4,335	4,726
Total gross receivables	189,515	126,443
Less allowance for doubtful accounts	(19,504)	(18,421)
Less current portion of accounts and notes receivable	(166,860)	(105,838)
Notes receivable, long term	$ 3,151	$ 2,184

The changes in the allowance for accounts and notes receivable for the year ended December 31, 2022 and December 25, 2021 were as follows:

(in thousands)	
Balance as of December 26, 2020	$ 19,061
Bad debt expense	1,763
Write-off of uncollectible receivables	(2,403)
Balance at December 25, 2021	$ 18,421
Bad debt expense, net of recoveries	5,745
Write-off of uncollectible receivables	(4,662)
Balance at December 31, 2022	$ 19,504

Note 4—Business Combinations

The Company strategically acquires companies in order to increase its footprint and offer products and services that diversify its existing offerings, primarily through asset purchase agreements. These acquisitions are accounted for as business combinations using the acquisition method, whereby the purchase price is allocated to the assets acquired and liabilities assumed, based on their estimated fair values at the date of the acquisition with the remaining amount recorded in goodwill.

The Company completed 6 acquisitions in the Maintenance segment during the year ended December 31, 2022, representing 14 sites, each individually immaterial, which were deemed to be business combinations. The aggregate cash consideration for these acquisitions, net of cash acquired and liabilities assumed, was $25 million.

The Company completed 10 acquisitions in the Paint, Collision & Glass segment during the year ended December 31, 2022 representing 174 sites, which were deemed to be business combinations. The aggregate cash consideration for these acquisitions, net of cash acquired, was $406 million. On December 30, 2021 the Company acquired AGN, which was comprised of 79 sites at the time of the Company's acquisition, for a total consideration of $171 million. The purchase price allocation resulted in the recognition of $49 million of intangible assets, $37 million of which was a trade name intangible asset. The fair value of the acquired trade name was estimated using an income approach, specifically, the relief-from-royalty method. The Company utilized assumptions with respect to forecasted sales, the discount rate, and the royalty rate in determining the fair value of the acquired trade name. The purchase price allocation was considered complete for AGN as of December 31, 2022. On April 28, 2022, the Company acquired All Star Glass ("ASG"), which was comprised of 31 sites at the time of the acquisition for a total consideration of $36 million. On July 6, 2022, the Company acquired K&K Glass, which was comprised of 8 sites for a total consideration of $40 million. On July 27, 2022, the Company acquired Jack Morris Auto Glass, which was comprised of 9 sites for a total consideration of $54 million. On September 8, 2022, the Company acquired Auto Glass Fitters Inc., which was comprised of 24 sites for a total consideration of $72 million. The Company will amortize the acquired lease right of use assets, customer list intangibles, and definite lived trade name over their estimated remaining lives of 4 years, 13 years, and 1 year, respectively.

The Company estimated the fair value of acquired assets and liabilities as of the date of acquisition based on information currently available. As the Company finalizes the fair value of assets acquired and liabilities assumed, additional purchase price adjustments may be recorded during the measurement period.

2022 Paint, Collision & Glass Segment

The provisional amounts for assets acquired and liabilities assumed for the 2022 Paint, Collision & Glass acquisitions are as follows:

(in thousands)	Auto Glass Fitters Inc.	Jack Morris Auto Glass	K&K Glass	All Star Glass	Auto Glass Now	All Other Paint, Collision & Glass	Total PC&G
Assets:							
Accounts and notes receivable, net	5,264	1,162	—	2,349	—	832	9,607
Inventory	134	1,150	1,067	546	—	1,518	4,415
Prepaid and other assets	64	70	—	119	—	14	267
Property and equipment, net	417	418	1,553	568	1,064	1,628	5,648
Operating lease right-of-use assets	1,016	1,558	587	5,943	11,177	2,865	23,146
Intangibles, net	20,600	16,100	16,600	8,500	49,100	—	110,900
Goodwill	48,038	35,651	20,836	26,548	119,569	29,689	280,331
Deferred tax asset	—	—	—	—	—	84	84
Total assets acquired	**75,533**	**56,109**	**40,643**	**44,573**	**180,910**	**36,630**	**434,398**
Liabilities:							
Accounts payable	2,010	630	—	1,825	—	229	4,694
Accrued expenses and other liabilities	817	644	195	2,152	1,932	768	6,508
Current portion of long-term debt	—	—	—	10	31	—	41
Long-term debt, net	—	—	—	21	89	—	110
Operating lease liabilities	262	1,030	392	4,223	8,229	2,024	16,160
Deferred tax liabilities	375	19	—	—	—	—	394
Total liabilities assumed	**3,464**	**2,323**	**587**	**8,231**	**10,281**	**3,021**	**27,907**
Cash Consideration, net of cash acquired	**56,044**	**48,386**	**40,056**	**36,342**	**170,629**	**30,209**	**381,666**
Deferred Consideration	16,025	5,400	—	—	—	3,400	24,825
Consideration, net of cash acquired	**$ 72,069**	**$ 53,786**	**$ 40,056**	**$ 36,342**	**$ 170,629**	**$ 33,609**	**$ 406,491**

2022 Maintenance Segment

The provisional amounts for assets acquired and liabilities assumed for the 2022 Maintenance acquisitions are as follows:

(in thousands)	**Maintenance**
Assets:	
Inventory	362
Property and equipment, net	5,040
Operating lease right-of-use assets	10,323
Goodwill	18,542
Deferred tax asset	844
Total assets acquired	**35,111**
Liabilities:	
Accrued expenses and other liabilities	792
Operating lease liabilities	9,402
Total liabilities assumed	10,194
Cash Consideration, net of cash acquired	22,849
Deferred Consideration	2,068
Total Consideration, net of cash acquired	**$ 24,917**

Goodwill represents the excess of the consideration paid over the fair value of net assets acquired and includes the expected benefit of synergies within the existing segments and intangible assets that do not qualify for separate recognition. Goodwill, which was allocated to the Maintenance and Paint, Collision & Glass segments, is substantially all deductible for income tax purposes.

2021 Acquisitions

The Company completed 2 acquisitions representing 12 collision sites, each individually immaterial, which are included within the Company's Paint, Collision & Glass segment during the year ended December 25, 2021, which were deemed to be business combinations. The aggregate cash consideration for these acquisitions, net of cash acquired, was $33 million.

The Company also completed 8 acquisitions in the Maintenance segment representing 13 maintenance sites, each individually immaterial, during the year ended December 25, 2021, which were deemed to be business combinations. The aggregate cash consideration for these acquisitions, net of cash acquired, was $37 million.

2021 Paint, Collision & Glass Segment

The amounts for assets acquired and liabilities assumed for the 2021 Paint, Collision & Glass acquisitions are as follows:

(in thousands)		**Paint, Collision & Glass**
Assets:		
Inventory	$	107
Property and equipment, net		1,512
Operating lease right-of-use assets		7,672
Intangibles, net		6,707
Goodwill		24,742
Total assets acquired		**40,740**
Liabilities:		
Accrued expenses and other liabilities		5
Operating lease liabilities		7,763
Total liabilities assumed		**7,768**
Cash Consideration, net of cash acquired		32,972
Deferred Consideration		—
Total Consideration, net of cash acquired	**$**	**32,972**

2021 Maintenance Segment

The amounts for assets acquired and liabilities assumed for the 2021 Maintenance acquisitions are as follows:

(in thousands)		**Maintenance**
Assets:		
Inventory	$	200
Property and equipment, net		19,095
Goodwill		14,661
Assets held for sale		3,275
Deferred tax assets		90
Total assets acquired		**37,321**
Liabilities:		
Accrued expenses and other liabilities		52
Total liabilities assumed		**52**
Cash Consideration, net of cash acquired		36,874
Deferred Consideration		395
Total Consideration, net of cash acquired	**$**	**37,269**

Purchase accounting allocations are complete for all 2021 acquisitions as of December 31, 2022.

2020 Acquisitions

Acquisition of Fix Auto (Paint, Collision & Glass Segment)

On April 20, 2020, the Company acquired 100% of the outstanding equity of Fix Auto USA, a franchisor and operator of collision repair centers, for $29 million, net of cash received of approximately $2 million. This acquisition resulted in the Company acquiring 150 franchised locations and 10 company-operated locations and

increases the Company's collision services footprint. All goodwill related to this acquisition was allocated to the Paint, Collision & Glass segment. None of the goodwill associated with this acquisition is deductible for income tax purposes.

Note 5 —Property and Equipment

Property and equipment at December 31, 2022 and December 25, 2021 consisted of the following:

(in thousands)	December 31, 2022	December 25, 2021
Buildings	$ 20,967	$ 21,796
Land	2,864	3,696
Furniture and fixtures	23,464	17,855
Computer equipment and software	35,607	29,336
Shop equipment	30,053	21,702
Leasehold improvements	201,416	146,169
Finance lease right-of-use assets/capital leases	36,246	23,366
Vehicles	7,527	2,664
Construction in progress	59,669	36,697
Total property and equipment	417,813	303,281
Less: accumulated depreciation	(113,920)	(80,411)
Total property and equipment, net	$ 303,893	$ 222,870

Depreciation expense was $33 million, $24 million, and $18 million for the years ended December 31, 2022, December 25, 2021, and December 26, 2020, respectively.

Note 6 —Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the years ended December 31, 2022 and December 25, 2021 are as follows:

(in thousands)	Total
Balance at December 26, 2020	$ 898,539
Acquisitions	39,403
Purchase price adjustments	(708)
Foreign exchange	903
Balance at December 25, 2021	938,137
Acquisitions	298,873
Sale of business unit	(3,495)
Purchase price adjustments	(34)
Foreign exchange	(8,024)
Balance at December 31, 2022	$ 1,225,457

Intangible assets for the years ended December 31, 2022 and December 25, 2021 are as follows:

(in thousands)	Balance at December 31, 2022		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite-Lived Amortizable			
Franchise agreements	$ 222,617	$ (59,466)	$ 163,151
License agreements	11,968	(4,354)	7,614
Membership agreements	11,600	(5,480)	6,120
Customer relationships	128,127	(16,369)	111,758
Developed technology	25,717	(19,788)	5,929
Trademarks & other	12,571	(11,336)	1,235
Total definite lived amortizable	412,600	(116,793)	295,807
Indefinite-Lived			
Trademarks	431,839	—	431,839
Total	$ 844,439	$ (116,793)	$ 727,646

	Balance at December 25, 2021		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite-Lived Amortizable			
Franchise agreements	$ 223,626	$ (49,529)	$ 174,097
License agreements	12,044	(3,091)	8,953
Membership agreements	11,600	(3,270)	8,330
Customer relationships	59,585	(8,797)	50,788
Developed technology	25,882	(19,079)	6,803
Trademarks & other	10,729	(10,729)	—
Total definite-lived amortizable	343,466	(94,495)	248,971
Indefinite-Lived			
Trademarks	396,845	—	396,845
Total	$ 740,311	$ (94,495)	$ 645,816

Amortization expense was $23 million, $17 million, and $18 million for the years ended December 31, 2022, December 25, 2021, and December 26, 2020, respectively.

Amortization expense related to intangible assets for the next five fiscal years and thereafter is as follows:

(in thousands)	
2023	$ 25,145
2024	23,771
2025	21,889
2026	21,445
2027	19,915
Thereafter	183,642
Total amortization	$ 295,807

Note 7— Revenue from Contracts with Customers

The Company records contract assets for the incremental costs of obtaining a contract with a customer if it expects the benefit of those costs to be longer than one year and if such costs are material. Commission expenses, a primary cost associated with the sale of franchise licenses, are amortized to selling, general and administrative expenses in the consolidated statements of income ratably over the life of the associated franchise agreement.

Capitalized costs to obtain a contract as of December 31, 2022 and December 25, 2021 were $7 million and $11 million, respectively, and were presented within deferred commissions on the consolidated balance sheets. The Company recognized an immaterial amount of costs during the years ended December 31, 2022 and December 25, 2021, respectively, that were recorded as a contract asset at the beginning of the year.

Contract liabilities consist primarily of deferred franchise fees and deferred development fees. The Company has contract liabilities of $29 million and $27 million as of December 31, 2022 and December 25, 2021, respectively, which are presented within deferred revenue on the consolidated balance sheets. The Company recognized $4 million and $3 million in revenue relating to contract liabilities during the year ended December 31, 2022 and December 25, 2021, respectively.

Note 8—Long-term Debt

Our long-term debt obligations consist of the following:

(in thousands)	December 31, 2022	December 25, 2021
Series 2018-1 Securitization Senior Notes, Class A-2	$ 261,938	$ 264,688
Series 2019-1 Securitization Senior Notes, Class A-2	288,000	291,000
Series 2019-2 Securitization Senior Notes, Class A-2	266,063	268,813
Series 2020-1 Securitization Senior Notes, Class A-2	170,625	172,375
Series 2020-2 Securitization Senior Notes, Class A-2	441,000	445,500
Series 2021-1 Securitization Senior Notes, Class A-2	444,375	448,875
Series 2022-1 Securitization Senior Notes, Class A-2	364,088	—
Other debt [(1)]	41,586	27,385
Total debt	2,277,675	1,918,636
Less: debt issuance costs	(36,852)	(36,965)
Less: current portion of long-term debt	(27,605)	(21,527)
Total long-term debt, net	$ 2,213,218	$ 1,860,144

(1) Amount primarily consists of finance lease obligations. See Note 9.

2018-1 Securitization Senior Notes

In April 2018, the Issuer issued $275 million Series 2018-1 Securitization Senior Secured Notes (the "2018-1 Senior Notes") bearing a fixed interest rate of 4.739% per annum. The 2018-1 Senior Notes have a final legal maturity date in April 2048 and an anticipated repayment date in April 2025. The 2018-1 Senior Notes are secured by substantially all assets of the Issuer and are guaranteed by the Securitization Entities. The Company capitalized $7 million of debt issuance costs related to the 2018-1 Senior Notes.

2019-1 Securitization Senior Notes

In March 2019, the Issuer issued $300 million of Series 2019-1 Securitization Senior Notes (the "2019-1 Senior Notes") bearing a fixed interest rate of 4.641% per annum. The 2019-1 Senior Notes have a final legal maturity date in April 2049 and an anticipated repayment date in April 2026. The 2019-1 Senior Notes are secured by substantially all assets of the Issuer and are guaranteed by the Securitization Entities. The Company capitalized $6 million of debt issuance costs related to the 2019-1 Senior Notes.

2019-2 Securitization Senior Notes

In September 2019, the Issuer issued $275 million Series 2019-2 Securitization Senior Secured Notes (the "2019-2 Senior Notes") bearing a fixed interest rate of 3.981% per annum. The 2019-2 Senior Notes have a final legal maturity date in October 2049 and an anticipated repayment date in October 2026. The 2019-2 Senior Notes are secured by substantially all assets of the Issuer and are guaranteed by the Securitization Entities. The Company capitalized $6 million of debt issuance costs related to the 2019-2 Senior Notes.

Series 2019-3 Variable Funding Securitization Senior Notes

In December 2019, the Issuer issued Series 2019-3 Variable Funding Senior Notes (the "2019 VFN") in the revolving amount of $115 million. The 2019 VFN have a final legal maturity date in January 2050. The commitment under the 2019 VFN was set to expire in July 2022, with the option of three one-year extensions. In July 2022, the Company exercised the option to extend an additional year. The 2019 VFN are secured by substantially all assets of the Issuer and are guaranteed by the Securitization Entities. The Issuer may elect interest at the Base Rate plus an applicable margin or London Interbank Offered Rate ("LIBOR") plus an applicable margin (the LIBOR rate as the applicable interest rate). The Company capitalized $1 million of debt issuance costs related to the 2019-3 VFN. No amounts were outstanding under the 2019 VFN as of December 31, 2022 and December 25, 2021. As of December 31, 2022, there were $24.5 million of outstanding letters of credit that reduced the borrowing availability under the 2019 VFN.

2020-2 Securitization Senior Notes

In December 2020, the Co-Issuers issued $450 million 2020-2 Securitization Senior Notes (the "2020-2 Senior Notes") bearing a fixed interest rate of 3.237% per annum. The 2020-2 Senior Notes have a final legal maturity date in January 2051; and an anticipated repayment date in January 2028. The 2020-2 Senior Notes are secured by substantially all assets of the Co-Issuers and are guaranteed by the Securitization Entities. The Company capitalized $8 million of debt issuance costs related to the 2020-2 Senior Notes. The Company used the proceeds of these notes to fully repay the 2015-1 Senior Notes and 2016-1 Senior Notes detailed above.

2021-1 Securitization Senior Notes

In September 2021, the Co-Issuers issued $450 million of 2021-1 Securitization Senior Notes (the "2021-1 Senior Notes") bearing a fixed interest rate of 2.791% per annum. The 2021-1 Senior Notes have a final legal maturity date in October 2051 and an anticipated repayment date in October 2028. The 2021-1 Senior Notes are secured by substantially all assets of the Co-issuers and are guaranteed by the Securitization Entities. A portion of the proceeds from the issuance of the 2021-1 Senior Notes were used to pay off the outstanding balance on the Revolving Credit Facility with the remainder to be used for general corporate purposes, including future acquisitions. The Company capitalized $10 million of debt issuance costs related to the 2021-1 Senior Notes.

2022-1 Securitization Senior Notes

In October 2022, the Co-Issuers issued $365 million of 2022-1 Securitization Senior Notes (the "2022-1 Senior Notes"), bearing a fixed interest rate of 7.393% per annum. The 2022-1 Senior Notes have a final legal maturity date in October 2052, and an anticipated repayment date in October 2027. The 2022-1 Senior Notes are secured by substantially all assets of the Co-issuers and are guaranteed by the Securitization Entities. The proceeds from the issuance of the 2022-1 Senior Notes were used for general corporate purposes, including the repayment of the Revolving Credit Facility creating capacity to invest in continued growth. In conjunction with the issuance of the 2022-1 Senior Notes, the Co-Issuers also issued Series 2022-1 Class A-1 Notes in the amount of $135 million,

which can be accessed at the Issuer's option if certain conditions are met. The Company capitalized $7 million of debt issuance costs related to the 2022-1 Senior Notes.

