FRANCHISE DISCLOSURE DOCUMENT

1-800-RADIATOR FRANCHISOR SPV LLC
a Delaware limited liability company
4401 Park Road
Benicia, California 94510
Tel: (707) 747-7400
Fax: (707) 747-7401
FranchiseSales@1800radiator.com
www.1800radiator.com
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The franchise offered is for the operation of a distribution warehouse(s) using the name "1-800-RADIATOR & A/C®" and other trademarks, which sell(s) radiators, condensers, air conditioning compressors, fan assemblies, fuel pumps, hoses, exhaust-related products and services, heavy duty hard parts and services and other automotive parts and related services to automobile repair shops and parts stores, fleets, chain accounts and retail consumers.

The total investment necessary to begin operation of a 1-800-RADIATOR & A/C® "start-up warehouse" franchise is $457,500 to $1,269,000. This includes $330,000 to $885,000 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of a 1-800-RADIATOR & A/C® "re-sale warehouse" franchise is $383,500 to $5,279,000. This includes $325,000 to $5,075,000 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 Franchise Administration at 440 South Church Street, Suite 700, Charlotte, North Carolina 28202 or (704) 377-8855, or FranchiseSales@1800radiator.com.

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

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

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

Issuance Date: June 13, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20, Exhibit E or Exhibit F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C 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 1-800-RADIATOR & A/C® 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 1-800-RADIATOR & A/C® franchisee?	Item 20, Exhibit E or Exhibit F list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit 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. **<u>Out-of-State Dispute Resolution</u>**. The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or arbitration only in Solano County, California. Out-of-state mediation and/or arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and/or litigate with the franchisor in Solano County, California than in your own state.

2. **<u>Inventory Control</u>**. You must make inventory and supply purchases at a specific level, even if you do not need that much. Your inability to make these purchases or to maintain inventory levels at all times may result in termination of your franchise and loss of your investment.

3. **<u>Financial Condition</u>**. The guarantor's financial condition, as reflected its financial statements (see Item 21), calls into question the guarantor's financial ability to provide services and support to you.

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 PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW</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
(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. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

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EXHIBITS

APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN EXHIBIT “J.”

ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

To simplify the language in this disclosure document, the words "we," "us," "our" or "1-800-Radiator" mean the franchisor, 1-800-Radiator Franchisor SPV LLC. "You" or "your" means the person, corporation, partnership or other legal entity buying a franchise from us. If you are a corporation, partnership or other legal entity, certain provisions of the Franchise Agreement (Exhibit "B") also will apply to your owners. This disclosure document will indicate when your owners also are covered by a particular provision.

We are a Delaware limited liability company organized on June 9, 2015. Our principal business address is 4401 Park Road, Benicia, California 94510. If we have an agent in your state for service of process, we disclose that agent in Exhibit "D." We conduct business under our corporate name, 1-800-Radiator and 1-800-RADIATOR & A/C®, and no other name. Although we reserve the right to do so, we have not offered franchises in other lines of business.

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"). The principal business address of Driven Systems and Driven Brands Funding is 440 South Church Street, Suite 700, Charlotte, North Carolina 28202. 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 1-800-Radiator.

We are an indirect, wholly-owned subsidiary of Driven Brands, Inc., a Delaware corporation ("Driven Brands"). The principal business address of Driven Brands is 440 South Church Street, Suite 700, Charlotte, North Carolina 28202. 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 1-800-Radiator Franchise Inc., a California corporation ("RFI"). RFI was the franchisor of 1-800-RADIATOR & A/C® franchises before the closing of the Securitization Transaction described below. RFI shares our principal business address.

Our affiliate, 1-800 All Parts Holdings, Inc. ("All Parts Holdings"), which shares our principal business address, may provide certain goods and services to our franchisees. All Parts Holdings has not offered franchises in any lines of business or operated any business of the type being offered under this disclosure document. Our affiliate, Spire Supply, LLC ("Spire Supply"), a Delaware limited liability company, also may sell certain goods and services to our franchisees. Spire Supply's principal business address is 440 South Church Street, Suite 700, Charlotte, North Carolina 28202. Spire Supply has not offered franchises in any lines of business or operated any business of the type being offered under this disclosure document.

Our affiliate, Driven Product Sourcing LLC ("Driven Product Sourcing"), a Delaware limited liability company, may sell certain products to our franchisees for use in operating their 1-800-RADIATOR & A/C® Warehouses. Driven Product Sourcing owns and operates an online platform through which our franchisees (and any other third parties to which Driven Product Sourcing grants access, including the franchisees of some or all of the Driven Holdings affiliates described below) may purchase certain products (the "DrivenAdvantage Platform"). For any products for which we designate Driven Product Sourcing as the designated supplier or an approved supplier, you will generally be required to purchase those products through the DrivenAdvantage Platform. The principal business address of Driven Product Sourcing is 440 South Church Street, Suite 700, Charlotte, North Carolina 28202. Driven Product Sourcing has 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. The principal business address of Driven Brands Shared Services is 440 South Church Street, Suite 700, Charlotte, North Carolina 28202. 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.

Our predecessors have offered franchises for 1-800-RADIATOR & A/C® Warehouses (defined below) since 2004. We do not own or operate any 1-800-RADIATOR & A/C® Warehouses. Our affiliate, 1-800-RADIATOR & A/C® Corporation ("A/C Corporation"), has owned and operated 1-800-RADIATOR & A/C® Warehouses since 2001 and, as of December 30, 2023, owned and operated one 1-800-RADIATOR & A/C® Warehouse. Prior to the Securitization Transaction, A/C Corporation distributed radiators and parts and provided certain support to 1-800-RADIATOR & A/C® Warehouses. Those functions have been assumed by us or our affiliate following the closing of the Securitization Transaction. Neither we nor our predecessors have conducted any other business and have never offered franchises in any other line of business.

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.

<u>Driven Affiliates</u>

Driven Holdings is the indirect parent company to nine franchisors, including Meineke Franchisor SPV LLC ("Meineke"), Maaco Franchisor SPV LLC ("Maaco"), Merlin Franchisor SPV LLC ("Merlin"), Econo Lube Franchisor SPV LLC ("Econo Lube"), CARSTAR Franchisor SPV LLC ("CARSTAR"), Take 5 Franchisor SPV LLC ("Take 5"), ABRA Franchisor SPV LLC ("Abra"), FUSA Franchisor SPV LLC ("FUSA") and 1-800-Radiator. In April 2015, Driven Holdings and its franchised brands at the time (which included Meineke, Maaco, 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. The principal business address of Meineke, Maaco, Merlin, Econo Lube, CARSTAR, Take 5, Abra and FUSA is 440 South Church Street, Suite 700, Charlotte, North Carolina 28202.