Scheduled debt repayments for the next five fiscal years and thereafter is as follows:

(in thousands)		
2023	$	27,605
2024		26,274
2025		279,766
2026		554,088
2027		524,935
Thereafter		865,007
Total future repayments	$	2,277,675

Guarantees and Covenants of the Notes

Substantially all of the assets of the Company, including most of the domestic and certain of the foreign revenue-generating assets, which principally consist of franchise-related agreements, certain company-operated stores, certain product distribution agreements, intellectual property and license agreements for the use of intellectual property, are owned by subsidiaries of the Master Issuer, and are pledged to secure the Notes. The restrictions placed on the Master Issuer and its subsidiaries require that interest and principal (if any) on the Notes be paid prior to any residual distributions to the Company, and amounts are segregated weekly to ensure appropriate funds are reserved to pay the quarterly interest and principal (if any) amounts due. The amount of weekly cash flow that exceeds all expenses and obligations of the Master Issuer and its subsidiaries (including required reserve amounts) is generally remitted to the Company in the form of a dividend.

The Notes are subject to certain quantitative covenants related to debt service coverage and leverage ratios. In addition, the agreements related to the Notes also contain various affirmative and negative operating and financial reporting covenants which are customary for such debt instruments. These covenants, among other things, limit the ability of the Master Issuer and its subsidiaries to sell assets; engage in mergers, acquisitions, and other business combinations; declare dividends or redeem or repurchase capital stock; incur, assume, or permit to exist additional indebtedness or guarantees; make loans and investments; incur liens; and enter into transactions with affiliates. In the event that certain covenants are not met, the Notes may become fully due and payable on an accelerated schedule. In addition, the Master Issuer may voluntarily prepay, in part or in full, any series of Class A-2 Notes at any time, subject to certain make-whole obligations.

As of December 31, 2022, the Master Issuer was in compliance with all covenants under the agreements discussed above.

Driven Brands, Inc. has no material separate cash flows or assets or liabilities as of December 31, 2022. All business operations are conducted through its operating subsidiaries and it has no material independent operations. Driven Brands, Inc. has no other material commitments or guarantees. As a result of the restrictions described above, certain of the subsidiaries' net assets are effectively restricted in their ability to be transferred to Driven Brands, Inc. as of December 31, 2022.

Note 9— Leases

The Company's lease and sublease portfolio primarily consists of the real property leases related to franchisee service centers and company-operated service center locations, as well as office space and various vehicle and equipment leases. Leases for real property generally have terms ranging from 5 to 25 years, with most having one or more renewal options ranging from 1 to 10 years. The Company does not include option periods in its determination of the lease term unless renewals are deemed reasonably certain to be exercised. Equipment and vehicle leases

generally have terms ranging from one to five years. The Company's portfolio of leases does not contain any material residual value guarantees or restrictive covenants.

The following table details our total investment in operating and finance leases where the Company is the lessee:

(in thousands)	**Balance Sheet Location**	**December 31, 2022**	**December 25, 2021**
Right-of-use assets			
Finance leases	Property and equipment, net	$ 36,213	$ 23,366
Operating leases	Operating lease right-of-use assets	335,760	312,470
Total right-of-use assets		$ 371,973	$ 335,836
Current lease liabilities			
Finance leases	Current portion of long-term debt	$ 3,317	$ 2,209
Operating leases	Accrued expenses and other liabilities	33,689	26,656
Total current lease liabilities		$ 37,006	$ 28,865
Long-term lease liabilities			
Finance leases	Long-term debt	$ 35,390	$ 22,336
Operating leases	Operating lease liabilities	313,644	295,897
Total long-term lease liabilities		$ 349,034	$ 318,233

The lease cost for operating and finance leases recognized in the consolidated statement of income were as follows:

(in thousands)	**December 31, 2022**	**December 25, 2021**
Finance lease expense:		
Amortization of right-of-use assets	$ 2,928	$ 1,362
Interest on lease liabilities	1,715	853
Operating lease expense	59,550	50,146
Short-term lease expense	430	433
Variable lease expense	1,522	865
Total lease expense, net	$ 66,145	$ 53,659

The Company recorded a $3 million impairment loss during the year ended December 26, 2020 related to Company's decision to exit certain leased locations.

The Company also subleases certain facilities to franchisees and recognized $5 million, $6 million, and $7 million in sublease revenue during the years ended December 31, 2022, December 25, 2021, and December 26, 2020, respectively, as a component of supply and other revenue on the consolidated statements of income.

In April 2020, the Financial Accounting Standards Board issued guidance allowing entities to make a policy election to account for lease concessions related to the COVID-19 pandemic as though enforceable rights and obligations for those concessions existed. The election applies to any lessor-provided lease concession related to the impact of the COVID-19 pandemic, provided the concession does not result in a substantial increase in the rights of the lessor or in the obligations of the lessee. During the year ended December 26, 2020, we received concessions from certain landlords in the form of rent deferrals of approximately $2 million and an immaterial amount of rent abatements. We have elected to account for these rent concessions as though enforceable rights and obligations for

those concessions existed in the original lease agreements and, as a result, the lease concessions were not considered modifications of the existing lease contract.

For the year ended December 31, 2022, the Company sold 11 maintenance properties in various locations throughout the U. S. for a total of $16 million, resulting in a net gain of $3 million. Concurrently with the closing of these sales, the Company entered into various operating lease agreements pursuant to which the Company leased back the properties. These lease agreements have terms ranging from 15 to 20 years and provide the Company with the option of extending the lease for up to 20 additional years. The Company does not include option periods in its determination of the lease term unless renewals are deemed reasonably certain to be exercised. The Company recorded an operating lease right-of-use asset and operating lease liability of approximately $12 million and $12 million, respectively, related to these lease arrangements.

For the year ended December 25, 2021, the Company sold 5 maintenance properties in various locations throughout the U. S. for a total of $6 million, resulting in a net gain of less than $1 million. Concurrently with the closing of these sales, the Company entered into various operating lease agreements pursuant to which the Company leased back the properties. These lease agreements have terms ranging from 15 to 20 years and provide the Company with the option of extending the lease for up to 20 additional years. The Company does not include option periods in its determination of the lease term unless renewals are deemed reasonably certain to be exercised. The Company recorded an operating lease right-of-use asset and operating lease liability of approximately $5 million and $5 million, respectively, related to these lease arrangements.

	December 31, 2022	December 25, 2021
Weighted average remaining lease terms (years)		
Operating	15.58	10.17
Financing	12.04	12.14
Weighted average remaining lease terms (years)		
Operating	5.27 %	4.52 %
Financing	5.02 %	5.01 %

Supplemental cash flow information related to the Company's lease arrangements were as follows:

(in thousands)	December 31, 2022	December 25, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used in operating leases	$ 56,678	$ 47,724
Operating cash flows used in finance leases	1,715	853
Financing cash flows used in finance leases	1,641	639
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 59,772	$ 56,613
Finance leases	10,906	15,095

As of December 31, 2022, future minimum lease payments under noncancellable leases were as follows:

(in thousands)	Finance	Operating	Income from subleases
2023	$ 5,052	$ 63,028	$ 5,908
2024	4,976	60,277	4,234
2025	4,743	56,457	3,744
2026	4,333	50,232	3,378
2027	4,136	43,069	3,034
Thereafter	29,366	224,294	6,668
Total undiscounted cash flows	52,606	497,357	$ 26,966
Less: Present value discount	13,899	150,024	
Less: Current lease liabilities	3,317	33,689	
Long-term lease liabilities	$ 35,390	$ 313,644	

Note 10—Income Taxes

The components of our income tax expense were as follows:

	Year Ended		
(in thousands)	December 31, 2022	December 25, 2021	December 26, 2020
Current:			
Federal	$ 7,568	$ 7,239	$ (825)
State	5,158	3,548	3,328
Foreign	600	421	4,108
Deferred:			
Federal	12,984	16,760	3,104
State	(13,067)	2,021	2,646
Foreign	4,295	(3,747)	1,044
Total income tax expense	$ 17,538	$ 26,242	$ 13,405

Deferred tax assets (liabilities) are comprised of the following:

(in thousands)	December 31, 2022	December 25, 2021	December 26, 2020
Deferred tax asset			
Accrued liabilities	$ 6,159	$ 7,585	$ 6,349
Accounts receivable allowance	5,046	4,590	4,735
Net operating loss carryforwards	9,054	4,397	16,618
Lease liabilities	82,669	79,402	81,450
Interest expense limitation	8,537	3,491	5,638
Deferred revenue	6,693	6,447	4,701
Other deferrred assets	5,091	294	410
Total deferred tax asset	123,249	106,206	119,901
Less valuation allowance	(1,216)	(1,156)	(668)
Net deferred tax asset	122,033	105,050	119,233
Deferred tax liabilities			
Goodwill and intangible assets	156,429	154,134	154,875
Right of use lease assets	80,156	76,639	79,000
Fixed asset basis differences	17,317	5,210	2,145
Unrealized foreign exchange differences	(920)	1,101	1,217
Other deferred liabilities	6,793	3,973	2,438
Total deferred liabilities	259,775	241,057	239,675
Net deferred liabilities	$ 137,742	$ 136,007	$ 120,442

The Company's effective tax rate for the year ended December 31, 2022, differs from the federal statutory rate primarily due to state tax expense, non-deductible stock compensation, and favorable return-to-provision adjustments driven by a check-the-box election made during 2022. The Company's effective tax rate for the year ended December 25, 2021 differs from the federal statutory rate primarily due to state tax expense and non-amortizable transaction costs.

As of December 31, 2022, Driven Brands had a liability for uncertain tax positions of approximately $2 million. During 2022, the Company reduced the liability for uncertain tax positions by less than $1 million. The Company has elected to treat interest and penalties associated with uncertain tax position as tax expense. The Company does not estimate any change to the position in the next 12 months. Based on management analysis, the Company does not believe any historical unrecognized tax benefits significantly changed during the years ended December 31, 2022 or December 25, 2021. The Company does not believe any remaining unrecognized tax benefits will significantly change in the next fiscal year.

The Company files income tax returns in the U.S., Canada, and various state jurisdictions. Examinations by various taxing authorities covering years 2018 to 2020 are on-going. The Company is generally subject to income tax examinations for years 2016 through 2021 and believes appropriate provisions for all outstanding matters have been made for all jurisdictions and open years.

As of December 31, 2022, the Company has no pre-tax federal operating loss carry forwards. State tax effected net operating loss carryforwards are $8 million for which portions begin to expire in fiscal year 2023. As of December 31, 2022, the Company had Canada net operating loss carryforwards of $3 million for which portions of the operating loss carryforwards begin to expire in fiscal year 2023. As of December 31, 2022, the Company had $536 million of goodwill that was deductible for tax purposes.

The Company has designated the undistributed earnings of its foreign operations as indefinitely reinvested and as a result the Company does not provide for deferred income taxes on the unremitted earnings of these subsidiaries. As of December 31, 2022, the determination of the amount of such unrecognized deferred tax liability is not practicable.

Note 11—Related-Party Transactions

The Company has a related parties receivable of $387 million at December 31, 2022 with the Driven Holdings LCC, its parent company, of which $258 million and $128 million is classified as current and noncurrent, respectively, on the Consolidated Balance Sheet. The Company had related parties receivable of $513 million at December 25, 2021 with the Driven Holdings LCC, its parent company, of which $384 million and $128 million is classified as current and noncurrent, respectively on the Consolidated Balance Sheet. The funds advanced were obtained from the issuance of Series 2021-1 Securitization Senior Notes and existing cash.

The Company has an advisory services agreement with an affiliate of the Ultimate Parent, which provides that the Company pay an annual advisory services fee to the Ultimate Parent in the amount of $1 million and an additional fee based on earnings growth since inception, plus certain out-of-pocket expenses incurred by the Ultimate Parent. The Company and Roark terminated all advisory services agreements in January 2021 in connection with the Ultimate Parent's initial public offering.

The Company made payments for facilities maintenance services in the aggregate amount of approximately $6 million and $2 million during the years ended December 31, 2022 and December 25, 2021 to Divisions Maintenance Group, an entity owned by affiliates of Roark Capital Management, LLC, which is related to the company's principal stockholders (Driven Equity Sub LLC, Driven Equity LLC, RC IV Cayman ICW Holdings Sub LLC and RC IV Cayman ICW Holdings LLC). The transactions were reviewed, ratified, and approved by the Audit Committee of the Ultimate Parent's Board of Directors in accordance with the our Related Person Transactions Policy.

Note 12—Employee Benefit Plans

The Company has a 401(k) plan that covers eligible employees as defined by the plan agreement. Employer contributions to the plan were $2 million, $1 million, and less than $1 million in 2022, 2021, and 2020, respectively.

The Company has a rabbi trust to fund the obligations of its non-qualified deferred compensation plan for its executive level employees, which became effective as of January 1, 2018. The rabbi trust comprises various mutual fund investments selected by plan participants. The Company records the mutual fund investment assets at fair value with any subsequent changes in fair value recorded in the consolidated statements of income. As such, offsetting changes in the asset values and defined contribution plan obligations would be recorded in earnings in the same period. The trust asset balances were $1 million and the deferred compensation plan liability balances were $1 million as of December 31, 2022 and December 25, 2021, respectively. The trust assets and liabilities are recorded within prepaid and other assets and accrued expenses and other liabilities, respectively, within the consolidated balance sheets.

Note 13—Equity Agreements and Incentive Equity Plan

On April 17, 2015, Driven Investor LLC established the Driven Investor LLC Incentive Equity Plan (the "Equity Plan"). The Equity Plan, among other things, established the ownership of certain membership units in Driven Investor LLC and defined the distribution rights and allocations of profits and losses associated with those membership units. Additionally, the Equity Plan calls for certain restrictions regarding transfers of units, corporate governance and board of director representation. In April 2015, Driven Investor LLC established certain profits interest units as part of the award agreements (the "Award Agreements") granted pursuant to the Equity Plan. The Award Agreements provide for grants of certain profits interest units to employees, directors or consultants of Driven Investor LLC and Subsidiaries. For both the Profits Interest Time Units and Profits Interest Performance Units, if the grantee's continuous service terminated for any reason, the grantee forfeits all right, title, and interest in and to any unvested units as of the date of such termination, unless the grantee's continuous service period is terminated by the Company without cause within the six-month period prior to the date of consummation of the change in control. In addition, the grantee forfeits all right, title, and interest in and to any vested units if the grantee was terminated for cause, breaches any post-termination covenants, or fail to execute any general release required to be executed. The Profits Interest Performance Units were also subject to certain performance criteria which may cause the units not to vest.

On January 6, 2021, the Ultimate Parent's board of directors approved the 2021 Omnibus Incentive Plan (the "Plan") and, effective January 14, 2021, the Ultimate Parent's shareholders adopted and approved the Plan. The Plan provides for the granting of stock options, stock appreciation rights, restricted stock awards, restricted stock units, other stock-based awards, other cash-based awards, or any combination of the foregoing to current and prospective employees and directors of, and consultants and advisors to, the Ultimate Parent and its affiliates. The maximum number of shares of common stock available for issuance under the Plan is 12,533,984 shares. In conjunction with the closing of the IPO, our Ultimate Parent's Board granted awards under the Plan to certain of our employees, representing an aggregate of 5,582,522 shares of common stock.

Profits Interest Units

Prior to IPO, the Ultimate Parent's equity awards included Profits Interest Units as noted above. There were two forms of Profits Interest - Time Units and Performance Units. Time Units generally vested in five installments of 20% on each of the first five anniversaries of the grant date or vesting date, provided that the employee remained in continuous service on each vesting date. All outstanding Time Units were to vest immediately prior to the effective date of a consummated sale transaction. The Time Units were exchanged for time-based restricted stock awards in connection with the IPO. In addition, the Ultimate Parent granted time-based and performance-based options in connection with the IPO to most employees with Profit Interests (each an "IPO Option"). The exchange of Profits Interest - Time Units for time based time-based restricted stock awards did not require modification accounting.

The Performance Units were to vest immediately prior to the effective date of a consummated sale transaction or qualified public offering, including the IPO (a "Liquidity Event"). The percentage of vesting was based on achieving certain performance criteria. No vesting occurred as a result of the IPO as the minimum performance criteria threshold was not achieved. In connection with the IPO, the Performance Units were exchanged for performance-based restricted stock awards. The vesting conditions of the performance-based restricted stock awards were modified to vest subject to an additional performance condition. Employees who received IPO Options have the same vesting conditions for the performance-based portion of the IPO Options as the performance-based restricted stock awards.

The Company calculated the fair value of these performance-based restricted stock awards on the modification date and determined the fair value of these awards increased to $66 million as a result of modification. In addition, the grant date fair value of the performance-based IPO Options was $26 million. The fair value of the performance-based restricted stock awards and performance-based IPO Options was determined by using a Monte Carlo simulation, using the following assumptions: (i) an expected term of 4.96 years, (ii) an expected volatility of 40.6%, (iii) a risk-free interest rate of 0.48%, and (iv) no expected dividends.

For the awards, if the grantee's continuous service terminates for any reason, the grantee forfeits all right, title, and interest in and to any unvested units as of the date of such termination, unless the grantee's continuous service period is terminated by the Company without cause within the six-month period prior to the date of consummation of a Liquidity Event. In addition, the grantee forfeits all right, title, and interest in and to any vested units if the grantee resigns, is terminated for cause, breaches any post-termination covenants, or fail to execute any general release required to be executed.

There was approximately $3 million of unrecognized compensation expense related to the time-based restricted stock awards and time-based IPO Options at December 31, 2022, which is expected to be recognized over a weighted-average vesting period of 2.3 years.

There was approximately $87 million of unrecognized compensation expense related to the performance-based restricted stock awards and performance-based IPO Options at December 31, 2022. For the years ended December 31, 2022 and December 25, 2021, no compensation cost was recognized for the performance-based restricted stock awards and performance-based IPO Options given that the performance criteria was not met or probable. Once the performance conditions are deemed probable, the Company will recognize compensation cost equal to the portion of the requisite service period that has elapsed. Certain former employees continued to hold performance-based awards after the IPO.

The following is a summary of the Ultimate Parent's Profits Interest - Time Units and Performance Units for 2020:

	Profits Interest - Time Units	Weighted Average Grant Date Fair Value, per unit	Profits Interest - Performance Units	Weighted Average Grant Date Fair Value, per unit
Outstanding as of December 28, 2019	13,581	$ 492	24,636	$ 351
Granted	13,055	696	25,597	693
Forfeited/Cancelled	(2,668)	976	(8,387)	894
Repurchases	(6,677)	288	—	—
Outstanding as of December 26, 2020	17,291	$ 652	41,846	$ 554

There were no stock grants, forfeitures or repurchases for the period from December 26, 2020 through January 14, 2021. The existing Profits Interest - Time and Performance units were converted into new time and performance awards on January 14, 2021.

	Unvested Time Awards	Weighted Average Grant Date Fair Value, per unit	Unvested Performance Awards	Weighted Average Grant Date Fair Value, per unit
Outstanding as of January 14, 2021	610,477	$ 12.65	4,178,246	$ 15.79
Forfeited/Cancelled	(17,304)	21.27	(84,737)	13.55
Vested	(164,868)	10.04	—	—
Outstanding as of December 25, 2021	428,305	$ 13.31	4,093,509	$ 15.84
Forfeited/Cancelled	(30,869)	10.34	(77,760)	15.34
Vested	(107,767)	12.95	—	—
Outstanding as of December 31, 2022	289,669	$ 13.76	4,015,749	$ 15.84

Restricted Stock Units and Performance Stock Units

The Ultimate Parent established other new awards in connection with and subsequent to the IPO, including restricted stock units ("RSUs") and performance stock units ("PSUs"). Awards are eligible to vest provided that the employee remains in continuous service on each vesting date. The RSUs vest ratably in three installments on each of the first three anniversaries of the grant date. The PSUs vest after a three-year performance period. The number of PSUs that vest is contingent on the Ultimate Parent achieving certain performance goals, one being a performance condition and the other being a market condition. The number of PSU shares that vest may range from 0% to 200% of the original grant, based upon the level of performance. The awards are considered probable of meeting vesting requirements, and therefore, the Company has started recognizing expense. For both RSUs and PSUs, if the grantee's continuous service terminates for any reason, the grantee shall forfeit all right, title, and interest in any unvested units as of the termination date.

For RSUs and PSUs with a performance condition the grant date fair value is based upon the market price of the Ultimate Parent's common stock on the date of the grant. For PSUs with a market condition, the Company estimates the grant date fair value using the Monte Carlo valuation model. For all PSUs, the Company reassesses the probability of the achievement of the performance condition at each reporting period.

The range of assumptions used for issued PSUs with a market condition valued using the Monte Carlo model were as follows:

	For the Year Ended	
	December 31, 2022	**December 25, 2021**
Annual dividend yield	—%	—%
Expected term (years)	2.7-3.0	3.0
Risk-free interest rate	2.32-3.05%	0.2%
Expected volatility	40.9-43.9%	41.2%
Correlation to the index peer group	50.7-59.5%	65.9%

There was approximately $7 million of total unrecognized compensation cost related to the unvested RSUs at December 31, 2022, which is expected to be recognized over a weighted-average vesting period of 2.3 years. In addition, there was approximately $18 million of total unrecognized compensation cost related to the unvested PSUs, which are expected to be recognized over a weighted-average vesting period of 2.2 years.

The following are the Ultimate Parent's restricted stock units and performance stock units granted in conjunction with or after the IPO:

	Unvested Time Units	**Weighted Average Grant Date Fair Value, per unit**	**Unvested Performance Units**	**Weighted Average Grant Date Fair Value, per unit**
Outstanding as of January 14, 2021 (pre-IPO)	—	$ —	—	$ —
Granted post-IPO	81,160	23.11	144,735	24.52
Forfeited/Cancelled	(18,735)	22.18	(37,439)	24.36
Outstanding as of December 25, 2021	62,425	23.38	107,296	24.58
Granted	300,067	27.96	488,488	32.39
Forfeited/Cancelled	(20,424)	26.18	(46,024)	29.22
Vested	(20,465)	23.41	—	—
Outstanding as of December 31, 2022	321,603	$ 27.49	549,760	$ 31.13

Restricted Stock Options

The Ultimate Parent also established and granted restricted stock options ("RSOs") which vest provided that the employee remains in continuous service on the vesting date. The RSOs were granted at the stock price of the Ultimate Parent on the grant date and permit the holder to exercise them for 10 years from the grant date. The options generally vest on each of the fourth anniversaries of the grant date, but such vesting could accelerate for certain options based on certain conditions under the award.

There was approximately $20 million of total unrecognized compensation cost related to the unvested RSOs at December 31, 2022, which is expected to be recognized over a weighted-average vesting period of 3 years.

The following are the Ultimate Parent's restricted stock options granted in conjunction with or after the IPO:

	Time Based Restricted Stock Options Outstanding	Weighted Average Exercise Price	Performance Based Restricted Stock Options Outstanding	Weighted Average Exercise Price
Outstanding as of January 14, 2021	$ 198,984	$ 22.00	—	$ —
Granted post-IPO	3,587,575	26.75	3,621,719	22.00
Forfeited/Cancelled	(77,294)	22.00	(152,239)	22.00
Exercised	(23,705)	21.30	—	—
Outstanding as of December 25, 2021	3,685,560	26.63	3,469,480	22.00
Forfeited/Cancelled	(68,510)	19.50	(190,544)	22.00
Exercised	(23,721)	21.70	—	—
Outstanding as of December 31, 2022	3,593,329	$ 26.79	3,278,936	$ 22.00
Exercisable as of December 31, 2022	676,987	$ 21.94	—	$ —

The fair value of all time based units granted was estimated using a Black-Scholes option pricing model using the following weighted-average assumptions for each of fiscal 2021 and 2020:

	For the Year Ended	
	December 25, 2021	December 26, 2020
Annual dividend yield	—%	—%
Weighted-average expected life (years)	7.0	1.8
Risk-free interest rate	1.3%	0.9%
Expected volatility	40.1%	46.7%

The expected term of the incentive units is based on evaluations of historical and expected future employee behavior. The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life at the grant date. Volatility is based on the historical volatility of guideline public entities that are similar to the Ultimate Parent, as the Ultimate Parent does not have sufficient historical transactions of its own shares to calculate expected volatility. As of December 31, 2022, the Ultimate Parent does not intend to pay dividends or distributions in the future.

Employee Stock Purchase Plan

On January 6, 2021, the Ultimate Parent's Board of Directors approved the Employee Stock Purchase Plan (the "ESPP") and effective January 14, 2021, the Ultimate Parent's shareholders adopted and approved the ESPP. On March 22, 2021, the Ultimate Parent's Board of Directors approved the International Employee Stock Purchase Plan (the "International ESPP"). The ESPP and International ESPP provide employees of certain designated subsidiaries of the Ultimate Parent with an opportunity to purchase the Ultimate Parent's common stock at a discount, subject to

certain limitations set forth in the ESPP and International ESSP. The ESPP and International ESSP plans authorized the issuance of 1,790,569 shares of the Ultimate Parent's common stock. Total contributions to the ESPP were $1 million for the year ended December 31, 2022. 143,707 shares of common stock were purchased under the ESPP as of December 31, 2022. 111,924 of the shares of common stock were purchased on December 28, 2021 related to employee contributions during the year ended December 25, 2021.

The Company recognized equity-based compensation expense of $21 million and $4 million in 2022 and 2021, respectively.

Note 14 - Subsequent Events

The Company evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through May 26, 2023, the date the financial statements were available to be issued and determined that there were no such events requiring recognition or disclosure in the financial statements.

UNAUDITED FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF THIS FRANCHISE SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

Consolidated Financial Statements
Unaudited

Driven Brands, Inc. and Subsidiaries

For the three months ended
April 1, 2023 and March 26, 2022

DRIVEN BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

(in thousands)	April 1, 2023	December 31, 2022
Assets		
Current assets:		
Cash	$ 148,994	$ 158,799
Restricted cash	657	657
Accounts and notes receivable, net	212,295	167,249
Inventory	57,322	54,696
Prepaid and other assets	35,749	26,878
Related parties receivable	237,318	258,476
Income tax receivable	7,997	1,698
Advertising fund assets, restricted	48,618	36,421
Total current assets	748,950	704,874
Related parties receivable	128,144	128,144
Property and equipment, net	355,505	303,893
Operating lease right-of-use assets	344,155	335,760
Deferred commissions	6,691	7,121
Intangibles, net	723,152	727,646
Goodwill	1,227,194	1,225,457
Other assets	19,296	28,414
Deferred tax asset	—	1,827
Total assets	3,553,087	3,463,136
Liabilities and shareholders'/members' equity		
Current liabilities:		
Accounts payable	64,082	41,348
Income taxes payable	3,653	4,834
Accrued expenses and other liabilities	190,247	184,561
Current portion of long-term debt	26,554	27,605
Advertising fund liabilities	47,572	36,726
Total current liabilities	332,108	295,074
Long-term debt, net	2,209,000	2,213,218
Operating lease liabilities	323,535	313,644
Deferred tax liabilities	145,014	139,568
Deferred revenue	29,506	29,310
Accrued expenses and other long-term liabilities	5,262	5,947
Total liabilities	3,044,425	2,996,761
Shareholders'/Members' equity		
Class A common	565	565
APIC	285,766	274,922
Retained earnings	237,956	209,246
Accumulated other comprehensive income (loss)	(15,995)	(18,728)
Total shareholders'/members' equity attributable to Driven Brands Inc.	508,292	466,005
Non-controlling interests	370	370
Total shareholders'/members' equity	508,662	466,375
Total liabilities and shareholders'/members' equity	$ 3,553,087	$ 3,463,136

DRIVEN BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

(in thousands)	Three months ended April 1, 2023	Three months ended March 26, 2022
Revenue:		
Franchise royalties and fees	$ 43,515	$ 37,888
Company-operated store sales	273,620	197,896
Advertising contributions	21,677	19,698
Supply and other revenue	66,675	53,566
Total revenue	405,487	309,048
Operating expenses:		
Company-operated store expenses	171,286	118,104
Advertising expenses	21,677	19,698
Supply and other expenses	35,987	31,516
Selling, general and administrative expenses	93,638	77,892
Acquisition costs	876	2,500
Store opening costs	948	499
Depreciation and amortization	16,186	11,168
Asset impairment charges and lease terminations (gain) loss	115	(104)
Total operating expenses	340,713	261,273
Operating income	64,774	47,775
Other (income) expense, net		
Interest expense, net	26,853	19,339
Gain on foreign currency transactions, net	(1,097)	(1,739)
Total other expenses, net	25,756	17,600
Income before taxes	39,018	30,175
Income tax expense	10,308	12,120
Net income	28,710	18,055
Net income attributable to non-controlling interests	—	—
Net income attributable to Driven Brands, Inc.	$ 28,710	$ 18,055

DRIVEN BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(UNAUDITED)

in thousands	Common stock, Class A and B	Additional paid-in-capital	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interest	Total shareholders' equity
Balance as of December 25, 2021	$ 565	$ 247,505	$ 55,615	$ (1,623)	$ 406	$ 302,468
Net income	—	—	18,055	—	—	18,055
Other comprehensive income	—	—	—	4,205	13	4,218
Equity-based compensation expense	—	2,618	—	—	—	2,618
Net contributions from Parent	—	2,078	—	—	—	2,078
Balance as of March 26, 2022	$ 565	$ 252,201	$ 73,670	$ 2,582	$ 419	$ 329,437

	Common stock, Class A and B	Additional paid-in-capital	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interest	Total shareholders' equity
Balance as of Balance as of December 31, 2022	$ 565	$ 274,922	$ 209,246	$ (18,728)	$ 370	$ 466,375
Net income	—	—	28,710	—	—	28,710
Other comprehensive income	—	—	—	2,733	—	2,733
Equity-based compensation expense	—	2,564	—	—	—	2,564
Net distributions to Parent	—	8,280	—	—	—	8,280
Balance as of April 1, 2023	$ 565	$ 285,766	$ 237,956	$ (15,995)	$ 370	$ 508,662

DRIVEN BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

(in thousands)	Three months ended April 1, 2023	Three months ended March 26, 2022
Net income	$ 28,710	$ 18,055
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,186	11,168
Stock based compensation expense	2,564	2,618
Gain on foreign denominated transactions and hedges	(1,096)	(1,739)
Bad debt expense	36	365
Asset impairment costs	114	971
Amortization of deferred financing costs and bond discounts	1,922	1,533
Provision for deferred income taxes	3,950	(891)
Gain on sale of fixed assets	1,419	—
Other, net	5,349	(1,567)
Changes in assets and liabilities:		
Accounts and notes receivable, net	(50,915)	(15,221)
Inventory	(2,553)	(806)
Other assets	(9,209)	(2,059)
Related parties receivable, net	25,754	253,905
Prepaid and other assets	(7,724)	2,383
Advertising fund assets and liabilities, restricted	906	(1,205)
Deferred commissions	455	(39)
Deferred revenue	161	455
Accounts payable	22,451	(611)
Accrued expenses and other liabilities	20,764	(57,497)
Income tax receivable	(7,500)	11,968
Cash provided by operating activities	51,744	221,786
Cash flows from investing activities:		
Capital expenditures	(45,591)	(19,296)
Cash used in business acquisitions, net of cash acquired	(16,885)	(172,277)
Proceeds from sale-leaseback transactions	1,298	2,559
Cash used in investing activities	(61,178)	(189,014)
Cash flows from financing activities:	—	
Repayment of long-term debt	(5,752)	(4,817)
Repayment of principal portion of finance lease liability	(753)	(540)
Other, net	(4)	—
Net contribution from (distribution to) Parent	8,280	2,078
Cash provided by (used in) financing activities	1,771	(3,279)
Effect of exchange rate changes on cash	108	380
Net change in cash, cash equivalents, restricted cash, and cash included in advertising fund assets, restricted	(7,555)	29,873

Cash and cash equivalents, beginning of period	158,804	82,676
Cash included in advertising fund assets, restricted, beginning of period	32,871	38,586
Restricted cash, beginning of period	657	657
Cash, cash equivalents, restricted cash, and cash included in advertising fund assets, restricted, beginning of period	192,332	121,919
Cash and cash equivalents, end of period	148,994	110,419
Cash included in advertising fund assets, restricted, end of period	35,126	40,716
Restricted cash, end of period	657	657
Cash, cash equivalents, restricted cash, and cash included in advertising fund assets, restricted, end of period	$ 184,777	$ 151,792

EXHIBIT F

OPERATING MANUAL TABLE OF CONTENTS

Merlin Operations Manual
Table of Contents

Volume 1

Volume 2

Volume 3

Volume 4

The Merlin Operating System: Management Responsibilities and Challenges

1. The Merlin Mission and Your Business Mission

Total Number of Pages: 548

EXHIBIT G

STATE-SPECIFIC ADDENDA AND FRANCHISE AGREEMENT RIDERS

ADDITIONAL DISCLOSURES TO THE
MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT OF
MERLIN FRANCHISOR SPV LLC

The following are additional disclosures for the Franchise Disclosure Document of Merlin Franchisor SPV LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

> No statement, questionnaire, or acknowledgement signed or agreed to by you 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 Merlin Franchisor SPV LLC, any franchise seller, or any other person acting on behalf of Merlin Franchisor SPV LLC. This provision supersedes any other term of any document executed in connection with the franchise.

CALIFORNIA

A copy of the unaudited balance sheet of Merlin Franchisor SPV LLC as of April 1, 2023 immediately follows.

Merlin Franchisor SPV LLC

Consolidated Balance Sheets

Unaudited

(in thousands)		**April 1, 2023**
Assets		
Current assets:		
Cash and cash equivalents	$	50
Accounts and notes receivable, net		463
Total current assets		513
Intangibles, net		3,504
Total assets	$	4,017
Liabilities and members' equity		
Members' equity		4,017
Total members' equity		4,017
Total liabilities and members' equity	$	4,017

MINNESOTA

1. The following sentence is added at the end of Item 13:

Provided you have complied with all provisions of the Franchise Agreement applicable to the Marks, the Company will protect your rights to use the Marks and will indemnify you from any loss, costs or expenses from any claims, suits or demands regarding your use of the Marks, in accordance with and to the extent required by Minn. Stat. Sec. 80C.12 Subd. 1(g).

2. The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, the Company will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document and Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulation or provision in the Franchise Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota, subject to your arbitration obligations.

Any release required as a condition of renewal, sale and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

NORTH DAKOTA

1. The following is added to the end of the "Summary" sections of Item 17(c), entitled Requirements for Franchisee to renew or extend, and Item 17(m), entitled Conditions for Franchisor's approval of transfer:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. The following is added to the end of the "Summary" section of Item 17(r), entitled Non-competition covenants after the franchise is terminated or expires:

> Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, the Company will enforce the covenants to the maximum extent the law allows.

3. The "Summary" section of Item 17(u), entitled Dispute resolution by arbitration or mediation is deleted and replaced with the following:

> To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at the Company's principal place of business.

4. The "Summary" section of Item 17(v), entitled Choice of forum, is deleted and replaced with the following:

> Subject to your arbitration obligations, you must sue the Company in Charlotte, North Carolina, except that to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

5. The "Summary" section of Item 17(w), entitled Choice of law, is deleted and replaced with the following:

> Except as otherwise required by North Dakota law, the laws of the State of North Carolina will apply.

THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC RIDERS TO THE FRANCHISE AGREEMENT

RIDER TO THE MERLIN FRANCHISOR SPV LLC
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA

THIS RIDER (this "Rider") is made and entered into this ____ day of _____, 20____, by and between MERLIN FRANCHISOR SPV LLC, a Delaware limited liability company, with its principal office at 440 South Church Street, Suite 700, Charlotte, NC 28202 (the "COMPANY") and _____, whose address is _____ ("FRANCHISEE").

1. **BACKGROUND**. The COMPANY and FRANCHISEE are parties to that certain Franchise Agreement dated _____, 20__ (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the MERLIN SHOP that FRANCHISEE will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **NOTIFICATION OF INFRINGEMENT AND CLAIMS**. The following sentence is added to the end of Section 12.C of the Franchise Agreement:

> Provided FRANCHISEE has complied with all provisions of this Agreement applicable to the Marks, the COMPANY will protect FRANCHISEE's right to use the Marks and will indemnify FRANCHISEE from any loss, costs or expenses arising out of any claims, suits or demands regarding FRANCHISEE's use of the Marks in accordance with and to the extent required by Minn. Stat. Sec. 80C 12, Subd. 1(g).