Meineke franchises automotive centers that 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 30, 2023, there were 702 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 30, 2023, there were 377 franchised Maaco centers and no company-owned Maaco centers in the United States.

Merlin franchises shops that provide automotive repair services specializing in vehicle longevity, including the repair and replacement of automotive exhaust, brake parts, ride and steering control system and tires. Merlin and its predecessors offered franchises from July 1990 to February 2006 under the name "Merlin Muffler and Brake Shops," and have offered franchises under the name "Merlin Shops" since February 2006. As of December 30, 2023, there were 22 Merlin franchises and no company-owned Merlin shops located 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 30, 2023, there were nine 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.

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 30, 2023, there were 455 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 30, 2023, there were 325 franchised Take 5 outlets and 644 affiliate-owned Take 5 outlets operating in the United States.

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 30, 2023, there were 57 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 30, 2023, there were 203 franchised Fix Auto repair shops operating in the United States, nine 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 & A/C® 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 30, 2023, there were: (i) 15 franchised Meineke centers and no company-owned Meineke centers in Canada; (ii) 18 franchised Maaco centers and no company-owned Maaco centers in Canada; (iii) 10 1-800-Radiator franchises and no company-owned 1-800-Radiator locations in Canada; (iv) 313 franchised CARSTAR facilities and one company-owned CARSTAR facility in Canada; (v) 30 franchised Take 5 outlets and seven company-owned Take 5 outlets in Canada; (vi) 57 franchised UniglassPlus businesses, 27 franchised UniglassPlus/Ziebart businesses, and five franchised Uniglass Express businesses in Canada, and two company-owned UniglassPlus businesses and one company-owned UniglassPlus/Ziebart business in Canada; (vii) 10 franchised VitroPlus businesses, 57 franchised VitroPlus/Ziebart businesses, and four franchised Vitro Express businesses in Canada, and three company-owned VitroPlus businesses and no company-owned VitroPlus/Ziebart businesses in Canada; (viii) 32 franchised Docteur du Pare Brise businesses and no company-owned Docteur du Pare Brise businesses in Canada; (ix) 12 franchised Go! Glass & Accessories businesses and no franchised Go! Glass businesses in Canada, and eight company-owned Go! Glass & Accessories businesses and no company-owned Go! Glass businesses in Canada; and (x) eight franchised Star Auto Glass businesses and no company-owned Star Auto Glass businesses in Canada.

In December 2021, Driven Brands acquired Auto Glass Now's ("AGN") repair locations. As of December 30, 2023, there were more than 220 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 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.

<u>Other Affiliates with Franchise Programs</u>

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 1-800-RADIATOR & A/C® Warehouse franchise.

GoTo Foods Inc. ("GoTo Foods") is the indirect parent company to seven 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 seven GoTo Foods 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 GoTo Foods through an acquisition. Auntie Anne's predecessor began offering franchises in January 1991. As of December 31, 2023, there were 1,156 franchised and 11 affiliate-owned Auntie Anne's shops in the United States and 817 franchised Auntie Anne's shops 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 GoTo Foods in November 2004. Carvel's predecessor began franchising retail ice cream shoppes in 1947. As of December 31, 2023, there were 324 franchised Carvel shoppes in the United States and 29 franchised Carvel shoppes outside the United States.
>
> 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 GoTo Foods through an acquisition. Cinnabon's predecessor began franchising in 1990. As of December 31, 2023, there were 952 franchised and 22 affiliate-owned Cinnabon bakeries in the United States and 952 franchised Cinnabon bakeries outside the United States. In addition, as of December 31, 2023, there were 185 franchised 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 GoTo Foods through an acquisition. Jamba's predecessor began franchising in 1991. As of December 31, 2023, there were approximately 733 franchised Jamba stores in the United States and 57 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 GoTo Foods in October 2013. McAlister's or its predecessor have been franchising since 1999. As of December 31, 2023, there were 506 franchised McAlister's restaurants and 33 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 GoTo Foods through an acquisition. Moe's predecessor began offering Moe's Southwest Grill franchises in 2001. As of December 31, 2023, there were 606 franchised and six affiliate-owned Moe's Southwest Grill restaurants operating in 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 GoTo Foods through an acquisition. Schlotzsky's restaurant franchises have been offered since 1976. As of December 31, 2023, there were 295 franchised Schlotzsky's restaurants and 22 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 six 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. 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. As of December 31, 2023, there were 3,413 Arby's restaurants operating in the United States (2,316 franchised and 1,097 company-owned) and 200 franchised Arby's restaurants operating internationally.

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 December 31, 2023, there were 1,185 Buffalo Wild Wings Sports Bars operating in the United States (533 franchised and 652 company-owned) and 65 franchised Buffalo Wild Wings or B-Dubs restaurants operating outside the United States. As of December 31, 2023, there were 79 BWW-GO Restaurants operating in the United States (31 franchised and 48 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 restaurants since May 2011. As of December 31, 2023, there were 3,521 Sonic Drive-Ins operating in the United States (3,195 franchised and 326 company-owned).

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. As of December 31, 2023, there were 2,644 Jimmy John's restaurants operating in the United States (2,604 franchised and 40 affiliate-owned). Of those 2,644 restaurants, 2,641 were singled-branded Jimmy John's restaurants and three were franchised Jimmy John's restaurants operating at multi-brand locations.

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 December 31, 2023, there were 9,580 Dunkin' restaurants operating in the United States (9,548 franchised and 32 company-owned). Of those 9,580 restaurants, 8,295 were single-branded Dunkin' restaurants, two were franchised Dunkin' restaurants operating at multi-brand locations, and 1,283 were franchised Dunkin' and Baskin-Robbins combo restaurants. Additionally, as of December 31, 2023, there were 4,210 single-branded franchised Dunkin' restaurants operating internationally.

Baskin-Robbins is a franchisor of Baskin-Robbins® restaurants, which 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 December

31, 2023, there were 2,261 franchised Baskin-Robbins restaurants operating in the United States. Of those 2,261 restaurants, 977 were single-branded Baskin-Robbins restaurants, one was a Baskin-Robbins restaurant operating at a multi-brand location, and 1,283 were Dunkin' and Baskin-Robbins combo restaurants. Additionally, as of December 31, 2023, there were 5,383 single-branded franchised Baskin-Robbins restaurants operating internationally and in Puerto Rico.

Inspire International has, directly or through its predecessors, offered and sold franchises outside the United States 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 (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 UK 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. As of December 31, 2023, there were 505 franchised Primrose facilities operating in the United States. 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, 2023, there were 1,053 Massage Envy locations operating in the United States, including 1,044 operated as total body care Massage Envy businesses and nine 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, 2023, there were nine regional developers operating 11 regions in the United States. Massage Envy has not offered franchises in any other line of business.

CKE Inc. ("CKE"), through two 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 29, 2024, there were 204 company-operated Hardee's restaurants and 1,406 franchised Hardee's restaurants, including 136 franchised Hardee's/Red Burrito dual concept restaurants, operating in the United States. Additionally, there were 458 franchised Hardee's restaurants operating outside the United States. Carl's Jr. restaurants have been franchised since 1984. As of January 29, 2024, there were 49 company-operated Carl's Jr. restaurants and 1,019 franchised Carl's Jr. restaurants, including 243 franchised Carl's Jr./Green Burrito dual concept restaurants, operating in the United States. In addition, there were 661 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 three franchisors operating five franchise brands 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 three 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, 2023, there were 813 Merry Maids 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, 2023, there were 619 ServiceMaster Clean franchises and 2,064 ServiceMaster Restore franchises 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, 2023, there were 313 Two Men and a Truck franchises and three company-owned Two Men and a Truck businesses in the United States. As of December 31, 2023, there were 20 Two Men and a Junk Truck franchises in the United States.

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, 2023, there were 562 Nothing Bundt Cakes 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 2022. Mathnasium has a principal place of business at 5120 West Goldleaf Circle, Suite 400, Los Angeles, California 90056. As of December 31, 2023, there were 968 franchised and 4 affiliate-owned Mathnasium centers operating 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, 2023, there were 89 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, 2023, there were 79 franchised Mathnasium centers outside the United States and Canada. Mathnasium, Mathnasium Center Licensing Canada, Inc. and Mathnasium International Franchising, LLC each have their principal place of business at 5120 West Goldleaf Circle, Suite 400, Los Angeles, California 90056, and none of them has ever offered franchises in any other line of business.

Youth Enrichment Brands, LLC is the direct parent company to three franchisors operating in the United States: i9 Sports, LLC ("i9"), SafeSplash Brands, LLC ("Streamline Brands"), and School of Rock Franchising LLC ("School of Rock"). i9 became an Affiliated Program through an acquisition in September 2021. Streamline Brands became an Affiliated Program through an acquisition in June 2022. School of Rock became an Affiliated Program through an acquisition in September 2023. The three franchisors have never offered franchises in any other line of business.

> 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, 2023, there were 245 i9 Sports franchises in the United States.

> 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 April 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, 2023, there were 128 franchised and company-owned SafeSplash Swim School outlets (including 12 outlets that are dual-branded with SwimLabs), 11 franchised and licensed SwimLabs swim schools, 11 franchised Swimtastic swim schools, and one dual-branded Swimtastic and SwimLabs swim school operating in the United States.

School of Rock franchises businesses that operate performance-based music schools with a rock music program under the School of Rock® mark. School of Rock began offering franchises in September 2005. School of Rock has a principal place of business at 1 Wattles Street, Canton, Massachusetts 02021. As of December 31, 2023, there were 234 franchised and 47 affiliate-owned School of Rock schools in the United States and 78 franchised School of Rock schools outside the United States.

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 1-800-RADIATOR & A/C ® Warehouses were transferred to us, and we became the franchisor of all existing and future franchise and related agreements. Ownership and control of all U.S. trademarks and certain intellectual property relating to the operation of 1-800-RADIATOR & A/C® Warehouses 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 1-800-RADIATOR & A/C® 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 RFI, the former franchisor of 1-800-RADIATOR & A/C® Warehouses, 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 franchises to qualified individuals and entities to develop and operate a business that offers primarily wholesale distribution of certain automotive parts and other products we specify from a warehouse location operated according to our specifications to manage inventory, delivery and services that are provided to automotive repair shops, parts stores, body shops, and other repair shops (collectively, "Shops") located within a defined geographical area. In this disclosure document, we call these businesses "1-800-RADIATOR & A/C® Warehouses," and we call the 1-800-RADIATOR & A/C® Warehouse that you operate under the Franchise Agreement the "Warehouse." 1-800-RADIATOR & A/C® Warehouses operate under the trademark and service mark "1-800-RADIATOR & A/C®" and associated logos, trademarks, service marks, commercial symbols, and e-names, which have gained and continue to gain public acceptance and goodwill (collectively, the "Marks").

You may purchase a new 1-800-RADIATOR & A/C® Warehouse ("Start-up Warehouse") or you may purchase an existing 1-800-RADIATOR & A/C® Warehouse, which may be owned by us, our affiliate or a franchisee ("Re-sale Warehouse"). You will provide the same products and services to customers, whether you purchase a Start-up Warehouse or a Re-sale Warehouse. In each case, you must sign our current form of Franchise Agreement, which is attached to this disclosure document as Exhibit "B."

We and our affiliates have developed a sophisticated, proprietary operation system (the "Network") to handle inventory management, purchasing, customer ordering, pricing, delivery, reporting and accounting for 1-800-RADIATOR & A/C® Warehouses. The Network also provides extensive customer and product data that is utilized to drive marketing activities and optimize sales and purchasing. The Network and other parts of the system (the "System") are fully expandable and can manage increases in volume and revenue. An important part of the System is the Operations Manual (the "Manual").

As of the date of this disclosure document, the automotive parts and products we permit 1-800-RADIATOR & A/C® Warehouses to distribute to Shops include radiators, condensers, air conditioning compressors, fan assemblies, fuel pumps, hoses, exhaust-related products and services and heavy duty hard parts and services (such as heat exchange products, engine cooling accessories, HVAC system components and accessories, engine management and emissions control components, exhaust components, diesel after-treatment products and services, steering and suspension products, fuel storage and delivery system components, medium and heavy duty commercial and institutional truck, tractor and bus components) (collectively, the "Core Products"), and other automotive parts and related services we periodically designate (collectively, the "Additional Products"). In this disclosure document, the Core Products and the Additional Products will be collectively referred to as the "Products."

Certain Products bear a brand owned by an affiliate ("Private Label Products"). As of the date of this disclosure document, Private Label Products include hoses. You may only offer and sell Private Label Products if you qualify for participation in the associated programs, which may require additional marketing and compliance with inventory requirements. Private Label Products must be purchased from Approved or Designated Suppliers (defined in Item 8).

<u>National Warranty Program</u>

You, as a franchise owner, will offer a lifetime warranty on all parts sold through the Network. Costs for this warranty may generally be recouped from the suppliers through either a one-for-one return credit or through an up-front discount off of the purchase price of the part from the supplier. The national warranty program is described in our Manual and may be changed by us periodically.