3. **RELEASES**. The following is added to the end of Sections 1.B(3) and 16.B of the Franchise Agreement:

> Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

4. **RENEWAL AND TERMINATION**. The following is added to the end of Sections 1.B, 4.E, and 14 of the Franchise Agreement:

> However, with respect to franchises governed by Minnesota law, the COMPANY will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that FRANCHISEE be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

5. **GOVERNING LAW/CONSENT TO JURISDICTION**. The following language is added to the end of Section 17.G of the Franchise Agreement:

> Nothing in this Agreement will abrogate or reduce any of FRANCHISEE's rights under Minnesota Statutes Chapter 80C or FRANCHISEE's right to any procedure, forum or remedies that the laws of the jurisdiction provide.
>
> Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit the COMPANY, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of FRANCHISEE's rights under Minnesota statutes Chapter 80C or FRANCHISEE's rights to any procedure, forum or remedies that the laws of the jurisdiction provide, subject to FRANCHISEE's arbitration obligations.

6. **LIMITATIONS OF CLAIMS**. The following is added to the end of Section 17.J of the Franchise Agreement:

> ; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

7. **LIQUIDATED DAMAGES**. The following language is added to the end of Section 21 of the Franchise Agreement:

> The COMPANY and FRANCHISEE acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, the COMPANY and FRANCHISEE agree to enforce the provision to the extent the law allows.

[Signature Page Follows]

IN WITNESS WHEREOF the parties hereto have executed this Rider on the date stated on the first page hereof.

FRANCHISEE
If a corporation, limited liability company or partnership:

_____
a _____
(Name of corporation, limited liability company or partnership)

By:_____

Print Name:_____
Title:_____

If individuals:

_____
(Signature)

_____
(Print Name)

_____
(Signature)

_____
(Print Name)

MERLIN FRANCHISOR SPV LLC

By:_____
Print Name:_____
Title:_____

RIDER TO THE MERLIN FRANCHISOR SPV LLC
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA

THIS RIDER (this "Rider") is made and entered into this ____ day of _____, 20____, by and between MERLIN FRANCHISOR SPV LLC, a Delaware limited liability company, with its principal office at 440 South Church Street, Suite 700, Charlotte, NC 28202 (the "COMPANY") and _____, whose address is _____ ("FRANCHISEE").

1. **BACKGROUND**. The COMPANY and FRANCHISEE are parties to that certain Franchise Agreement dated _____, 20__ (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) FRANCHISEE is a resident of North Dakota and the MERLIN SHOP that FRANCHISEE will operate under the Franchise Agreement will be located in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. **RELEASES**. The following is added to the end of Sections 1.B(3) and 16.B of the Franchise Agreement:

> Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **COVENANT NOT TO COMPETE**. The following is added to the end of Section 15.E of the Franchise Agreement:

> Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, the COMPANY will enforce the covenants to the maximum extent the law allows.

4. **ARBITRATION**. The following is added as the second sentence of the paragraph contained in Section 17.B of the Franchise Agreement:

> However, to the extent otherwise required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration proceedings shall be held at a mutually agreeable site in North Dakota.

5. **GOVERNING LAW/CONSENT TO JURISDICTION**. The first sentence of the paragraph in Section 17.G of the Franchise Agreement is deleted and replaced with the following:

> Except to the extent governed by the United States Trademark Act of 1946, as amended (Langham Act, 15 U.S.C. Section 1051 et seq.) and the United States Arbitration Act, and except as otherwise required by North Dakota law, this Agreement and the Franchise shall be governed by the laws of North Carolina without regard to its conflict of law rules, provided the foregoing does not constitute a waiver of FRANCHISEE's rights under any applicable franchise registration and disclosure or franchise relationship law of another state.

6. **CONSENT TO JURISDICTION**. The following is added as the last sentence of the paragraph in Section 17.G of the Franchise Agreement:

> Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, and subject to FRANCHISEE's arbitration obligations, FRANCHISEE may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

7. **LIMITATIONS OF CLAIMS**. The following is added to the end of Section 17.J of the Franchise Agreement:

> The statute of limitations under North Dakota Law applies with respect to claims arising under the North Dakota Franchise Investment Law.

8. **LIQUIDATED DAMAGES**. The following language is added to the end of Section 21 of the Franchise Agreement:

> The COMPANY and FRANCHISEE acknowledge that certain parts of this provision might not be enforceable under the North Dakota Franchise Investment Law. However, the COMPANY and FRANCHISEE agree to enforce the provision to the extent the law allows.

[Signature Page Follows]

IN WITNESS WHEREOF the parties hereto have executed this Rider on the date stated on the first page hereof.

FRANCHISEE
If a corporation, limited liability company or partnership:

_____
a _____
(Name of corporation, limited liability company or partnership)

By:_____

Print Name:_____
Title:_____

If individuals:

_____
(Signature)

_____
(Print Name)

_____
(Signature)

_____
(Print Name)

MERLIN FRANCHISOR SPV LLC

By:_____
Print Name:_____
Title:_____

EXHIBIT H

GUARANTEE OF PERFORMANCE

GUARANTEE OF PERFORMANCE

For value received, **DRIVEN SYSTEMS LLC**, a Delaware limited liability company located at 440 South Church Street, Suite 700, Charlotte, North Carolina 28202 (the "Guarantor"), absolutely and unconditionally guarantees to assume the duties and obligations of **MERLIN FRANCHISOR SPV LLC**, located at 440 South Church Street, Suite 700, Charlotte, North Carolina 28202 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2023 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Charlotte, North Carolina on the 21st day of June, 2023.

GUARANTOR:

DRIVEN SYSTEMS LLC

By:_____
Name: Gary W. Ferrera
Title: Executive Vice President

EXHIBIT I

M.KEY SOFTWARE LICENSE AND MAINTENANCE AGREEMENT

M.KEY

SOFTWARE LICENSE AND MAINTENANCE AGREEMENT

THIS M.KEY SOFTWARE LICENSE AND MAINTENANCE AGREEMENT (the "Agreement") is made and entered into this ____ day of _____, 20____ (the "Effective Date"), between _____ ("Merlin"), a(n) _____, with its principal office at 440 South Church Street, Suite 700, Charlotte, NC 28202, and _____ ("Franchisee"), whose address is _____.

RECITALS

WHEREAS, Merlin or its affiliate and Franchisee have entered into a franchise agreement dated _____ (the "Franchise Agreement"), pursuant to which Merlin or its affiliate has granted to Franchisee a franchise for the operation of a "MERLIN SHOP" located at _____ (the "SHOP");

WHEREAS, Merlin is the licensee of certain proprietary Software (defined below), which Merlin sublicenses to franchisees for use in the operation of MERLIN SHOPS; and

WHEREAS, Franchisee desires to use the Software in connection with the operation of the SHOP, and Merlin is willing to authorize Franchisee to use the Software for such purposes subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants set forth herein, the parties hereto, intending to be legally bound, agree as follows:

A. GRANT OF LICENSE.

1. Merlin grants to Franchisee, and Franchisee accepts from Merlin, a personal, non-exclusive, non-transferable (except as provided in Section I) license to install and use "M.Key"-branded software and associated or related documentation or other similar or printed or machine-readable matter and any such modifications, upgrades, third-party interfaces or additions that may be provided by Merlin to Franchisee (collectively, the "Software") in conjunction with compatible hardware approved by Merlin (the "Designated System") solely in connection with the operation of the SHOP, upon the terms and conditions set forth herein. Except as provided in this Agreement, no license with respect to any patents, copyrights, trademarks (including, but not limited to, the "M.Key" name or mark), or trade secrets, or any other intellectual property rights, express or implied, are granted by Merlin to Franchisee under this Agreement.

2. Franchisee acknowledges and agrees that the license granted by this Agreement extends solely to the use by Franchisee or its authorized employees, agents, and representatives of the Software on the Designated System.

3. The use of the Software for any purpose other than in connection with the operation of the SHOP pursuant to the Franchise Agreement is strictly prohibited.

4. Except with the prior written consent of Merlin, the Software may not be:

(a) operated by persons other than Franchisee and employees of Franchisee;

(b) operated on equipment other than the Designated System; or

(c) used in conjunction with any other computer applications program, except as approved by Merlin.

5. Franchisee acknowledges and understands that one of the intended functions of the Software is to provide cloud storage for certain data and information such that it is accessible to Merlin in accordance with the Franchise Agreement. In the event that Franchisee shall intentionally cease storing such data and information "on the cloud," or Franchisee inadvertently ceases to store such data and information "on the cloud" and fails to notify Merlin of such Software failure and provide Merlin the reasonable opportunity to bypass any such failure, the Software will cease to function as it was intended, and Franchisee will be unable to activate the Software unless and until Franchisee begins to store "on the cloud" such data and information, such that it is accessible to Merlin in accordance with the Software's intended function.

B. PAYMENT.

1. For the rights granted hereunder, simultaneously with its execution of this Agreement, Franchisee shall pay Merlin a one-time license fee in the amount set forth in Schedule A or Schedule B, as applicable (the "License Fee").

2. In addition to the License Fee, Franchisee shall pay Merlin a monthly technical support and maintenance fee (the "Software Maintenance Fee") in the amount set forth in Schedule A or Schedule B, as applicable, for installation services (subject to Section D), training, consultant support, telephone support, and such other services as may be defined in an accepted order. The Software Maintenance Fee shall be due on the first day of each month during the term of this Agreement. Merlin requires Franchisee to make such payments pursuant to an electronic funds transfer program or through such other electronic means that Merlin shall require, and Franchisee shall cooperate with Merlin in setting up such payment procedures. Merlin reserves the right to increase the amount of the Software Maintenance Fee: (a) on each anniversary of the Effective Date to reflect any increase in the CPI (defined below) for the preceding twelve (12)-month period or, if Merlin elected not to increase the Software Maintenance Fee on any such anniversary, the aggregate increase in the CPI from the date of the last increase; and (b) at any time to reflect any increase in any third party's charges to Merlin. With respect to any such increase, Merlin shall provide Franchisee sixty (60) days' prior written notice.

"CPI" means the index number in the table relating to "Consumer Price Index - United States City Average, All Items, for Urban Wage Earners and Clerical Workers" as presently published in the "Monthly Labor Review" of the Bureau of Labor Statistics for the United States Department of Labor (the "Bureau"). In the event the Bureau ceases publishing the CPI or materially changes the methods of its computation or other features of it, Merlin may substitute comparable statistics on the purchasing power of the consumer dollar published by the Bureau, another governmental agency, or a responsible financial periodical or recognized authority to be chosen by Merlin.

3. Franchisee may purchase from Merlin certain additional products or services under this Agreement (the "Optional Products"), the prices for which are set forth in Schedule A or Schedule B, as applicable.

4. To the extent required by law, Merlin shall add to the fees of whatever type any federal, state, or local, taxes, however designated, but excluding ad valorem personal property taxes, if any, state and local privilege, excise, or use taxes based on gross revenue, taxes based on or measured by Merlin's net income, and any taxes or amounts in lieu thereof paid or payable by Merlin in respect of the foregoing

excluded items, which may be validly levied or based upon this Agreement or upon the Software. Such taxes shall be added to the License Fee or Software Maintenance Fee, as the case may be, and such taxes payable by Franchisee may be billed as separate items to Franchisee.

5. Merlin may charge Franchisee a one and one-half percent (1.5%) monthly finance charge with respect to all outstanding amounts not paid within ten (10) days following the due date of such fees.

C. TRAINING.

1. Merlin or its affiliate will offer Software computer training as part of its customary Merlin initial training course. Such training shall be at no cost to Franchisee, except that Franchisee, while Franchisee is undergoing such training, shall be required to pay for food, lodging and travel to and from the training center for Franchisee's employees attending such training.

2. Franchisee also may seek training from its local operations manager on the regularly scheduled visit that the operations manager customarily makes to the SHOP.

3. From time to time, Merlin may provide Franchisee with training manuals or disks or other tutorials as Merlin may develop in connection with the Software.

D. INSTALLATION.

If Merlin agrees to install the Software for Franchisee, which Merlin is not obligated to do, Franchisee shall have all things ready for installation, including, but not limited to, other equipment, connections and facilities for installation at the time the Software is delivered. In the event that Franchisee shall fail to have all things ready for installation on the scheduled installation date, Franchisee shall reimburse Merlin for any and all expenses caused by Franchisee's failure to have things ready, unless Franchisee has notified Merlin at least five (5) business days prior to the scheduled installation date.

E. SOFTWARE MAINTENANCE IMPLEMENTATION.

1. During the period for which Franchisee has paid for Software Maintenance, Merlin shall be responsible for performing Software Maintenance to the latest Software release. "Software Maintenance" shall include the following: (a) corrections of any errors or malfunctions in the Software; (b) supplier updates; (c) periodic updates to the Software; (d) telephone assistance during Merlin's business hours at its corporate headquarters; and (e) to the extent possible, remote support relative to the diagnosis of the Software problem.

2. Merlin shall have the obligation to provide maintenance only for the most recent version of the Software.

3. Merlin shall not be required to provide any maintenance support to Franchisee relative to any software being used on its computer other than the Software. Merlin shall not be required to provide maintenance support to Franchisee relative to any hardware being used or networking.

F. CONFIDENTIALITY OF ALL SOFTWARE PROVIDED UNDER THIS AGREEMENT.

1. Franchisee agrees that it and its owners, officers, employees and agents will not:

(a) sell, assign, lease, sublicense, market or commercially exploit, in any way, the Software, or any data, reports or other printed materials generated by the use of the Software or any component thereof;

(b) disclose or grant access to the Software, or any data generated by the use of the Software or any component thereof, to any third party other than one to whom Merlin has consented in writing and who has agreed in writing with Merlin to keep the Software or such data confidential;

(c) reverse engineer the Software or attempt to obtain the source code of the Software; or

(d) copy or reproduce the Software, or any data generated by the use of the Software or any component thereof, in any manner, provided that nothing herein shall prohibit Franchisee from using the data generated by the Software to the extent reasonably necessary to comply with local, state and federal laws and for usual and customary business purposes.

2. Franchisee agrees to:

(a) keep the Software and any data generated by the use of the Software confidential during and after the expiration or termination of this Agreement;

(b) establish and maintain such security precautions adequate to protect the Software and any data generated by its use prescribed by Merlin from time to time to maintain the secrecy of the Software and any data generated by the use of the Software;

(c) establish and maintain additional security precautions as may be necessary; and

(d) prevent the unauthorized access to or use, disclosure or copying of the Software or any data generated by the use of the Software.

G. RIGHTS AND RESTRICTIONS.

1. Franchisee agrees that it will not attempt to patent, copyright or otherwise assert proprietary rights to the Software and any data generated by the use of the Software or any portion thereof. Franchisee agrees that all copies of the Software and any data, reports or other printed or electronic media materials generated by the use of the Software, or any components thereof, in its possession will contain the copyright notices, confidential legends, and/or other notices of proprietary rights specified by Merlin.

2. Franchisee may not modify the Software in any way. Franchisee agrees to disclose to Merlin promptly all ideas and suggestions for modifications or enhancements of the Software conceived or developed by or for Franchisee, and Merlin will have the right to use such ideas and suggestions and incorporate them in the Software. All modifications and enhancements made to the Software and all intellectual property rights related thereto will be deemed to be works made-for-hire and shall otherwise be the property of the owner of the Software, without regard to the source of the modification or enhancement. To the extent the Software is not deemed to be "work made-for-hire," Franchisee agrees to sign any documents that may be necessary to vest the owner of the Software with ownership of any such modifications or enhancements conceived or developed by Franchisee.

3. Merlin will have the unfettered right to access continuously the Software and all data processed on the Software with respect to the SHOP, and Franchisee agrees to provide Merlin with such unfettered access to the Software and such data in the manner specified by Merlin from time to time. Merlin will have the right at all times, directly and indirectly, to audit, retrieve, analyze and use, without limitation, all data in the files of Franchisee generated by the Software. Franchisee agrees to sign any documents that may be necessary to vest Merlin with ownership of any such modifications or enhancements conceived or developed by Franchisee.

4. Franchisee acknowledges and agrees that any violation by Franchisee of the provisions of this Section or Section F hereof would cause Merlin irreparable injury for which Merlin would have no adequate remedy at law and that, in addition to any other remedies which it may have, Merlin is entitled to temporary restraining orders and preliminary injunctive relief against any such violation.

H. DATA OWNERSHIP.

All customer and vehicle data, records, and reports generated by the Software and associated Designated System or otherwise generated in connection with the SHOP or the customers of the SHOP or other MERLIN SHOPS, whether in existence as of the Effective Date hereof or compiled thereafter, shall be treated by Franchisee and its employees as the exclusive property of Merlin. Franchisee understands and agrees that Merlin and its affiliates may use such data for any purpose and in any form as determined by Merlin and its affiliates from time to time, including, without limitation, to compile on an aggregated basis statistical and performance information relating to Merlin's (or its affiliates') services and products, MERLIN SHOPS, and/or other automotive businesses franchised and owned by Merlin and its affiliates.

I. TRANSFER.

The license to use the Software may not be transferred except in conjunction with a transfer of the Franchise Agreement in accordance with its terms. Upon the transfer of the license to use the Software in accordance with this Section I, Franchisee shall pay Merlin a transfer fee in the amount of One Thousand Dollars ($1,000) and any and all unpaid and previously accrued Software Maintenance Fees no later than the closing date of such transaction.

J. TERMINATION.

1. If Franchisee breaches any provision of this Agreement or the Franchise Agreement (and, if such breach is curable, fails to cure such breach within the time period allowed therefor), Merlin may block Franchisee's access to the Software customarily accessible by Franchisee through the Designated System until the cure of such breach or, if not cured, the termination of such agreement.

2. Merlin may terminate this Agreement upon written notice to Franchisee in the event the Franchise Agreement terminates or expires for any reason or in the event Franchisee breaches any provision of this Agreement and fails to cure such breach within seven (7) days after written notice thereof from Merlin, unless such breach is of a nature that cannot be cured, in which case this Agreement may be terminated by Merlin upon written notice to Franchisee.

3. Upon termination or expiration of the Franchise Agreement or this Agreement for any reason, Franchisee agrees to immediately deliver to Merlin the Software, documentation for the Software, all data generated by use of the Software and all other materials or information that relate to or reveal the Software and its operation. Franchisee shall deliver to Merlin all software delivered to or made available to Franchisee pursuant to this Agreement on disc or any other format. Franchisee shall certify it has not retained any copies of the Software.