Chain Accounts

We may designate in the Manual as a "Chain Account" any potential or actual customer of automotive parts and supplies that conducts business in more than one 1-800-RADIATOR & A/C® territory and with whom we have made arrangements regarding the terms of sale for products or services to that particular Chain Account. If a Chain Account does business in your Territory (defined in Item 12), you must service the Chain Account according to the terms of our arrangement with the Chain Account, including service standards, warranty requirements and pricing. We may require you to sign a Chain Account agreement. If you decline to accept a Chain Account, are unable to provide all of the products and services requested by the Chain Account or refuse to service the Chain Account at prices and according to warranty and other standards we determine, then we, our affiliate, another franchisee or a third party may service the Chain Account in the Territory without any compensation to you.

Market and Competition

The automotive parts supply industry is developed and is very competitive. The market for the Products will generally be commercial shops (usually automotive repair shops) within the Territory, but you will also receive credit for sales to commercial auto parts stores if those sales are made with our approval. We compete, and as a franchisee you will compete, with other businesses that may have greater financial and other resources as well as with independent, local businesses. As a franchisee, you will deal directly with local Shops, and will need to develop strong relationships with these businesses by making sales visits. You will need to maintain the inventory levels we designate periodically sufficient to support sales within the Territory.

During the Franchise Agreement's term, we may acquire a third-party competitor who has been operating a competing business in the Territory (that is, a business owned by someone other than us, our affiliate, or a franchisee, that sells products or services that are competitive with the goods and services offered by 1-800-RADIATOR & A/C® Warehouses). If we do so, we will pay the initial costs of the acquisition and require you to purchase the competitor's inventory and/or accounts and pay us for the additional business generated as a result of the acquisition. Your purchase price will be calculated based on our estimate of your first one or two years of additional sales. The purchase price will be paid in equal installments during the first 12 months in most cases. We also may require you to make additional investments in things such as additional sales vehicles, inventory, computers, and/or phone lines to support the customers that you receive as a result of the acquisition. You may also need to hire additional employees.

Industry Regulations

There are no regulations specific to the industry in which 1-800-RADIATOR & A/C® Warehouses operate, although you must comply with all local, state and federal laws that apply to your business operations. You also must comply with workers' compensation, equal protection and workplace safety laws. You should consult an attorney to determine the licensing requirements in your jurisdiction. You should consider these laws and regulations when evaluating your purchase of a franchise.

ITEM 2
BUSINESS EXPERIENCE

Jonathan Fitzpatrick: Manager and Chief Executive Officer of 1-800-Radiator; Director and Chief Executive Officer of RFI; Director, Chief Executive Officer and President of Driven Brands

Mr. Fitzpatrick has been a Manager and Chief Executive Officer of 1-800-Radiator since its formation in June 2015. Mr. Fitzpatrick has been Director and Chief Executive Officer of RFI since April 2017. 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.

Scott O'Melia: Manager, Executive Vice President, and Secretary of 1-800-Radiator; Director, Executive Vice President, and Secretary of RFI; Director, Executive Vice President, General Counsel, and Secretary of Driven Brands

Mr. O'Melia has served as Manager, Executive Vice President, and Secretary of 1-800-Radiator since May 2020. Mr. O'Melia also has served as Director, Executive Vice President, and Secretary of RFI since May 2020. In addition, Mr. O'Melia has served as Director, Executive Vice President, General Counsel, and Secretary of Driven Brands since May 2020. Mr. O'Melia also 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.

Joel Arnao: Interim Chief Financial Officer of 1-800-Radiator, RFI, and Driven Brands and Senior Vice President, FP&A, Treasury, and Investor Relations of Driven Brands

Mr. Arnao has been Interim Chief Financial Officer of 1-800-Radiator, RFI, and Driven Brands since May 2024 and Senior Vice President, FP&A, Treasury, and Investor Relations of Driven Brands since July 2023. In addition, Mr. Arnao has served as Interim Chief Financial Officer of various Driven Brands affiliates since May 2024. From November 2020 to June 2023, Mr. Arnao was Vice President of Finance of Rite Aid Corporation in Charlotte, North Carolina. From June 2020 to October 2020, Mr. Arnao was a Senior Advisor of Navhio Consulting in Charlotte, North Carolina. From December 2018 to May 2020, Mr. Arnao was Chief Financial Officer and Vice President of Finance for Merchants Distributors, LLC in Hickory, North Carolina.

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

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 Econo Lube, Merlin, Econo Lube N' Tune, LLC, and SBA-TLC, 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.

Kyle Marshall: President of Platform Services for Driven Brands

Mr. Marshall has been President of Platform Services for Driven Brands since January 2020. From July 2017 to December 2019, he was President of 1-800-Radiator and RFI. He is located in Benicia, California.

Brett Downs: General Manager for 1-800-Radiator and Vice President, Strategy, Platform Services for Driven Brands

Mr. Downs has been General Manager for 1-800-Radiator since July 2023 and Vice President, Strategy, Platform Services for Driven Brands since September 2021. From August 2020 to August 2021, he was Vice President, Strategy of 1-800-Radiator. From November 2018 to July 2020, he was General Manager, Spire Supply for Driven Brands. He is located in Benicia, California.

Adam Cunningham: Director, Franchise Development of 1-800-Radiator

Mr. Cunningham has been Director, Franchise Development of 1-800-Radiator since January 2023. From April 2020 to December 2022, he was Manager, Franchise Development for 1-800-Radiator. From August 2019 to March 2020, he was a filtration specialist for 1-800-Radiator.

ITEM 3
LITIGATION

Pending Action

Genesee County Employees' Retirement System v. Driven Brands Holdings Inc., Jonathan G. Fitzpatrick, and Tiffany L. Mason (United States District Court for the Western District of North Carolina (Charlotte Division); Case No. 3:23-cv-00895-MOC-DCK) (Filed December 22, 2023). Plaintiff Genesee County Employees' Retirement System ("Plaintiff") filed a securities class action against Driven Brands Holdings, Driven Brands Holdings' President and Chief Executive Officer (and the Manager and Chief Executive Officer of 1-800-Radiator and the Director and Chief Executive Officer of RFI), Jonathan G. Fitzpatrick, and Driven Brands Holdings' former Chief Financial Officer (and the former Executive Vice President and Chief Financial Officer of 1-800-Radiator and RFI), Tiffany L. Mason (collectively, "Defendants"). Plaintiff alleges that Defendants failed to disclose material adverse information or made misrepresentations regarding Driven Brands Holdings' business and operations following the acquisitions of the International Car Wash Group and AGN. Plaintiff claims that Defendants violated Section 10(b) the Securities Exchange Act of 1934 and Rule 10b-5 promulgated under the Act and that Defendants Mr. Fitzpatrick and Ms. Mason violated Section 20(a) of the Act. Plaintiff seeks unspecified compensatory damages, costs and expenses, and an award of equitable relief, as the court considers appropriate.

Prior Actions

Independent Association of Radiator Franchisees, Inc., et. al. v. 1-800-Radiator Franchise, Inc., et. al. (American Arbitration Association; Case No. 01-14-0001-0767) (Filed July 29, 2014). The Independent Association of Radiator Franchisees, Inc. (a Texas corporation allegedly formed to represent the interests of 1-800-RADIATOR & A/C® franchisees), and existing franchisees, Diane McKay d/b/a 1-800-Radiator of Fairfield, Inc. (the "Fairfield Franchisee") and 1-800-Radiator of San Francisco, Inc. (the "San Francisco Franchisee") (collectively, the "Claimants"), filed a demand for arbitration against RFI and A/C Corporation demanding (i) that RFI and A/C Corporation immediately discontinue certain acts and practices alleged therein; (ii) return of allegedly improperly collected fees and charges, plus interest, (iii) compensatory, exemplary, consequential and punitive damages, plus interest; and (iv) attorneys' fees and costs. The Claimants sought damages in the amount of $144,717. On August 26, 2014, the AAA dismissed the Independent Association of Radiator Franchisees, Inc. for failure to identify an arbitration agreement with RFI or A/C Corporation and bifurcated the existing franchisees' claims. On

September 5, 2014, the Fairfield Franchisee filed her individual bifurcated arbitration demand against RFI and A/C Corporation (*Diane McKay d/b/a 1-800-Radiator of Fairfield, Inc. v. 1-800-Radiator Franchise, Inc., et. al.*; same AAA case number as above) alleging breach of contract, breach of the implied covenant of good faith and fair dealing, fraudulent misrepresentation and violations of the California Franchise Investment Law and unfair competition statute. The demand sought damages in the amount of $28,000, declaratory relief, compensatory and punitive damages and attorneys' fees and costs. RFI and A/C Corporation filed their Answer and Counter-Demand for breach of contract. On February 23, 2015, the panel granted RFI's and A/C Corporation's motion to dismiss all of the Fairfield Franchisee's claims except for breach of contract and unfair competition under the California statute. On March 11, 2015, RFI and A/C Corporation filed their Answer and First Amended Counter-Demand in which they sought, in addition to the relief previously requested, declaratory relief that RFI has the right to terminate the Fairfield Franchisee's franchise agreement. On August 14, 2015, the parties settled the dispute with the Fairfield Franchisee, whereby (i) the arbitration was dismissed with prejudice without any fees and costs to any party, (ii) the parties provided mutual general releases, and (iii) RFI agreed to take no steps to terminate the franchise agreement. Also on September 5, 2014, the San Francisco Franchisee filed its individual bifurcated arbitration demand against RFI and A/C Corporation (*1-800-Radiator of San Francisco, Inc. v. 1-800-Radiator Franchise, Inc., et. al.;* American Arbitration Association Case No. 01-14-0001-4741) alleging breach of contract, breach of the implied covenant of good faith and fair dealing, fraudulent misrepresentation and violations of the California Franchise Investment Law and unfair competition statute. The demand sought damages in the amount of $116,000, declaratory relief, compensatory and punitive damages and attorneys' fees and costs. RFI and A/C Corporation filed their Answer and Counter-Demand for breach of contract. On February 19, 2015, the panel granted their motion to dismiss all of the San Francisco Franchisee's claims except for breach of contract and declaratory relief. On August 14, 2015, the parties settled the dispute with the San Francisco Franchisee, whereby (i) the arbitration was dismissed with prejudice without any fees and costs to any party, (ii) the parties provided mutual general releases, and (iii) RFI agreed to take no steps to terminate the franchise agreement.

Pending Driven Affiliate Action

5002090 Ontario Inc. and Asif Ali v. Take 5 Canada SPV LP, Bruno Piva, Noah Pollack, and Jonathan Fitzpatrick (Superior Court of Justice of the Province of Ontario; Court File No. CV-22-00692201-0000) (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 1-800-Radiator's Manager and Chief Executive Officer), Mr. Fitzpatrick, Take 5 Canada's franchise broker, Mr. Piva, and a former Take 5 Canada (and 1-800-Radiator) 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 two 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 delivered a Statement of Defence in April 2023. To Take 5 Canada's knowledge, none of the individual defendants have been served with the Statement of Claim, and it is unclear if Ali intends to continue pursuing this litigation. Take 5 Canada and the other defendants are defending 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. (Superior Court of the State of Arizona in and for the County of Maricopa; Case No. CV2011-018783). On October 13, 2011, Econo Lube N' Tune, Inc., a predecessor of Econo Lube (an affiliate of 1-800-Radiator), 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. (California Superior Court, Los Angeles County; Case No. 19STCV09397) (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. (California Superior Court, Los Angeles County; Case No. 19STCV09597) (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, the settlement agreement stated that such 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. (N.Y. Supreme Court for New York County; Case No. 451787/2019) (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

In this disclosure document, all amounts paid to us or our affiliates prior to opening your Warehouse are considered "initial fees." All of the initial fees described in this Item 5 are the same for all 1-800-RADIATOR & A/C® franchisees unless otherwise specified.

START-UP WAREHOUSE

Initial Franchise Fee

When you sign the Franchise Agreement, you must pay to us an initial fee of $45,000 (the "Initial Franchise Fee") for your Warehouse. Our affiliates may acquire franchises to own and operate 1-800-RADIATOR & A/C® Warehouses for discounted initial franchise fees. The Initial Franchise Fee is non-refundable. In the fiscal year ended December 30, 2023, we received Initial Franchise Fees ranging from $0 to $45,000 from franchisees.

Start-Up Warehouse Equipment and Supplies

Before opening your Warehouse, you must purchase the Start-Up Warehouse Equipment and Supplies (as detailed in Item 8). The cost of the Start-Up Warehouse Equipment and Supplies that you must or may purchase from us ranges from $5,000 to $10,000, which costs are uniformly imposed on all franchisees and are non-refundable.

Opening Marketing Package

Before your Warehouse opens, you must pay us up to $30,000 for the opening marketing package (the "Opening Marketing Package"). This amount is used at our discretion, at any time before or after the opening of your Warehouse, to cover expenses related to helping you set up and market your Warehouse, including travel, lodging, salaries, food, promotional and marketing materials, mailers, outbound phone sales calls, organizing inventory (including purchasing additional inventory that we may require), conducting marketing activities in your Territory, or providing onsite remedial training to you or your employees. Promotional and marketing materials may include door hangers, t-shirts, notepads, stickers and other promotional items. We will provide you with an accounting of the amounts spent on the Opening Marketing Package, and you will only be billed the actual costs of such items. This amount is non-refundable.