K. NO WARRANTIES/LIMITATION OF LIABILITY.

Merlin does not represent or warrant to Franchisee, and expressly disclaims any warranty, that the Software is error-free or that the operation and use of the Software by Franchisee will be uninterrupted or error-free. Merlin will have no obligation or liability for any expense or loss incurred by Franchisee arising from use of the Software. MERLIN MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AND THERE ARE EXPRESSLY EXCLUDED ALL WARRANTIES OF MERCHANTABILITY AND FITNESS OF THE SOFTWARE FOR A PARTICULAR PURPOSE. MERLIN SHALL NOT BE LIABLE FOR INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING IN CONNECTION WITH THIS AGREEMENT.

[Signature Page Follows]

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

FRANCHISEE
If a corporation, limited liability company or partnership:

_____
a _____
(Name of corporation, limited liability company or partnership)

By:_____

Print Name:_____
Title:_____

If individuals:

_____
(Signature)

_____
(Print Name)

_____
(Signature)

_____
(Print Name)

MERLIN:

_____

By:_____
Print Name:_____
Title:_____

SCHEDULE A

(Existing Franchisee)

• License Fee (2nd or 3rd MERLIN SHOP):	$2,995.00 each
• Software Maintenance Fee:	$375.00 (or, if Franchisee purchases AutoVitals, $275.00) per month

Optional Products:

• Monthly Technical Procedures Software Fee	Up to $150.00
• Monthly Mitchell 1 on Demand 5.0	$89.50
• Monthly Mitchell 1 on Demand 5.0 with ESTIMATOR	$99.50
• AutoVitals Setup Fee	$399.00
• Monthly AutoVitals Fee	$225.00
• Monthly AutoVitals additional technician tablet (above three tablets included in basic package)	$24.00
• Monthly Quick Books Integration	$25.00

SCHEDULE B

(New Franchisee)

• **License Fee:**	**$4,995.00**
• Software Maintenance Fee:	$375.00 (or, if Franchisee purchases AutoVitals, $275.00) per month

Optional Products:

• Monthly Technical Procedures Software Fee	Up to $150.00
• Monthly Mitchell 1 on Demand 5.0	$89.50
• Monthly Mitchell 1 on Demand 5.0 with ESTIMATOR	$99.50
• AutoVitals Setup Fee	$399.00
• Monthly AutoVitals Fee	$225.00
• Monthly AutoVitals additional technician tablet (above three tablets included in basic package)	$24.00
• Monthly Quick Books Integration	$25.00

EXHIBIT J

AREA DEVELOPMENT AGREEMENT

MERLIN SHOP

AREA DEVELOPMENT AGREEMENT

_____

DEVELOPER

_____, 20___

Effective Date

MERLIN SHOP

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the "Agreement") is made and entered into this ____ day of _____, 20____ (the "Effective Date"), by and between MERLIN FRANCHISOR SPV LLC, a Delaware limited liability company, with its principal office at 440 South Church Street, Suite 700, Charlotte, NC 28202 (the "COMPANY") and _____, whose address is _____ ("DEVELOPER").

The COMPANY grants to qualified persons franchises to own and operate motor vehicle service shops specializing in vehicle longevity, preventive maintenance, and in the repair and replacement of motor vehicle brake systems and components, mufflers and exhaust systems, ride control components, tires, and other automotive services. Such shops are operated utilizing the COMPANY's business systems formats, trademark signs, equipment, layout, systems, methods, procedures and designs (the "System"), and trademarks, service marks and commercial symbols, all of which the COMPANY may modify from time to time (collectively, the "Marks"), which are known as "MERLIN SHOPS" (or "SHOPS").

DEVELOPER has applied for development rights to own and operate MERLIN SHOPS within the geographic area designated in this Agreement, and such application has been approved by the COMPANY in reliance upon all of the representations made therein.

DEVELOPER hereby acknowledges that DEVELOPER understands and accepts the terms, conditions and covenants contained in this Agreement as being necessary to maintain the COMPANY's high standards of quality and service and the uniformity of those standards at MERLIN SHOPS.

1. DEFINITIONS

In addition to the terms that are defined in other parts of this Agreement, the following terms have the indicated meanings:

"Applicable Laws" means all relevant or applicable national, state, and local laws, including statutes, rules, regulations, ordinances, directives, and codes.

"Approved Affiliate" shall have the meaning assigned to it in Section 4.E.

"Company Indemnitees" shall have the meaning assigned to it in Section 19.

"Competitive Business" means any business that operates motor vehicle shops specializing in the replacement and/or repair of motor vehicle parts and other automotive services (i.e., vehicle maintenance), provided that, for purposes of this Agreement, the following will not be deemed a Competitive Business: (a) another SHOP operated under a franchise agreement with the COMPANY; or (b) another automotive business franchised by Driven Brands Holdings Inc. or its subsidiaries.

"Confidential Information" means certain confidential and proprietary information and trade secrets that the COMPANY possesses, consisting of the following categories of information, methods, techniques, procedures and knowledge which the COMPANY has developed: (1) standards and procedures for real estate site selection; (2) methods, procedures and techniques for merchandising, pricing and selling products and services; (3) inventory control methods; (4) methods for solicitation, recruitment, training, and management of employees; (5) methods, specifications, procedures and techniques for rendering vehicle services; (6)

sources of supply for merchandise; (7) methods, techniques, specifications, procedures, information, systems, and knowledge of and experience in the development, operation, and franchising of SHOPS; (8) advertising and marketing plans, programs and other promotional initiatives; (9) the Operations Manual; and (10) all data and other information generated by, or used or developed in, operating the SHOPS, including Customer Data, and any other information contained from time to time in the SHOPS' computer systems.

"Customer Data" means the names, contact information, financial information, customer vehicle information and service history, and other personal information of or relating to the SHOPS' customers and prospective customers.

"Development Area" shall have the meaning assigned to it in Section 2.A.

"Development Fee" shall have the meaning assigned to it in Section 6.A.

"Development Incentive Addendum" shall have the meaning assigned to it in Section 5.

"Development Rights" shall have the meaning assigned to it in Section 2.A.

"Development Schedule" shall have the meaning assigned to it in Section 2.A.

"Event" shall have the meaning assigned to it in Section 19.

"Franchise Agreement" shall have the meaning assigned to it in Section 5.

"Franchise Agreement Execution Deadline" means the applicable date set forth in the Development Schedule by which DEVELOPER (or its Approved Affiliate) must sign a Franchise Agreement for a particular SHOP.

"Guaranty" shall have the meaning assigned to it in Section 2.B.

"Initial Franchise Fee" shall have the meaning assigned to it in Section 6.B.

"Losses and Expenses" means losses, liabilities, claims, penalties, actual damages (compensatory, exemplary, and punitive), fines, payments, attorneys' fees, experts' fees, court costs, costs associated with investigating and defending against claims, settlement amounts, judgments, assessments, compromises, compensation for damages to the COMPANY's reputation and goodwill, and all other costs associated with any of the foregoing losses and expenses.

"Managing Director" shall have the meaning assigned to it in Section 7.

"Marks" shall have the meaning assigned to it in the introductory paragraphs.

"MERLIN SHOPS" or "SHOPS" shall have the meaning assigned to it in the introductory paragraphs.

"Opening Deadline" means the applicable date set forth in the Development Schedule by which DEVELOPER (or its Approved Affiliate) must open a particular SHOP.

"Operations Manual" means an operating manual for MERLIN SHOPS and supplemental program and training guides.

"Owner" the owner of direct or indirect interests in DEVELOPER, and "Owners" means all owners

of direct or indirect interests in DEVELOPER.

"Permitted Businesses" shall have the meaning assigned to it in Section 3.

"Secure Deadline" means the applicable date set forth in the Development Schedule by which DEVELOPER (or its Approved Affiliate) must execute a purchase agreement, lease, or sublease for a particular SHOP in accordance with Section 4.B.

"System" shall have the meaning assigned to it in the introductory paragraphs.

"Term" shall have the meaning assigned to it in Section 2.A.

"Third-Party Claim" shall have the meaning assigned to it in Section 19.

2. GRANT OF DEVELOPMENT RIGHTS

A. DEVELOPMENT RIGHTS

Subject to the terms of this Agreement, the COMPANY grants to DEVELOPER the non-exclusive right (the "Development Rights") to develop the number of new franchised MERLIN SHOPS specified in the schedule set forth in Exhibit B (the "Development Schedule") within the area described in Exhibit A to this Agreement (the "Development Area"). The term of this Agreement will commence on the Effective Date and end on the earlier of: (1) the final Opening Deadline in the Development Schedule; or (2) the date on which the last SHOP required to be developed hereunder opens for business (the "Term"). DEVELOPER (or an Approved Affiliate) shall develop, open, and maintain in operation SHOPS in accordance with the Development Schedule. At least thirty (30) days prior to the end of each calendar year during the Term, DEVELOPER will submit to the COMPANY a business plan and budget for the development and opening of SHOPS for the next calendar year or portion thereof (if applicable). Upon expiration of the Term, DEVELOPER shall have no further right to develop or open new SHOPS in the Development Area, except as may be mutually agreed by the parties. DEVELOPER agrees and acknowledges that DEVELOPER's acquisition from another franchisee or the COMPANY of an existing MERLIN SHOP located in the Development Area, or a MERLIN SHOP located in the Development Area that has been closed for fewer than twelve (12) months, will not be deemed a new SHOP and, accordingly, will not count towards DEVELOPER's development obligations under the Development Schedule.

B. GUARANTY

If DEVELOPER is a corporation, limited liability company, partnership, or other business entity, upon execution of this Agreement by DEVELOPER, each individual Owner shall execute a personal guaranty of DEVELOPER's obligations (the "Guaranty") in the form attached hereto as Exhibit D. DEVELOPER represents and warrants to the COMPANY that, as of the Effective Date, at least one such guaranteeing Owner satisfies the Guarantor Net Worth Threshold (as defined in the Guaranty) and agrees that at least one such guaranteeing Owner shall continue to satisfy the Guarantor Net Worth Threshold at all times during the Term. DEVELOPER agrees to, and shall cause its Guarantors to, cooperate reasonably with the COMPANY in connection with all auditing and reporting requirements relating to the Guarantor Net Worth Threshold requirement, whether contained in this Agreement or the Guaranty.

3. NO EXCLUSIVITY

DEVELOPER acknowledges and agrees that: (a) its right to develop MERLIN SHOPS in the Development Area under this Agreement is non-exclusive; (b) the COMPANY and its affiliates retain the

absolute right to develop and operate, and license third parties to develop and operate, during and after the Term, any business under any name, including MERLIN SHOPS, in any geographic area, including the Development Area ("Permitted Businesses"), regardless of the proximity to or effect on the SHOPS developed hereunder or otherwise operated by DEVELOPER and/or its affiliates (including Approved Affiliates); and (c) Permitted Businesses may directly compete with the SHOPS developed hereunder or otherwise operated by DEVELOPER and/or its affiliates (including Approved Affiliates). DEVELOPER waives, to the fullest extent permitted under Applicable Law, all claims, demands, and causes of action arising from or related to the COMPANY's or its affiliates' operation and/or licensing of any Permitted Business and agrees that the COMPANY's or its affiliates' operation and/or licensing of any Permitted Business will not give rise to any liability on the part of the COMPANY or its affiliates, including liability or damages for claims of unfair competition, breach of contract, or breach of the implied covenant of good faith and fair dealing.

4. GRANT OF FRANCHISES

The COMPANY will grant DEVELOPER a franchise for the operation of a MERLIN SHOP at a proposed site within the Development Area upon the COMPANY's written approval of a completed application submitted by DEVELOPER in accordance with the form reasonably prescribed by the COMPANY, as may be modified from time to time, subject to the following:

(A) The site which DEVELOPER proposes for a MERLIN SHOP within the Development Area is a suitable site for a MERLIN SHOP based upon reasonable criteria established by the COMPANY in its sole discretion from time to time;

(B) DEVELOPER (or, if applicable, an Approved Affiliate) will secure, by purchase, lease or sublease the site in the form and manner prescribed by the COMPANY, which may include the use of a form of lease prepared by the COMPANY and submitted to DEVELOPER for its use. The lease, whether the form of which is the form of lease prepared by the COMPANY or the form of lease mandated by the landlord of the site, must be submitted to the COMPANY prior to execution for the COMPANY's examination and approval to ensure that it contains the terms the COMPANY requires in all leases. DEVELOPER must provide the COMPANY with a copy of the executed lease within ten (10) days after execution by DEVELOPER (or, if applicable, an Approved Affiliate) and the landlord;

(C) DEVELOPER, its Owners, and, if applicable, any affiliates (including Approved Affiliates) are in compliance with this Agreement, each Franchise Agreement, and any other agreement with the COMPANY or its affiliates (as evidenced by the fact that the COMPANY has not issued a notice of default that has remained uncured);

(D) DEVELOPER and its Owners have furnished all information the COMPANY reasonably requires in evaluating DEVELOPER's application; and

(E) If DEVELOPER's Owners desire to establish a corporation, limited liability company, partnership, or other business entity to operate a SHOP to be developed pursuant to this Agreement, and that new entity's ownership is not completely identical to DEVELOPER's ownership, DEVELOPER must seek the COMPANY's approval for that new entity to develop and operate the proposed SHOP as an "Approved Affiliate." The COMPANY may refuse any such request if DEVELOPER and/or its Owners do not (1) own and control at least two-thirds of the new entity's ownership interests and (2) have the authority to exercise voting and management control of the SHOP proposed to be owned by the new entity. For the avoidance of doubt, if the new entity's ownership is completely identical to DEVELOPER's ownership, that entity

automatically will be considered an "Approved Affiliate" without further action.

5. FRANCHISE AGREEMENTS AND DEVELOPMENT INCENTIVE ADDENDUM

To maintain DEVELOPER's rights under this Agreement, DEVELOPER (or an Approved Affiliate) must sign franchise agreements for, develop, and open for business the specified number of SHOPS within the Development Area by the dates set forth in the Development Schedule. DEVELOPER (or an Approved Affiliate) will operate each SHOP developed hereunder under a separate franchise agreement (and related documents) with the COMPANY. With respect to each SHOP to be developed hereunder, no later than ten (10) days after the execution of the applicable purchase agreement, lease, or sublease in accordance with Section 4.B, DEVELOPER (or, if applicable, an Approved Affiliate) and its Owners shall execute: (a) the COMPANY's then-current form of franchise agreement and related documents, including a personal guaranty (collectively, the "Franchise Agreement"), the terms of which may differ from the COMPANY's form of franchise agreement in effect as of the Effective Date (except as expressly provided in this Section 5 and Section 6.B); and (2) provided that DEVELOPER is then in compliance with the Development Schedule, a Development Incentive Addendum to Franchise Agreement in the form attached hereto as Exhibit C (the "Development Incentive Addendum"). The Development Incentive Addendum provides for, subject to certain terms and conditions, a reduced royalty fee for the applicable SHOP for a limited period of time. With respect to each SHOP to be developed hereunder, upon DEVELOPER's (or an Approved Affiliate's) execution of the applicable Franchise Agreement and, if applicable, the Development Incentive Addendum, those agreements will govern the development and operation of the SHOP, although the applicable required opening date will be determined pursuant to the Development Schedule.

6. DEVELOPMENT FEE, INITIAL FRANCHISE FEES, AND OTHER FEES

A. DEVELOPMENT FEE

In exchange for the Development Rights, DEVELOPER agrees to pay the COMPANY, within two (2) business days of the Effective Date, a development fee equal to one hundred percent (100%) of the Initial Franchise Fee for each SHOP required to be developed hereunder (the "Development Fee"). The amount of the Development Fee is set forth in Exhibit B. DEVELOPER acknowledges that the Development Fee is fully earned by the COMPANY when paid, is not refundable, and, except as provided in Section 6.B, is not credited against any fees payable to the COMPANY.

B. INITIAL FRANCHISE FEES

The initial franchise fee for each SHOP required to be developed hereunder (the "Initial Franchise Fee") is as follows: (a) Thirty Thousand Dollars ($30,000) for the first SHOP to be developed hereunder; (b) Fifteen Thousand Dollars ($15,000) for the second SHOP to be developed hereunder; and (c) Twelve Thousand Five Hundred Dollars ($12,500) for the third and each subsequent SHOP to be developed hereunder. With respect to each SHOP developed hereunder, the COMPANY will credit the applicable portion of the Development Fee against the applicable Initial Franchise Fee on the date on which the Initial Franchise Fee is payable under the applicable Franchise Agreement.

C. OTHER FEES AS SET FORTH IN FRANCHISE AGREEMENT

Following the opening of each SHOP, DEVELOPER (or its Approved Affiliate) shall pay ongoing royalty fees and marketing fund contributions in accordance with the terms of each Franchise Agreement.

7. MANAGEMENT AND SUPERVISION OF SHOPS

Prior to the opening of the first SHOP developed hereunder, DEVELOPER will hire and train a managing director (the "Managing Director"), who will be subject to approval by the COMPANY in its reasonable discretion. The Managing Director must devote his or her full time and efforts to the management and/or supervision of SHOPS within the Development Area. DEVELOPER agrees to comply with all mandatory standards issued by the COMPANY relating to minimum staffing levels for the MERLIN SHOPS, including the presence of district managers (as specified in the Operations Manual), provided the COMPANY shall not be deemed to have any control or authority over DEVELOPER's labor relations, including employee selection, training, promotion, termination, discipline, hours worked, rates of pay, benefits, work assigned, working conditions, or adjustment of grievances and complaints, or any other control over DEVELOPER's employment practices.

8. TERMINATION

A. MUTUAL TERMINATION

This Agreement and all rights and obligations of the parties may be terminated at any time by the mutual agreement of the parties.