Initial Inventory

Before your Warehouse opens, you must purchase an initial inventory which consists primarily of the Products. The amount of initial inventory will typically range from $250,000 to $800,000 depending on the anticipated sales volume as well as current market prices and is non-refundable. You must acquire and maintain a minimum inventory level we prescribe periodically and may not exceed the out-of-stock percentage we specify on the parts you sell, as specified by product category, as we prescribe in the Manual. You must stock all product lines we require in your Warehouse, unless we otherwise provide our express written consent. We may periodically revise the minimum inventory level, out-of-stock percentage and/or product categories. You must purchase the inventory from Designated or Approved Suppliers through the Network. You will pay us or our affiliate, and we or our affiliate will process your payments to suppliers through the Network. We (or our affiliate) are the only Approved Supplier of 1-800 ALL PARTS® branded hoses, which are offered as part of our associated program. You currently are not required to purchase any inventory Products from us or our affiliates.

PURCHASE OF RE-SALE WAREHOUSE

Purchase Price for Re-sale Warehouse

We charge a non-refundable $45,000 initial fee when you sign a Franchise Agreement for a Re-sale Warehouse (the "Re-sale Initial Franchise Fee"). The Re-sale Initial Franchise Fee is payable in a lump sum and is non-refundable.

We estimate that the total purchase price for a Re-sale Warehouse, including any business value, equipment and inventory could range from $250,000 to $5,000,000. In the fiscal year ended December 30, 2023, neither we nor A/C Corporation received any fees from a re-sale of a company-owned 1-800-RADIATOR & A/C® Warehouse.

Opening Marketing Package

If you are purchasing a company-owned 1-800-RADIATOR & A/C® Warehouse from us or our affiliate, or purchasing an existing 1-800-RADIATOR & A/C® Warehouse from an existing franchisee, you must pay us $30,000 for the Opening Marketing Package. This amount is used at our discretion, at any time before or after the re-opening of your Warehouse, to cover expenses related to helping you set up and market your Warehouse, including travel, lodging, salaries, food, promotional and marketing materials, mailers, outbound phone sales calls, organizing inventory (including purchasing additional inventory that we may require), conducting marketing activities in your Territory, or providing on-site remedial training to you or your employees. Promotional and marketing materials may include door hangers, t-shirts, notepads, stickers and other promotional items. We will provide you with an accounting of the amounts spent on the Opening Marketing Package. This amount is non-refundable.

Incentive Programs

We may periodically implement incentive programs to encourage franchise system growth. Under the incentive programs, we may, among other things, waive all or a portion of the Initial Franchise Fee or Re-sale Initial Franchise Fee, as applicable, or modify the payment timing of that fee. We may modify or discontinue any incentive program we implement at any time.

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ITEM 6
OTHER FEES

Column 1 Type of Fee (1)	Column 2 Amount	Column 3 Due Date (2)	Column 4 Remarks
Ongoing Franchise Fee	8% of Gross Sales (3) (4)	On or before the day of each week that we periodically specify (the “Payment Day”)	We may modify the Payment Day and corresponding reporting period and the manner in which payments must be made to us or our affiliates at any time. (See also Note 4)
Local Marketing Fee (5)	.5% of Gross Sales	Weekly on the Payment Day	(See Note 4)
System Marketing Fee (5)	1.5% of Gross Sales	Weekly on the Payment Day	(See Note 5) For our services, we charge an administrative fee of 15% of all System Marketing Fees collected. This amount is not an additional fee.
Monthly Mailers	$0.65 per mailer, but could increase if our costs increase	Upon receipt of invoice	You must reimburse us for the costs we incur in sending monthly mailers to Shops in your Territory. We will determine the Shops to which we will send the monthly mailers and the number of monthly mailers that we will send.

Column 1 Type of Fee (1)	Column 2 Amount	Column 3 Due Date (2)	Column 4 Remarks
Inventory Purchases	Varies, depending on your inventory orders	30 days after delivery of order	Through the electronic Network (see Note 4), you must pay us or our affiliate for inventory purchased through the Network, which payments are processed and remitted by us or our affiliate to the appropriate suppliers.
Call Center Fees (6)	As determined by us (currently $2 to $4 per call, and per non-automated electronic response request, depending on whether the calls and/or requests are received during regular business hours, after regular business hours or during peak volume times)	Weekly on the Payment Day	It is recommended that you take your own phone calls and respond to non-automated electronic response requests during regular business hours to avoid incurring these charges. (See Note 4)
Billing and Collections Services Fee	Currently 3% of amount collected on your behalf for Chain Accounts	Upon invoice	Payable for each Chain Account that requires or requests centralized billing services
Credit Card Processing Services Fee	Currently, 3% of the amount of all credit card transactions processed by us or our designee	Weekly on the Payment Day (or as otherwise stated in the Manual)	We or our designee will provide credit card processing services for Warehouse customers. We may change the amount of the Credit Card

Column 1 Type of Fee (1)	Column 2 Amount	Column 3 Due Date (2)	Column 4 Remarks
			Processing Services Fee or discontinue the credit card processing services at any time upon 30 days' prior written notice to you.
Referral Fee for Chain Accounts	Not currently charged	Upon invoice	We may designate in the Manual as a "Chain Account" any potential or actual customer of automotive parts and supplies that conducts business in more than one 1-800-RADIATOR & A/C® territory and with whom we have made arrangements regarding the terms of sale of such products or services by either us or our franchisees, including you. In some cases, we may charge you a referral fee for the right to service such Chain Account(s).
Inventory (Private Label Products) (7)	The current pricing as ordered by you (if you qualify for participation in our program)	Then-current terms	(See Note 7)

Column 1 Type of Fee (1)	Column 2 Amount	Column 3 Due Date (2)	Column 4 Remarks
Additional Training (8)	Tuition-free	Not applicable	(See Note 8)
Conferences	$325 per day	Upon invoice	We may hold periodic national or regional conferences, including an annual conference, and charge you a fee to cover the costs and expenses of such conference(s). We will charge you whether or not you or your representative attends the conference.
Network Support Fees	Currently the Network Support Fees cover software and e-mail access (currently these fees are $145 - $165 per year per user account for software, plus $10 per month per e-mail address) We may increase these fees upon notice to you.	Upon invoice	The Network Support Fees may increase if we, our affiliate or a third party we designate provide additional or different software that we develop or license for the Network, provide e-mail account setup and access fees, Website, social media site or telephone system development or hosting, and/or other maintenance or support services that we, an affiliate or our designee provide