B. BY THE COMPANY

The COMPANY may terminate this Agreement, effective upon delivery of written notice to DEVELOPER, if:

(1) With respect to any SHOP to be developed or developed hereunder, DEVELOPER (or, if applicable, an Approved Affiliate) fails to execute a purchase agreement, lease, or sublease for the SHOP premises in accordance with Section 4.B by the applicable Secure Deadline and/or fails to develop and open the SHOP by the applicable Opening Deadline;

(2) At any time during the Term, DEVELOPER and, if applicable, its Approved Affiliates fail to have open and operating at least the cumulative number of new SHOPS in the Development Area then required by the Development Schedule;

(3) Any franchise agreement between DEVELOPER (or, if applicable, an affiliate (including an Approved Affiliate)) and the COMPANY, whether executed prior or pursuant to this Agreement, is terminated by the COMPANY in accordance with its terms;

(4) DEVELOPER makes an assignment for the benefit of creditors, admits an inability to pay obligations as they become due, or in the COMPANY's reasonable judgment, DEVELOPER is insolvent in the sense that its current liabilities exceed its current assets or DEVELOPER is unable to pay its debts as they become due;

(5) DEVELOPER abandons, surrenders, transfers control or fails to actively operate DEVELOPER's business contemplated hereunder;

(6) DEVELOPER or any of its Owners is convicted of or pleads no contest to a felony, a crime involving moral turpitude or any other crime or offense that is likely to adversely affect the reputation and the goodwill associated with the System and Marks;

(7) DEVELOPER violates any law, ordinance, rule, or regulation of a governmental

agency in connection with DEVELOPER's business and permits the same to go uncorrected after notification thereof, unless there is a bona fide dispute as to the violation, constitutionality, or legality of such law, ordinance, rule, or regulation, and DEVELOPER promptly resorts to courts or forums of appropriate jurisdiction to contest such violation or legality;

(8) DEVELOPER or any Owner makes an unauthorized assignment of this Agreement or an ownership interest in DEVELOPER;

(9) DEVELOPER or any Owner violates any of the covenants contained in Sections 10 or 11 of this Agreement; or

(10) DEVELOPER or any Owner fails to comply with any other provision of this Agreement and fails to correct such failure within thirty (30) days following notice thereof from the COMPANY.

C. EFFECT OF TERMINATION

For the avoidance of doubt, in the event that this Agreement is terminated for any reason in accordance with the terms of this Agreement, DEVELOPER's rights under this Agreement shall terminate, and DEVELOPER shall have no further right to develop or open any new SHOPS in the Development Area, except that DEVELOPER will be entitled to complete and open a SHOP for which a Franchise Agreement has been fully executed and delivered to DEVELOPER prior to such termination. DEVELOPER shall have the right to continue to operate all SHOPS that were in operation or under development prior to termination of this Agreement pursuant to the terms of the fully executed Franchise Agreements for such SHOPS, subject to DEVELOPER's or the applicable Approved Affiliate's (as applicable) continuing compliance with such Franchise Agreement. In addition, upon the termination of this Agreement, any and all Development Incentive Addenda executed pursuant to Section 5 will automatically terminate by their terms. DEVELOPER agrees that, upon expiration or termination of this Agreement, DEVELOPER and its Owners will immediately cease using any Confidential Information, whether directly or indirectly, in any business or otherwise and return to the COMPANY all copies of any other confidential materials that the COMPANY has loaned to DEVELOPER. DEVELOPER and its Owners may not directly or indirectly sell, trade or otherwise profit in any way from any Confidential Information at any location or any time following the expiration or termination of this Agreement.

9. ALTERNATIVE REMEDIES

Without waiving its option to terminate this Agreement under Section 8, if DEVELOPER fails to meet the Development Schedule, the COMPANY may, in the COMPANY's discretion, do any one or more of the following in lieu of termination, effective immediately on the delivery of notice to DEVELOPER:

(A) Reduce the number of new SHOPS that are set forth under the Development Schedule;

(B) Withhold evaluation or approval of site proposal packages for new SHOPS; and/or

(C) Extend the Development Schedule.

On termination or expiration of the Development Rights, DEVELOPER will immediately cease to develop new SHOPS in the Development Area. Termination of this Agreement will not, by itself, terminate DEVELOPER's rights and obligations to operate SHOPS that are in operation or under development under effective Franchise Agreements at the time of termination.

10. CONFIDENTIAL INFORMATION

DEVELOPER acknowledges and agrees that by entering into this Agreement, DEVELOPER will not acquire any interest in the Confidential Information, other than the right to use the Confidential Information that the COMPANY periodically designates in relation to the development of SHOPS during the Term and according to the System standards and this Agreement's other terms and conditions, and that DEVELOPER's use of any Confidential Information in any other business would constitute an unfair method of competition with the COMPANY and its franchisees. The COMPANY and its affiliates own all right, title, and interest in and to the Confidential Information. DEVELOPER further acknowledges and agrees that the Confidential Information is proprietary, includes the COMPANY's trade secrets, and is disclosed to DEVELOPER only on the condition that DEVELOPER and its Owners agree, and DEVELOPER and they do agree, that DEVELOPER and its Owners:

(A) will not use any Confidential Information in any other business or capacity, whether during or after the Term;

(B) will keep the Confidential Information absolutely confidential, both during the Term and thereafter for as long as the information is not generally known in the automotive maintenance industry;

(C) will not make unauthorized copies of any Confidential Information disclosed in written or other tangible or intangible form;

(D) will adopt and implement all reasonable procedures that the COMPANY periodically designates to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to SHOP personnel and others needing to know such Confidential Information to operate the SHOP, and using confidentiality agreements with those having access to Confidential Information. The COMPANY has the right to regulate the form of agreement that DEVELOPER uses and to be a third-party beneficiary of that agreement with independent enforcement rights; and

(E) will not sell, trade, or otherwise profit in any way from the Confidential Information, except during the Term using methods the COMPANY approves.

11. RESTRICTIVE COVENANTS

A. DEVELOPER'S IN-TERM COVENANTS

During the Term, neither DEVELOPER, nor any Owner, or any member of DEVELOPER's or an Owner's immediate family shall:

(1) have any direct or indirect ownership interest in any Competitive Business;

(2) have any direct or indirect ownership interest in any entity that is granting franchises or licenses or establishing joint ventures for the operation of Competitive Businesses; or

(3) perform services as a director, officer, manager, employee, consultant, representative, agent, lender, lessor, or otherwise for any Competitive Business or for a business which is granting franchises or licenses or establishing joint ventures for the operation of Competitive Businesses.

The restrictions of this Section 11.A will not apply to the ownership of shares of a class of securities listed on a stock exchange or publicly traded on the over-the-counter market that represent three percent (3%) or less of the number of shares of that class of securities issued and outstanding.

B. DEVELOPER'S POST-TERM COVENANTS

If this Agreement expires or is terminated by the COMPANY in accordance with the provisions of this Agreement, DEVELOPER agrees that, for a period of two (2) years, commencing on the effective date of expiration or termination of this Agreement, DEVELOPER will not have any direct or indirect interest as an owner (except of publicly traded securities), partner, director, officer, employee, consultant, representative, lender, lessor, agent, licensee, franchisee, or in any other capacity in:

(1) any Competitive Business located: (i) within the Development Area, (ii) within two (2) miles of the border of the Development Area, or (iii) within a radius of two (2) miles of any MERLIN SHOP in existence on the effective date of expiration or termination of this Agreement; or

(2) in any entity which is granting franchises, licenses or entering into joint venture relationships for the operation of Competitive Businesses.

In the event that DEVELOPER engages in the activities prohibited in Section 11.B, the two (2)-year period of non-competition shall extend beyond the two (2)-year anniversary date of termination or expiration of the Agreement for a period of time equal to the duration of DEVELOPER's competition in violation of such covenant, but only to the extent necessary to ensure that DEVELOPER refrains from competition for a full two (2)-year period and no longer. In the event the COMPANY seeks an injunction in court or in arbitration to enforce the restrictive covenant, the time period during which competition is restrained shall not begin to run until the earlier of: (i) the date the COMPANY obtains the injunction, or (ii) the date DEVELOPER begins to comply with the restrictive covenant.

C. ENFORCEMENT OF RESTRICTIVE COVENANTS

DEVELOPER acknowledges that violation of the restrictive covenants in this Section 11 would result in immediate and irreparable injury to the COMPANY for which no adequate remedy at law will be available. Accordingly, DEVELOPER hereby consents to the entry of an injunction prohibiting any conduct by DEVELOPER in violation of the restrictive covenants set forth in this Section 11. DEVELOPER expressly agrees that it may conclusively be presumed that any violation of the terms of such covenants was accomplished by and through DEVELOPER's unlawful utilization of Confidential Information. Further, DEVELOPER expressly agrees that the existence of any claims DEVELOPER may have against the COMPANY, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by the COMPANY of the restrictive covenants set forth in this Section 11.

12. ASSIGNMENT BY THE COMPANY

This Agreement is fully assignable by the COMPANY and the assignee or other legal successor to the COMPANY's interests will be entitled to receive all of the benefits of this Agreement.

13. ASSIGNMENT BY DEVELOPER

This Agreement and the Development Rights contained in this Agreement are personal to DEVELOPER and its Owners and may not be voluntarily, involuntarily, directly, or indirectly, assigned or otherwise transferred or encumbered by DEVELOPER or its Owners without the prior written consent of the COMPANY, provided that any transfer or assignment of this Agreement may only be made in connection with the transfer of all SHOPS owned and operated by DEVELOPER and, if applicable, its affiliates (including Approved Affiliates). For purposes of this Section, a sale, assignment, or transfer of any ownership interest in DEVELOPER shall be deemed an assignment or transfer of this Agreement.

14. ASSIGNMENT TO ENTITY

The COMPANY will consent to the transfer of this Agreement to a corporation, limited liability company, partnership, or other business entity that DEVELOPER forms for the convenience of ownership, provided that: (a) such entity is newly formed; (b) such entity has and will have no business other than the development and operation of SHOPS; (c) DEVELOPER and the entity satisfy the COMPANY's then-current conditions for transfer; and (d) DEVELOPER holds all equity interests in the entity or, if DEVELOPER is owned by more than one individual, each Owner's proportionate equity interest in the entity is the same as his/her equity interest in DEVELOPER prior to the transfer.

If DEVELOPER is or becomes an entity, or if this Agreement is assigned to an entity, all Owners shall execute this Agreement or an agreement in form furnished or approved by the COMPANY undertaking to be bound jointly and severally by all provisions of this Agreement. The articles of partnership, partnership agreement, operating agreement, articles of incorporation, by-laws and other organizational documents of such entity shall recite that the issuance and transfer of any interest therein is restricted by the terms of Section 13, and all issued and outstanding stock certificates of such entity shall bear a legend reflecting or referring to the restrictions of Section 13. DEVELOPER shall also submit to the COMPANY at any time upon request, in such form as the COMPANY may require, a list of all general and limited partners, members or stockholders of record reflecting their respective interests in DEVELOPER.

15. PUBLIC OFFERING

Securities in DEVELOPER may not be sold by public offering without the COMPANY's prior written consent. If the COMPANY consents to a public offering of DEVELOPER's securities, the following terms and conditions will apply. All materials required by federal or state law for any sale of DEVELOPER's securities pursuant to such registration statement must be submitted to the COMPANY for review prior to their being filed with any government agency. No such materials shall imply (by use of the Marks or otherwise) that the COMPANY is participating as an underwriter, issuer, or offeror of DEVELOPER's securities. Any review by the COMPANY of the offering materials or the information included therein will be conducted solely for the COMPANY's benefit and not to benefit or protect any other person. No investor should interpret such review by the COMPANY as an approval, endorsement, acceptance, or adoption of any representation, warranty, covenant, or projection contained in the materials reviewed; and the offering documents shall include legends and statements as the COMPANY may specify, including legends and statements which disclaim the COMPANY's liability for, or involvement in, the transaction described in the offering documents. DEVELOPER and the other participants in the offering must agree in writing to fully indemnify the COMPANY in connection with the offering in the form the COMPANY prescribes. DEVELOPER agrees to give the COMPANY written notice at least sixty (60) days prior to the date of commencement of any offer covered by this Section. In no event shall DEVELOPER permit or allow any of DEVELOPER's securities to be owned, directly or indirectly, by any competitor of the COMPANY or its affiliates. The COMPANY may charge DEVELOPER a fee for

reviewing the materials required to be submitted to the COMPANY by this Section.

16. BINDING EFFECT

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest. This Agreement may not be amended or modified except by a written agreement signed by both the COMPANY and DEVELOPER.

17. CONSTRUCTION

This Agreement and all Exhibits to this Agreement constitute the entire agreement of the parties with respect to the subject matter of this Agreement, and, with the exception of, if applicable, a lease or sublease of the premises of a SHOP between the parties, there are no other oral or written understandings or agreements between the COMPANY and DEVELOPER relating to the subject matter of this Agreement. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations the COMPANY made in the Franchise Disclosure Document that the COMPANY furnished to DEVELOPER. The words "include," "includes," "including," and words of similar import shall be interpreted to mean "including, but not limited to" and the terms following such words shall be interpreted as examples of, and not an exhaustive list of, the appropriate subject matter. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or entity not a party hereto. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of such sections or paragraphs. The term "DEVELOPER" as used herein is applicable to one or more persons or entities, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. This Agreement may be executed in multiple copies, each of which shall be deemed an original. **TIME IS OF THE ESSENCE OF THIS AGREEMENT.**

18. RELATIONSHIP OF THE PARTIES

DEVELOPER is an independent contractor. Nothing in this Agreement, or arising from the conduct of the parties hereunder, is intended to or does in fact or law make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose. Neither this Agreement, the nature of the relationship of the parties nor the dealings of the parties pursuant to this Agreement creates a fiduciary relationship between the parties. Further, the COMPANY and DEVELOPER are not and do not intend to be partners, associates, or joint employers in any way, and the COMPANY shall not be construed to be jointly liable for any of DEVELOPER's acts or omissions under any circumstances. To the extent that any Operations Manual or the COMPANY's guidelines or standards contain employee-related policies or procedures that might apply to DEVELOPER's employees, those policies and procedures are provided for informational purposes only and do not represent mandatory policies and procedures to be implemented by DEVELOPER. DEVELOPER must determine to what extent, if any, these policies and procedures may be applicable to DEVELOPER's business operations. The COMPANY and DEVELOPER recognize that the COMPANY neither dictates nor controls labor or employment matters for developers and that DEVELOPER, and not the COMPANY, is solely responsible for dictating the terms and conditions of employment for DEVELOPER's employees, including training, wages, benefits, promotions, hirings and firings, vacations, safety, work schedules, and specific tasks. The COMPANY has no relationship with DEVELOPER's employees, and DEVELOPER has no relationship with the COMPANY's employees.

DEVELOPER agrees to conspicuously identify itself in all dealings with customers, lessors, contractors, suppliers, public officials, employees, and others as the owner of DEVELOPER's business and agrees to place such other notices of independent ownership on forms, business cards, stationery, advertising, and other materials as the COMPANY may require from time to time.

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

19. INDEMNIFICATION

From and after the Effective Date, DEVELOPER and Owners, jointly and severally, shall indemnify the COMPANY and its parents, subsidiaries and affiliates and their respective officers, directors, stockholders, members, managers, partners, employees, agents, attorneys, contractors, legal predecessors, legal successors, and assigns of each of the forgoing entities/individuals (in their corporate and individual capacities) (collectively, all such individuals and entities are referred to herein as the "Company Indemnitees") and hold the Company Indemnitees harmless to the fullest extent permitted by Applicable Laws, from any and all Losses and Expenses incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether it is reduced to judgment) or any settlement thereof which arises directly or indirectly from, or as a result of, a claim of a third party in connection with the selection, development, ownership, operation or closing of any SHOP, including the failure of DEVELOPER to perform any covenant or agreement under this Agreement or any activities of DEVELOPER on or after the Effective Date, or any claims by any employee of DEVELOPER arising out of or relating to his or her employment with DEVELOPER (collectively, "Event"), and regardless of whether it resulted from any strict or vicarious liability imposed by law on the Company Indemnitees; provided, however, that this indemnity will not apply to any liability arising from a breach of this Agreement by any of the Company Indemnitees or the gross negligence or willful acts of any of the Company Indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided herein will extend to any finding of comparative or contributory negligence attributable to DEVELOPER).

Promptly after the receipt by any Company Indemnitee of notice of the commencement of any action against such Company Indemnitee by a third party (such action, a "Third-Party Claim"), the Company Indemnitee will, if a claim with respect thereto is to be made for indemnification pursuant to this Section, give a claim notice to DEVELOPER with respect to such Third-Party Claim. No delay or failure on the part of the Company Indemnitee in so notifying the DEVELOPER will limit any liability or obligation for indemnification pursuant to this Section, except to the extent of any material prejudice to DEVELOPER with respect to such claim caused by or arising out of such delay or failure. The COMPANY will have the right to assume control of the defense of such Third-Party Claim, and DEVELOPER and Owners will be responsible for the costs incurred in connection with the defense of such Third-Party Claim. DEVELOPER and Owners will furnish the COMPANY with such information as it may have with respect to such Third-Party Claim (including copies of any summons, complaint, or other pleading that may have been served on such party and any written claim, demand, invoice, billing, or other document evidencing or asserting the same) and will otherwise cooperate with and assist the COMPANY in the defense of such Third-Party Claim. The fees and expenses of counsel incurred by the COMPANY will be considered Losses and Expenses for purposes of this Agreement. The COMPANY may as it deems necessary and appropriate take such actions to take remedial or corrective action with respect thereof as may be, in the COMPANY's reasonable discretion, necessary for the protection of the Company Indemnitees or MERLIN SHOPS generally. The COMPANY will not agree to any settlement of, or the entry of any judgment arising from, any Third-Party Claim without the prior written consent of DEVELOPER and Owners, which will not be unreasonably withheld, conditioned, or delayed. Any settlement or compromise of any Third-Party Claim must include a written release from liability of such claim for all the Company Indemnitees.

This Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

20. NOTICES

All written notices, reports and payments permitted or required under this Agreement will be deemed delivered at the time of delivery by express courier or messenger service, one (1) business day after sending by facsimile or e-mail transmission and three (3) business days after placed in the U.S. 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. Any required notice, payment, or report that the COMPANY does not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before it is due) will be deemed delinquent. DEVELOPER agrees to provide the COMPANY with its e-mail address and facsimile number and any changes thereto.

21. ENFORCEMENT

A. JUDICIAL ENFORCEMENT, INJUNCTION, AND SPECIFIC PERFORMANCE

The COMPANY shall be entitled to the entry by a court of temporary and permanent injunctions and orders of specific performance without bond enforcing the provisions of this Agreement relating to protection of Confidential Information, the obligations of DEVELOPER under Sections 10 and 11 or upon termination or expiration of this Agreement and assignment of this Agreement and any ownership interest in DEVELOPER and to prohibit any act or omission by DEVELOPER or its Approved Affiliates that constitutes a violation of any Applicable Law, is dishonest or misleading to customers or prospective customers of any SHOP, constitutes a danger to employees or customers of any SHOP or to the public, or may impair the goodwill associated with the Marks and SHOPS. If the COMPANY secures any such injunction or order of specific performance, DEVELOPER agrees to pay to the COMPANY an amount equal to the aggregate of its costs of obtaining such relief, including reasonable attorneys' and expert witness' fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, and any damages incurred by the COMPANY as a result of the breach of any such provision.

B. ARBITRATION

Except insofar as the COMPANY elects to enforce this Agreement by judicial process, injunction or specific performance as herein above provided, all disputes and claims relating to any provisions hereof, any specification, standard or operating procedure or any other obligation of DEVELOPER prescribed by the COMPANY, or any obligation of the COMPANY, or the alleged breach thereof (including any claim that this Agreement, any provision thereof, any specification, standard or operating procedure or any other obligation of DEVELOPER or the COMPANY, is illegal or otherwise unenforceable or voidable under any law, ordinance or ruling) shall be settled by arbitration at the COMPANY's principal place of business, under the United States Arbitration Act (9 U.S.C. Sections 1 et seq.), if applicable, and the Rules of the American Arbitration Association (relating to the arbitration of disputes arising under arbitration), provided that the arbitrator shall award, or include in his or her award, the specific performance of this Agreement unless he or she determines that performance is impossible and shall award attorneys' fees and costs of arbitration to the prevailing party. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof or of the COMPANY or DEVELOPER. The COMPANY and DEVELOPER further agree to be bound by any statute of limitations that would otherwise be applicable to the controversy, dispute or claim being arbitrated subject to the provisions of Section 21.E. During the pendency of an arbitration proceeding hereunder, DEVELOPER and the COMPANY shall fully perform this Agreement.

C. GOVERNING LAW/CONSENT TO JURISDICTION

Except to the extent governed by the United States Arbitration Act, this Agreement shall be governed by the laws of North Carolina without regard to its conflict of law rules. DEVELOPER further agrees that the COMPANY may institute any action against DEVELOPER and its Owners to enforce the arbitration provisions of this Agreement or on causes of action which are not to be arbitrated in any state or federal court of general jurisdiction in the State of North Carolina, and DEVELOPER and its Owners hereby irrevocably submit to the jurisdiction of such courts and waive any objection they may have to either the jurisdiction or venue of such courts.

D. WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL

EXCEPT FOR CLAIMS SUBJECT TO INDEMNIFICATION AS PROVIDED IN SECTION 19 OF THIS AGREEMENT OR ARISING OUT OF DEVELOPER'S FAILURE TO COMPLY WITH THE PROVISIONS OF THIS AGREEMENT REGARDING USE OF THE MARKS, THE PARTIES TO THIS AGREEMENT HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY, UPON PROOF, OF ACTUAL DAMAGES. THE PARTIES IRREVOCABLY WAIVE TRIAL BY JURY ON ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

E. LIMITATIONS OF CLAIMS

Any and all claims arising out of or relating to this Agreement or the relationship among the parties hereto shall be barred unless an action or legal or arbitration proceeding is commenced within one (1) year from the date DEVELOPER or the COMPANY knows of the facts giving rise to such claims.

22. EXERCISE OF THE COMPANY'S JUDGMENT

Whenever the COMPANY has reserved in this Agreement a right to take or to withhold an action, or to grant or decline to grant DEVELOPER a right to take or omit an action, the COMPANY may, except as otherwise specifically provided in this Agreement, make its decision or exercise its rights based on information readily available to the COMPANY and the COMPANY's reasonable judgment of what is in the best interests of the COMPANY and its affiliates or the System at the time the COMPANY's decision is made without regard to whether the COMPANY could have made other reasonable or even arguably preferable alternative decisions or whether the COMPANY's decision promotes the COMPANY's or its affiliates' financial or other individual interest. Except where this Agreement expressly obligates the COMPANY reasonably to approve or not unreasonably to withhold its approval of any of DEVELOPER's actions or requests, the COMPANY has the absolute right to refuse any request that DEVELOPER makes or to withhold its approval of any of DEVELOPER's proposed, initiated or completed actions that require the COMPANY's approval.

23. WAIVER OF OBLIGATIONS

The COMPANY and DEVELOPER may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Whenever this Agreement requires the COMPANY's prior approval or consent, DEVELOPER shall make a timely written request therefor, and such approval shall be obtained in writing. The COMPANY makes no warranties or guarantees upon which DEVELOPER may rely, and assumes no liability or obligation to DEVELOPER,

by granting any waiver, approval, or consent to DEVELOPER, or by reason of any neglect, delay, or denial of any request therefor. Any waiver granted by the COMPANY shall be without prejudice to any other rights the COMPANY may have, will be subject to continuing review by the COMPANY, and may be revoked, in the COMPANY's sole discretion, at any time and for any reason, effective upon receipt by DEVELOPER of ten (10) days' prior written notice. The COMPANY shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including its right to demand exact compliance with every term, condition and covenant herein, to declare any breach thereof to be a default, and, upon the expiration of the applicable cure period (if any), to terminate this Agreement) by virtue of any custom or practice of the parties at variance with the terms hereof; any failure by the COMPANY or DEVELOPER to demand strict compliance with this Agreement; any waiver, forbearance, delay, failure or omission by the COMPANY to exercise any right, power or option, whether of the same, similar or different nature, with respect to all SHOPS or the acceptance by the COMPANY of any payments due from DEVELOPER after any breach of this Agreement. No acceptance by the COMPANY of any payment by DEVELOPER and no failure, refusal or neglect of the COMPANY or DEVELOPER to exercise any right under this Agreement or to insist upon full compliance by the other with its obligations hereunder, including any mandatory specification, standard or operating procedure, shall constitute a waiver of any provision of this Agreement.

24. NO RECOURSE

DEVELOPER acknowledges and agrees that, except as provided under an express statutory liability for such conduct, none of the COMPANY's past, present or future directors, officers, employees, incorporators, members, partners, stockholders, subsidiaries, affiliates, controlling parties, entities under common control, ownership or management, vendors, service providers, agents, attorneys or representatives will have any liability for (a) any of the COMPANY's obligations or liabilities relating to or arising from this Agreement, (b) any claim against the COMPANY based on, in respect of, or by reason of the relationship between DEVELOPER and the COMPANY, or (c) any claim against the COMPANY based on any of the COMPANY's alleged unlawful act or omission. For the avoidance of doubt, this provision constitutes an express waiver of any claims based on a theory of vicarious liability, unless such vicarious claims are authorized by a guarantee of performance or statutory obligation. It is not meant to bar any direct contractual, statutory, or common law claim that would otherwise exist.

25. ACKNOWLEDGMENTS

The following acknowledgments are made by and binding upon all developers signing this Agreement, except those developers and area development arrangements that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

> DEVELOPER acknowledges that DEVELOPER has conducted an independent investigation of the business contemplated by this Agreement and recognizes that it involves business risks, which make the success of the venture largely dependent upon the business abilities of DEVELOPER. The COMPANY expressly disclaims the making of, and DEVELOPER acknowledges that DEVELOPER has not received or relied upon, any warranty or guarantee, express or implied, as to the potential revenues, profits, or success of the business venture contemplated by this Agreement. DEVELOPER acknowledges that it has no knowledge of any representations by the COMPANY or its officers, directors, shareholders, employees or agents that are contrary to the terms of this Agreement or the documents incorporated or referenced herein and further represents to the COMPANY, as an inducement to the COMPANY's entry into this Agreement, that DEVELOPER has made no misrepresentations in obtaining the Development Rights granted hereunder.

DEVELOPER has read this Agreement and has been given the opportunity to clarify any provisions that DEVELOPER did not understand and to consult with an attorney and other professional advisors.

26. NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES

The following provision applies only to developers and area development arrangements that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

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

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date stated on the first page hereof.

DEVELOPER
If a corporation, limited liability company or partnership:

_____
a _____
(Name of corporation, limited liability company or partnership)

By:_____

Print Name:_____
Title:_____

If individuals:

_____
(Signature)

_____
(Print Name)

_____
(Signature)

_____
(Print Name)

MERLIN FRANCHISOR SPV LLC

By:_____
Print Name:_____
Title:_____

EXHIBIT A

DEVELOPMENT AREA

The Development Area will be _____
_____
_____
_____
(as depicted on the attached map), provided that the location of any MERLIN SHOP in operation or under lease, construction, or other commitment to open in the Development Area as of the Effective Date, and, with respect to any such franchised MERLIN SHOP, any protected area then granted by the COMPANY under the applicable MERLIN SHOP franchise agreement, all or part of which is in the Development Area, are expressly excluded from the Development Area.

Any political boundaries included in the description of the Development Area will be considered fixed as of the Effective Date and will not change notwithstanding a political reorganization or a change in those boundaries. Unless otherwise specified, all street boundaries will be deemed to end at the street center line unless otherwise specified.

Development Area Map

[insert map]

EXHIBIT B

DEVELOPMENT INFORMATION

1. Development Fee: _____($_____).

2. Development Schedule. During the Term, DEVELOPER will develop _____ new franchised SHOPS in the Development Area in accordance with the Development Schedule below:

Secure Deadline	**Franchise Agreement Execution Deadline**	**Opening Deadline**	**Cumulative Number of New SHOPS Required to Be Open and Operating in the Development Area No Later than the Opening Deadline (in Previous Column)**
			1
			2
			3
			4

(A) With respect to each SHOP to be developed under this Agreement, DEVELOPER (or an Approved Affiliate) must execute a purchase agreement, lease, or sublease for the SHOP premises in accordance with Section 4.B of this Agreement by no later than the applicable Secure Deadline, sign a Franchise Agreement by no later than the applicable Franchise Agreement Execution Deadline, and develop and open the SHOP by no later than the applicable Opening Deadline.

(B) At all times during the Term, DEVELOPER must have open and operating at least the cumulative number of new SHOPS in the Development Area then required by the Development Schedule.

EXHIBIT C

FORM OF DEVELOPMENT INCENTIVE ADDENDUM TO MERLIN FRANCHISE AGREEMENT

THIS DEVELOPMENT INCENTIVE ADDENDUM TO MERLIN FRANCHISE AGREEMENT (the "Addendum") is made and entered into this ____ day of _____, 20____, by and between MERLIN FRANCHISOR SPV LLC, a Delaware limited liability company, with its principal office at 440 South Church Street, Suite 700, Charlotte, NC 28202 (the "COMPANY") and _____, whose address is _____ ("FRANCHISEE").

The COMPANY and _____ ("DEVELOPER") are parties to that certain Area Development Agreement dated as of _____, 20__ (the "Development Agreement"), pursuant to which DEVELOPER has been granted the right to develop four (4) or more MERLIN SHOPS within the Development Area.

FRANCHISEE desires to open and operate a MERLIN SHOP located at [insert address] (the "SHOP"), which is located in the Development Area and will be deemed a new SHOP for purposes of determining DEVELOPER's compliance with the Development Schedule.

Simultaneously with the execution of this Addendum, the parties have entered into a Merlin Franchise Agreement (the "Franchise Agreement"), which will govern FRANCHISEE's operation of the SHOP.

The parties wish to amend the Franchise Agreement to reflect certain incentives granted under, and other modifications in accordance with, the Development Agreement.

1. RECITALS AND DEFINITIONS

The Recitals are incorporated into this Addendum by this reference. This Addendum shall be annexed to and form a part of the Franchise Agreement. Except as otherwise explicitly noted, capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Franchise Agreement or the Development Agreement, as the context requires.

2. REQUIRED OPENING DATE

Notwithstanding anything to the contrary in the Franchise Agreement, FRANCHISEE must open the SHOP by the applicable Opening Deadline set forth in the Development Schedule, and failure to do so will entitle the COMPANY to terminate the Franchise Agreement upon ten (10) days' prior written notice to FRANCHISEE.

3. ROYALTY FEE

A. Notwithstanding anything to the contrary in the Franchise Agreement, during the thirty-six (36)-month period following the actual opening date of the SHOP (the "Royalty Reduction Period"), the royalty fee will be reduced, as follows:

Royalty Reduction Period	Royalty Fee
First twelve (12) months	One percent (1%) of the SHOP's Net Revenues
Second twelve (12) months	One percent (1%) of the SHOP's Net Revenues

Royalty Reduction Period	Royalty Fee
Third twelve (12) months	Three percent (3%) of the SHOP's Net Revenues

Upon the expiration of the Royalty Reduction Period, the royalty fee will be calculated in accordance with the terms of the Franchise Agreement without regard to this Section 3.A.

B. The royalty reduction incentive granted to FRANCHISEE pursuant to Section 3.A is expressly contingent on FRANCHISEE's opening of the SHOP in accordance with Section 2 and the continuing satisfaction of the following terms and conditions throughout the Royalty Reduction Period (collectively, the "Incentive Conditions"):

(1) the SHOP must utilize the eInspection Platform, and all SHOP employees designated by the COMPANY must be trained with respect to the eInspection Platform;

(2) the SHOP must utilize the Franchisee Profitability Program, and all SHOP employees designated by the COMPANY must be trained with respect to the Franchisee Profitability Program; and

(3) the SHOP must participate in and/or comply with any other operational programs or requirements that the COMPANY periodically specifies.

4. TERMINATION

A. If Net Revenues during the first or second twelve (12)-month period of the Royalty Reduction Period exceed Seven Hundred Thousand Dollars ($700,000) (the "Royalty Threshold"), upon FRANCHISEE's receipt of notice from the COMPANY, this Addendum and the royalty reduction incentive granted pursuant to Section 3.A will terminate at the end of the twelve (12)-month period in which the Royalty Threshold is first surpassed.

B. The COMPANY may terminate this Addendum and the royalty reduction incentive granted to FRANCHISEE pursuant to Section 3.A if:

(1) the COMPANY terminates the Development Agreement;

(2) the COMPANY places FRANCHISEE in default of the Franchise Agreement, and FRANCHISEE fails to cure the default within the applicable cure period, if any, regardless of whether the COMPANY elects to terminate the Franchise Agreement; or

(3) the SHOP fails to satisfy any Incentive Condition during the Royalty Reduction Period.

C. Upon the termination of this Addendum, FRANCHISEE must immediately begin paying royalties calculated in accordance with the terms of the Franchise Agreement without regard to Section 3.A.

5. MISCELLANEOUS

A. Other than as explicitly set forth in this Addendum, the terms of the Franchise Agreement shall remain unchanged and in full force and effect. To the extent that there is any conflict between the terms of this Addendum and the terms of the Franchise Agreement, the terms of this Addendum shall control.

B. This Addendum may be executed in counterparts, which together shall constitute one and the same Addendum. This Addendum may be transmitted by facsimile or emailed .pdf or .tif file. It is the parties' intent for the facsimile, .pdf, .tif, or other electronic signature to be an original signature and for the facsimile, .pdf, .tif, or other electronic copy to be deemed an original counterpart.

C. This Addendum will be binding on the each of the parties and their successors and assigns.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Addendum on the date stated on the first page hereof.

FRANCHISEE
If a corporation, limited liability company or partnership:

_____
a _____
(Name of corporation, limited liability company or partnership)

By:_____

Print Name:_____
Title:_____

If individuals:

_____
(Signature)

_____
(Print Name)

_____
(Signature)

_____
(Print Name)

MERLIN FRANCHISOR SPV LLC

By:_____
Print Name:_____
Title:_____

EXHIBIT D

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS (this "Guaranty") is given by the undersigned ("Guarantors") effective as of the Effective Date.

In consideration of, and as an inducement to, the execution of the Area Development Agreement (the "Agreement") on the Effective Date by **MERLIN FRANCHISOR SPV LLC** (the "COMPANY"), each Guarantor personally and unconditionally (a) guarantees to the COMPANY and its successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that _____ ("DEVELOPER") will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement); and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including, without limitation, the non-competition, confidentiality and transfer requirements. (All capitalized terms used by not defined in this Guaranty will have the meanings set forth in the Agreement.)

Each Guarantor acknowledges that he, she or it is either an owner (whether direct or indirect) of DEVELOPER or otherwise has a direct or indirect relationship with DEVELOPER or its affiliates; that he, she or it will benefit significantly from the COMPANY's entering into the Agreement with DEVELOPER; and that the COMPANY would not enter into the Agreement unless Guarantors agreed to sign and comply with the terms of this Guaranty.

Each Guarantor represents that, as of the Effective Date, at least one Guarantor satisfies the Guarantor Net Worth Threshold (defined below) and agrees that, at all times during the term of the Agreement, at least one Guarantor will satisfy the Guarantor Net Worth Threshold. The "Guarantor Net Worth Threshold" means the minimum net worth (*i.e.*, total assets less total liabilities, each as calculated in accordance with U.S. generally accepted accounting principles) that the COMPANY requires at least one Guarantor to satisfy under this Guaranty and the Agreement, as such minimum net worth is periodically modified by the COMPANY in accordance with the following paragraph. Guarantors agree to provide the COMPANY on an annual basis financial statements or other documents that the COMPANY reasonably specifies, certified by DEVELOPER or Guarantors in the manner that the COMPANY specifies, demonstrating Guarantors' compliance with such Guarantor Net Worth Threshold requirement. Upon reasonable advance notice, but no more than twice during any calendar year during the Agreement's term, the COMPANY may examine the applicable Guarantor's business, bookkeeping, accounting and tax records to ascertain Guarantors' compliance with the Guarantor Net Worth Threshold requirement. Guarantors agree to cooperate reasonably with the COMPANY in connection with all auditing and reporting requirements relating to the Guarantor Net Worth Threshold requirement, whether contained in this Guaranty or the Agreement. Each Guarantor acknowledges that the COMPANY may terminate the Agreement (subject to the applicable notice and cure period in the Agreement) upon Guarantors' failure to comply with the Guarantor Net Worth requirement.