Column 1 Type of Fee (1)	Column 2 Amount	Column 3 Due Date (2)	Column 4 Remarks
			for the Network, your telephone system, the Website or any other website or social media site.
Personal Sales Visit Reimbursement	Our actual expenses	Upon demand	(See Note 9)
Interest	18% per annum or highest rate permitted by applicable law, whichever is lower	Upon invoice	Payable if any payment due to us or our affiliates by you is not received on or before the due date
Administrative Fee	For each late payment in any 12-month period, $150 for the first late payment, and $300 for the second and each subsequent late payment	Upon invoice	Payable if any payment due to us or our affiliates by you is not received on or before the due date
Late Payment Penalty	$500	Upon demand	
Audit	Reasonable accounting and legal fees	Upon invoice	(See Note 10)
Renewal Fee	$20,000	Before renewal	There are other conditions to renew.
Transfer Fee	$20,000	Before transfer	
Acquisition Costs	Based on inventory and additional sales	During 12-month period	(See Note 11)
Attorneys' Fees	Reasonable amount	10 business days from receipt of written demand	(See Note 12)
Default Costs	Will vary	5 days from cure date	You must pay our costs and expenses related to your default of the Franchise Agreement (including

Column 1 Type of Fee (1)	Column 2 Amount	Column 3 Due Date (2)	Column 4 Remarks
			attorneys' fees and costs and the reasonable hourly charges of our administrative employees).
Insurance Premiums	Amount of premium, plus 10% processing fee	Upon demand	If you fail to obtain and maintain the requisite insurance, we may obtain it for you and charge you the costs, plus a processing fee.
Container Program Fee	$300 per container	Upon demand	For every container ordered through our inventory container program, you must pay us or our affiliate an administrative fee.
Delivery Logistics Platform (as defined in Column 4) Monthly Subscription Fee	Currently, $70 - $550 per month, which fee is subject to change. If we designate or otherwise approve a different Delivery Logistics Platform, we anticipate that the monthly subscription fee will increase to $500 - $2,000. The Delivery Logistics Platform monthly subscription fee depends on the size of your Warehouse.	Monthly	Currently payable only if you choose to use our currently approved Delivery Logistics Platform (DeliveryTrax). You must use the delivery logistics and route/driver management software and hardware package(s), program(s), and platform(s) (collectively, the

Column 1 Type of Fee (1)	Column 2 Amount	Column 3 Due Date (2)	Column 4 Remarks
			"Delivery Logistics Platform") that we designate. If we have not designated a Delivery Logistics Platform, and you choose (or we require you) to use a Delivery Logistics Platform, you must use a Delivery Logistics Platform that we have approved. We collect this fee on behalf of the Delivery Logistics Platform provider.
Delivery Services Fee	Currently, $9.79 - $46.35 per delivery, which fees are subject to change.	Pre-billing weekly, with monthly reconciliation	Currently payable only if you choose to use our currently approved delivery services provider (DoorDash). You must use the delivery services provider(s) that we designate. If we have not designated a delivery services provider, and you choose (or we require you) to use a delivery services provider, you must use a

Column 1 Type of Fee (1)	Column 2 Amount	Column 3 Due Date (2)	Column 4 Remarks
			delivery services provider that we have approved. We may require you to use a specific delivery services provider for some or all customer orders. We collect this fee on behalf of the delivery services provider.
Electronic Procurement Fee	The amount of the Electronic Procurement Fee for any applicable order is variable and depends on a number of factors, including the electronic procurement channel that your customer uses and the order amount. Depending on the channel used, the Electronic Procurement Fee may be calculated as a percentage of the order amount, a flat fee, or a combination thereof. Currently, the Electronic Procurement Fee for an applicable order is generally 3% of the order amount.	Monthly	Payable in connection with each order placed through a customer's electronic procurement channel, with limited exception. The Electronic Procurement Fee covers our cost of creating sales quotes and providing other sales support for applicable orders. (See Note 4)

<u>Footnotes</u>:

(1) Unless otherwise indicated, you must pay all of these payments to us or our affiliate. None of these fees are refundable for any reason. If you fail to timely pay amounts owed to us or our affiliates during the Franchise Agreement's term, we may, in addition to all other rights and remedies that we have, require you to provide us with monthly financial statements and online

viewing access to your business's bank statements for a period of 12 months following our written notice to you. We may also require you to participate in weekly or monthly conference calls to review your budget, variances, cash flow analysis and other items that we prescribe.

We may periodically implement incentive programs to encourage franchise system growth. Under our incentive programs, we may, among other things, waive or reduce the Ongoing Franchise Fee, System Marketing Fee, and/or Local Marketing Fee payable by a franchisee for a limited period of time. We may modify or discontinue any incentive program we implement at any time.

(2) Time is of the essence regarding all payments, meaning that a late payment may constitute a breach of the Franchise Agreement.

(3) The Franchise Agreement defines "Gross Sales" as all amounts accrued for sales from or in connection with the Warehouse, as computed according to the Manual, adjusted for any cross-territory deliveries, returns and credits given to your customers. "Gross Sales" does not include sales taxes or proceeds from the sale of furniture, equipment or similar items used in the Warehouse.

(4) You must participate in our electronic Network, which handles customer's orders, sales, deliveries and inventory control. The Network will automatically debit or credit you for transactions with customers in your Territory, transactions with suppliers, and your purchases from us or our affiliates. Ongoing Franchise Fees, System Marketing Fees, Local Marketing Fees, and other fees will be included in these calculations, and reconciliation payments will be made on a weekly (monthly for Electronic Procurement Fees) basis.

(5) You must pay total marketing fees of 2% of your Gross Sales. This includes a System Marketing Fee equal to 1.5% of Gross Sales, which we will use for marketing and promotion to enhance all 1-800-RADIATOR & A/C® Warehouses, plus a Local Marketing Fee equal to 0.5% of Gross Sales, which we will use to assist you in marketing your Warehouse in your Territory.

(6) You must pay us or our affiliate for the cost of telephone orders and non-automated electronic response requests handled by our call center if you do not handle the order yourself. Customer calls or requests that are placed to your business after hours or which are not answered by your personnel during regular business hours will be answered by our call center if you do not have a phone system in place approved by us that can handle the calls or requests. *We recommend that you answer all calls and non-automated electronic response requests during normal business hours as customers prefer to communicate with the local 1-800-RADIATOR & A/C® Warehouse*. Collections and credit card purchases also include our then-current standard fee (currently 3%).