As of the Effective Date, the Guarantor Net Worth Threshold is equal to One Million Dollars ($1,000,000). The COMPANY may, however, periodically increase the Guarantor Net Worth Threshold by providing DEVELOPER and/or Guarantors at least ninety (90) days' prior written notice, if the COMPANY determines, in its reasonable judgment, that the COMPANY's risk or exposure with respect to the Agreement and all other franchise and other agreements between the COMPANY (or its Affiliate) and DEVELOPER (or any of the Owners or affiliates) has increased since the Effective Date or the most

recent increase in the Guarantor Net Worth Threshold, as applicable. Guarantors will comply with the modified Guarantor Net Worth Threshold, either by demonstrating to the COMPANY's satisfaction that a then-existing Guarantor satisfies the modified Guarantor Net Worth Threshold or by presenting a substitute guarantor who signs the COMPANY's then-current form of guaranty reflecting the modified Guarantor Net Worth Threshold, by the end of that ninety (90)-day period.

Each Guarantor consents and agrees that: (1) his, her or its direct and immediate liability under this Guaranty will be joint and several, both with DEVELOPER and among other guarantors; (2) he, she or it will render any payment or performance required under the Agreement upon demand if DEVELOPER fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon the COMPANY's pursuit of any remedies against DEVELOPER or any other person or entity; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which the COMPANY may from time to time grant to DEVELOPER or to any other person or entity, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including, without limitation, the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by DEVELOPER or any of its owners or guarantors, and for so long as the COMPANY have any cause of action against DEVELOPER or any of its owners or guarantors; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any direct or indirect interest in the Agreement or DEVELOPER, and each Guarantor waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

Each Guarantor waives: (i) all rights to payments and claims for reimbursement or subrogation that Guarantor may have against DEVELOPER arising as a result of Guarantor's execution of and performance under this Guaranty, for the express purpose that no Guarantor shall be deemed a "creditor" of DEVELOPER under any applicable bankruptcy law with respect to DEVELOPER's obligations to the COMPANY; (ii) all rights to require the COMPANY to proceed against DEVELOPER for any payment required under the Agreement, proceed against or exhaust any security from DEVELOPER, take any action to assist any Guarantor in seeking reimbursement or subrogation in connection with this Guaranty or pursue, enforce or exhaust any remedy, including any legal or equitable relief, against DEVELOPER; (iii) any benefit of, or any right to participate in, any security now or hereafter held by the COMPANY; and (iv) acceptance and notice of acceptance by the COMPANY of his, her or its undertakings under this Guaranty, all presentments, demands and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest, notices of dishonor, notices of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he, she or it may be entitled. The COMPANY shall have no present or future duty or obligation to Guarantors under this Guaranty, and each Guarantor waives any right to claim or assert any such duty or obligation, to discover or disclose to Guarantors any information, financial or otherwise, concerning DEVELOPER, any other guarantor, or any collateral securing any obligations of DEVELOPER to the COMPANY. Without affecting the obligations of Guarantors under this Guaranty, the COMPANY may, without notice to any Guarantor, extend, modify, supplement, waive strict compliance with, or release all or any provisions of the Agreement or any indebtedness or obligation of DEVELOPER, or settle, adjust, release, or compromise any claims against DEVELOPER or any other guarantor, make advances for the purpose of performing any obligations of DEVELOPER under the Agreement, and/or assign the Agreement or the right to receive any sum payable under the Agreement, and each Guarantor hereby waives notice of same. Each Guarantor expressly acknowledges that the obligations hereunder survive the expiration or termination of the Agreement.

In addition, each Guarantor waives any defense arising by reason of any of the following: (a) any disability, counterclaim, right of set-off or other defense of DEVELOPER, (b) any lack of authority of DEVELOPER with respect to the Agreement, (c) the cessation from any cause whatsoever of the liability of DEVELOPER, (d) any circumstance whereby the Agreement shall be void or voidable as against DEVELOPER or any of DEVELOPER's creditors, including a trustee in bankruptcy of DEVELOPER, by reason of any fact or circumstance, (e) any event or circumstance that might otherwise constitute a legal or equitable discharge of any Guarantor's obligations hereunder, except that Guarantors do not waive any defense arising from the due performance by DEVELOPER of the terms and conditions of the Agreement, (f) any right or claim of right to cause a marshaling of the assets of DEVELOPER or any other guarantor, and (g) any act or omission of DEVELOPER.

If the COMPANY is required to enforce this Guaranty in a judicial proceeding, and prevails in such proceeding, the COMPANY shall be entitled to reimbursement of the COMPANY's costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If the COMPANY is required to engage legal counsel in connection with any failure by any Guarantor to comply with this Guaranty, Guarantors shall reimburse the COMPANY for any of the above-listed costs and expenses the COMPANY incurs.

All actions arising under this Guaranty or the Agreement, or otherwise as a result of the relationship between the COMPANY and any Guarantor, will be resolved in accordance with, and subject to, the dispute resolution provisions in the Agreement. For purpose of clarification, the applicable Guarantor(s) and DEVELOPER will be deemed to be one party under such dispute resolution provisions.

IN WITNESS WHEREOF, each Guarantor has executed this Guaranty as of the Effective Date.

GUARANTORS

_____
Signature

_____
Print Name

_____
Signature

_____
Print Name

_____
Signature

_____
Print Name

EXHIBIT J-1

LIMITED EXCLUSIVITY ADDENDUM TO AREA DEVELOPMENT AGREEMENT

MERLIN SHOP

LIMITED EXCLUSIVITY ADDENDUM TO
MERLIN AREA DEVELOPMENT AGREEMENT

THIS LIMITED EXCLUSIVITY ADDENDUM TO MERLIN AREA DEVELOPMENT AGREEMENT (the "Addendum") is made and entered into this ____ day of _____, 20____, by and between MERLIN FRANCHISOR SPV LLC, a Delaware limited liability company, with its principal office at 440 South Church Street, Suite 700, Charlotte, NC 28202 (the "COMPANY") and _____, whose address is _____ ("DEVELOPER").

To encourage System growth, the COMPANY currently offers developers that commit to developing five (5) or more new MERLIN SHOPS under a new Merlin Area Development Agreement certain additional territorial rights, subject to certain terms and conditions.

Simultaneously with the execution of this Addendum, the parties have entered into a Merlin Area Development Agreement (the "Development Agreement"), pursuant to which DEVELOPER has undertaken the obligation to develop five (5) or more SHOPS, entitling DEVELOPER to such additional territorial rights in the Development Area, subject to certain terms and conditions.

The parties wish to amend the Development Agreement to reflect the COMPANY's grant of such additional rights to DEVELOPER and the applicable terms and conditions of that grant.

1. RECITALS AND DEFINITIONS

The Recitals are incorporated into this Addendum by this reference. This Addendum shall be annexed to and form a part of the Development Agreement. Except as otherwise explicitly noted, capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Development Agreement.

2. GRANT OF DEVELOPMENT RIGHTS

The first sentence of Section 2.A of the Development Agreement is deleted and replaced with the following:

> Subject to the terms of this Agreement, the COMPANY grants to DEVELOPER the right (the "Development Rights") to develop the number of new franchised MERLIN SHOPS specified in the schedule set forth in Exhibit B (the "Development Schedule") within the area described in Exhibit A to this Agreement (the "Development Area").

3. TERRITORIAL PROTECTION

Section 3 of the Development Agreement is deleted and replaced with the following:

> 3. TERRITORIAL PROTECTION
>
> During the Term, neither the COMPANY nor its affiliates will grant a franchise for the operation of a MERLIN SHOP to anyone else in the Development Area, except for any franchised MERLIN SHOP in operation or under lease, construction, or other commitment to open in the Development Area as of the Effective Date, provided that

DEVELOPER: (a) timely complies with the Development Schedule; and (b) is otherwise in material compliance with the terms and provisions of this Agreement. Except as expressly provided in the preceding sentence, the COMPANY and its affiliates retain the absolute right to develop and operate, and license third parties to develop and operate, during and after the Term, any business under any name in any geographic area, regardless of the proximity to or effect on the SHOPS developed hereunder or otherwise operated by DEVELOPER and/or its affiliates (including Approved Affiliates). Without limiting the generality of the preceding sentence, the COMPANY may acquire or be acquired by another business, which business may open and operate, and franchise others to open and operate, businesses similar to MERLIN SHOPS using marks other than the Marks, without providing any rights or compensation to DEVELOPER. DEVELOPER acknowledges and agrees that the COMPANY and its affiliates may, and may authorize others to, engage in many business activities, and these business activities may compete with SHOPS.

4. EFFECT OF TERMINATION

The following is added to the end of Section 8.C of the Development Agreement:

In addition, upon termination or expiration of this Agreement, the limited exclusive rights granted to DEVELOPER in the Development Area pursuant to Sections 2 and 3 will terminate, and the COMPANY and its affiliates shall thereafter have the right to license others to develop and/or operate MERLIN SHOPS in the Development Area.

5. ALTERNATIVE REMEDIES

Upon DEVELOPER's failure to comply with the Development Schedule, in addition to the remedies set forth in Section 9 of the Development Agreement, the COMPANY may, in its sole discretion, without waiving its option to terminate the Development Agreement under Section 8 thereof, terminate this Addendum and the limited exclusive rights in the Development Area granted to DEVELOPER hereunder, without modifying DEVELOPER's development obligations under the Development Schedule.

6. MISCELLANEOUS

A. Other than as explicitly set forth in this Addendum, the terms of the Development Agreement shall remain unchanged and in full force and effect. To the extent that there is any conflict between the terms of this Addendum and the terms of the Development Agreement, the terms of this Addendum shall control.

B. This Addendum may be executed in counterparts, which together shall constitute one and the same Addendum. This Addendum may be transmitted by facsimile or emailed .pdf or .tif file. It is the parties' intent for the facsimile, .pdf, .tif, or other electronic signature to be an original signature and for the facsimile, .pdf, .tif, or other electronic copy to be deemed an original counterpart.

C. This Addendum will be binding on each of the parties to it and their successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum on the date stated on the first page hereof.

DEVELOPER
If a corporation, limited liability company or partnership:

_____
a _____
(Name of corporation, limited liability company or partnership)

By:_____

Print Name:_____
Title:_____

If individuals:

_____
(Signature)

_____
(Print Name)

_____
(Signature)

_____
(Print Name)

MERLIN FRANCHISOR SPV LLC

By:_____
Print Name:_____
Title:_____

EXHIBIT K

FORM OF GENERAL RELEASE

MERLIN SHOP

GRANT OF COMPANY CONSENT AND RELEASE BY FRANCHISEE

MERLIN FRANCHISOR SPV LLC (the "COMPANY") and the undersigned franchisee, _____ ***[insert name of franchisee entity]*** ("FRANCHISEE"), currently are parties to a Merlin Shop Franchise Agreement dated _____ (the "Franchise Agreement") for the operation of a MERLIN SHOP at _____. FRANCHISEE has asked the COMPANY to _____ ***[insert relevant detail]***. The COMPANY currently has no obligation under the Franchise Agreement or otherwise to _____ ***[repeat relevant detail]***, or the COMPANY has the right under the Franchise Agreement to condition its approval on FRANCHISEE's and the Owners' signing a release of claims. The COMPANY is willing to _____ ***[repeat relevant detail]*** if FRANCHISEE and the Owners give the COMPANY the release and covenant not to sue provided below in this document. FRANCHISEE and the Owners are willing to give the COMPANY the release and covenant not to sue provided below in consideration for the COMPANY's willingness to _____ ***[repeat relevant detail]***.

Consistent with the previous introduction, FRANCHISEE, on behalf of itself and its successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, Owners, directors, officers, principals, employees, and affiliated entities (collectively, the "Releasing Parties"), hereby forever release and discharge the COMPANY and its past and present, direct or indirect, parent and other affiliated entities, and its and their respective current and former officers, directors, members, managers, owners, principals, employees, agents, representatives, successors, and assigns (collectively, the "COMPANY Parties") from any and all claims, damages, demands, debts, causes of action, suits, duties, liabilities, costs, and expenses of any nature and kind, whether presently known or unknown, vested or contingent, suspected or unsuspected (all such matters, collectively, "Claims"), that FRANCHISEE and any other Releasing Party now has, ever had, or, but for this document, hereafter would or could have against any COMPANY Party (1) arising out of or related in any way to the COMPANY Parties' performance of or failure to perform their obligations under the Franchise Agreement before the date of FRANCHISEE's signature below, (2) arising out of or related in any way to the COMPANY's offer and grant to FRANCHISEE of its MERLIN SHOP franchise, or (3) otherwise arising out of or related in any way to FRANCHISEE and the other Releasing Parties' relationship, from the beginning of time to the date of FRANCHISEE's signature below, with any of the COMPANY Parties.

The released Claims include, but are not limited to, any Claim alleging violation of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules, or regulations. FRANCHISEE and the other Releasing Parties acknowledge that FRANCHISEE and they may after the date of the signatures below discover facts different from, or in addition to, those facts currently known to FRANCHISEE and them, or which FRANCHISEE and they now believe to be true, with respect to the Claims released by this document. FRANCHISEE and the other Releasing Parties nevertheless agree that the release set forth in this document has been negotiated and agreed on despite such acknowledgment and despite any federal or state statute or common law principle which may provide that a general release does not extend to claims which are not known to exist at the time of execution.

FRANCHISEE, on behalf of itself and the other Releasing Parties, further covenants not to sue any COMPANY Party on any Claim released by this paragraph and represents that FRANCHISEE has not assigned any Claim released by this paragraph to any individual or entity that is not bound by this paragraph.

The COMPANY also is entitled to a release and covenant not to sue from the Owners. By his, her, or their separate signatures below, the Owners likewise grant to the COMPANY the release and covenant not to sue provided above.

****

The following language applies only to transactions with California franchisees

[Each of the parties granting a release acknowledges a familiarity with Section 1542 of the Civil Code of the State of California, which provides as follows:

> **"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."**

Each party granting a release and its authorized signatories hereto recognize that he, she, or it may have some claim, demand, or cause of action against the released parties of which he, she, or it is unaware and unsuspecting, and which he, she, or it is giving up by signing this document. Each party granting a release and its authorized signatories hereby waive and relinquish every right or benefit which he, she, or it has under Section 1542 of the Civil Code of the State of California, and any similar statute under any other state or federal law, to the fullest extent that such right or benefit may lawfully be waived.]

****

The following language applies only to transactions governed by the Maryland Franchise Registration and Disclosure Law

The release provided above will not apply to the extent prohibited by the Maryland Franchise Registration and Disclosure Law. You may commence a lawsuit against us in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law that are not released.

****

The following language applies only to transactions governed by the Washington Franchise Investment Protection Act

This general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

All capitalized terms used but not defined in this document will have the meanings set forth in the Franchise Agreement.

FRANCHISEE
If a corporation, limited liability company or partnership:

_____
a _____
(Name of corporation, limited liability company or partnership)

By:_____

Print Name:_____
Title:_____

If individuals:

_____
(Signature)

_____
(Print Name)

_____
(Signature)

_____
(Print Name)

_____
[Name of Owner]

_____
[Signature and Date]

MERLIN FRANCHISOR SPV LLC

By:_____
Print 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	June 21, 2023 (Exempt)
Illinois	June 21, 2023 (Exempt)
Indiana	Pending
Michigan	June 21, 2023
Minnesota	Pending
New York	June 21, 2023 (Exempt)
North Dakota	Pending (Exempt)
Rhode Island	Pending (Exempt)
South Dakota	Pending
Virginia	Pending (Exempt)
Washington	Pending (Exempt)
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Merlin Franchisor SPV LLC 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. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Merlin Franchisor SPV LLC 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 appropriate state agency listed on Exhibit D.

The franchisor is Merlin Franchisor SPV LLC, located at 440 South Church Street, Suite 700, Charlotte, North Carolina 28202. Its telephone number is (704) 377-8855.

The franchise seller for this offering is/are Logan Sumner, Zaki Zahur, and _____ at 440 South Church Street, Suite 700, Charlotte, North Carolina 28202, (704) 377-8855.

Issuance Date: June 21, 2023

We authorize the respective state agents identified on Exhibit D to receive service of process for us in the particular state.

I received a disclosure document from Merlin Franchisor SPV LLC dated June 21, 2023, that included the following Exhibits:

A. Franchise Agreement
B. List of Current and Former Franchisees
C. Franchise Disclosure Questionnaire
D. List of State Administrators/Agents for Service of Process
E. Financial Statements
F. Operations Manual Table of Contents
G. State-Specific Addenda and Franchise Agreement Riders
H. Guarantee of Performance
I. M.Key Software License and Maintenance Agreement
J. Area Development Agreement
J-1. Limited Exclusivity Addendum to Area Development Agreement
K. Form of General Release

Date:_____
(Do not leave blank)

_____
(Print Name of Prospective Franchisee (For Entity))

(Date, Sign, and Keep for Your Own Records)

By:_____
Its:_____

Signature_____

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 Merlin Franchisor SPV LLC 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. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Merlin Franchisor SPV LLC 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 appropriate state agency listed on Exhibit D.

The franchisor is Merlin Franchisor SPV LLC, located at 440 South Church Street, Suite 700, Charlotte, North Carolina 28202. Its telephone number is (704) 377-8855.

The franchise seller for this offering is/are Logan Sumner, Zaki Zahur, and _____ at 440 South Church Street, Suite 700, Charlotte, North Carolina 28202, (704) 377-8855.

Issuance Date: June 21, 2023

We authorize the respective state agents identified on Exhibit D to receive service of process for us in the particular state.

I received a disclosure document from Merlin Franchisor SPV LLC dated June 21, 2023, that included the following Exhibits:

A. Franchise Agreement
B. List of Current and Former Franchisees
C. Franchise Disclosure Questionnaire
D. List of State Administrators/Agents for Service of Process
E. Financial Statements
F. Operations Manual Table of Contents
G. State-Specific Addenda and Franchise Agreement Riders
H. Guarantee of Performance
I. M.Key Software License and Maintenance Agreement
J. Area Development Agreement
J-1. Limited Exclusivity Addendum to Area Development Agreement
K. Form of General Release

Date:_____ _____
(Do not leave blank) (Print Name of Prospective Franchisee (For Entity))

By:_____
Its:_____

Signature_____

(Please sign a copy of this receipt, date your signature, and return it to the Franchise Development Department, via mail at 440 South Church Street, Suite 700, Charlotte, North Carolina 28202, or via facsimile at (704) 377-9904.)