(7) If we develop our own branded products or add to our warranty program, you may be required to purchase those products from either us or our affiliate. Currently, we (or our affiliate) are the only Approved Supplier of the 1-800 ALL PARTS® branded hoses. However, there are other Approved Suppliers you may buy from that also sell hoses that are not privately labeled.

(8) Continuing training courses are tuition-free unless we are charged by third parties for use of facilities or personnel, or if our personnel incur travel or living expenses in providing such training. If so, you must reimburse us for our trainers' travel and living expenses and/or pay for your share of the charges related to the use of third-party facilities or personnel. No tuition fees were charged for continuing training courses during the last fiscal year.

(9) Currently, you are required to personally make at least four sales visits per each metro customer or potential metro customer (as defined in the Manual) in your Territory each year, or such other minimum number of sales visits as we may specify in the Manual periodically. In addition, you must make at least two sales visits to each non-metro or potential non-metro customer (as defined in the Manual) in your Territory each year, which visits may be in-person or via approved mailers (or other approved methods that we authorize in the Manual periodically). We may require you to conduct a minimum number of required sales visits per week (or other specified period) and a minimum number of outbound calls per day (or other specified period) during your Franchise Agreement's term. If you fail to make required sales visits and outbound calls, we will have the right to perform visits and/or outbound calls on your behalf, in person or by a direct mailing campaign to customers or potential customers, and you must reimburse us for any expenses that we incur in doing so.

(10) In addition to any additional fees found due as a result of an audit of your financial records, you must pay us our audit fees if you have understated Gross Sales by more than 2% of the actual Gross Sales found by the audit.

(11) If we acquire a competitor in your Territory, we may sell some or all of the purchased assets to you, and you must pay a portion of the acquisition price for the assets, which typically include the competitor's inventory and customer accounts. Your payments will be calculated based on our estimate of the first one or two years of new sales that may be generated from the acquired business and paid in equal installments during the first 12 months following the acquisition in most cases. You may also be required to make additional investments in things such as additional sales vehicles, inventory, computers and/or phone lines. You also must hire any additional employees needed to service the acquired business.

(12) Attorneys' fees also relate to the indemnification provision of Section 11.2 of the Franchise Agreement. You may also be responsible for costs and other expenses incurred by or on behalf of us in the investigation of or defense against any and all applicable claims.

ITEM 7
ESTIMATED INITIAL INVESTMENT

<u>YOUR ESTIMATED INITIAL INVESTMENT – START-UP WAREHOUSE</u>

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Initial Franchise Fee (1)	$45,000	Lump Sum	Signing of Franchise Agreement	Us
Start-Up Warehouse Equipment and Supplies (2)	$42,000 - $65,000	Lump Sum	3 Weeks before Opening Warehouse	Us or our Affiliate and Suppliers
Opening Marketing Package (3)	$30,000	Lump Sum	3 Weeks before Opening Warehouse	Us

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Travel and Living Expenses While Training (4)	$2,500 - $5,000	As Incurred	During Training	Airlines, Hotels and Restaurants
Lease Deposit (5)	$2,000 - $15,000	As Negotiated with Landlord	Signing of Lease	Lessor
Delivery Vehicle (6)	$5,000 - $35,000	As Incurred	Before Opening	Suppliers
Miscellaneous Opening Costs (7)	$25,000 - $75,000	As Incurred	Before Opening	Suppliers, Utilities, Etc.
Opening Inventory (8)	$250,000 - $800,000	Lump Sum	3 Weeks before Opening Warehouse	Us or our Affiliate to remit to Approved Suppliers for purchase through the Network
Rent for first 3 months	$6,000 - $49,000	As Incurred	Monthly	Lessor
Additional Funds – 3 months (9)	$50,000 - $150,000	As Incurred	As Incurred	Employees, Suppliers and Utility
Total Estimated Initial Investment (excluding real estate purchase costs) (10)	$457,500 - $1,269,000			

NOTES:

(1) The Initial Franchise Fee is non-refundable.

(2) The Start-Up Warehouse Equipment and Supplies are required for all Start-up Warehouses. See Item 8 for a description of the Start-Up Warehouse Equipment and Supplies. We require you to sign a Conditional Assignment of Telephone Numbers and Internet Addresses, the current form of which is attached to this disclosure document as Exhibit "H."

(3) Before your Warehouse opens, you must pay to us $30,000 for the Opening Marketing Package. This amount is used at our discretion, at any time before or after the opening of your Warehouse, to cover expenses related to helping you set up and market your Warehouse, including travel, lodging, salaries, food, promotional and marketing materials, mailers, outbound phone sales calls, organizing inventory (including purchasing additional inventory that we may

require), conducting marketing activities in your Territory, or providing on-site remedial training to you or your employees. Promotional and marketing materials may include door hangers, t-shirts, notepads, stickers and other promotional items. We will provide you with an accounting of the amounts spent on the Opening Marketing Package. This amount is non-refundable.

(4) Training is tuition-free, but you must pay for the expenses of attendance, such as lodging, meals, transportation and wages of trainees for one week of training.

(5) A typical 1-800-RADIATOR & A/C® Warehouse contains approximately 6,500 to 15,000 square feet of warehouse space. Your Warehouse may be larger or smaller, and your actual costs will vary depending upon the size and location of your Warehouse. A lease normally requires payment of the first month's rent and a deposit equal to a second month's rent. The initial investment assumes you will rent. If you purchase the premises, your initial investment will increase dramatically. The majority of owners in the Network lease their buildings due to the potential need to increase space as new products are developed and approved for sale throughout the Network.

(6) Delivery vehicles relates to the expense of transportation of parts to a customer. This estimate is based on a typical 1-800-RADIATOR & A/C® Warehouse needing one vehicle per approximately 15 parts delivered per day. There currently are no requirements or specifications for delivery vehicles.

(7) This includes business licenses and other pre-paid expenses. You must obtain all necessary business permits, franchise and approvals to operate the Warehouse. You should also have funds for one year's estimated insurance premium for property and liability insurance. The cost of insurance varies depending on many factors such as driving records and where you or your driver lives. You should contact your insurance agent and obtain an estimate of your actual insurance costs. You may also hire accounting and legal advisors to assist you in establishing and operating the Warehouse.

(8) Before your Warehouse opens, you must purchase an initial inventory which consists primarily of the Products. The amount of initial inventory typically ranges from $250,000 to $800,000, depending on the anticipated sales volume and current market prices. You must acquire and maintain the minimum inventory level and may not exceed the out-of-stock percentage on the parts you sell, as specified by product category, as we prescribe in the Manual. You must stock all product lines we require in your Warehouse, unless we otherwise provide our express written consent. You must purchase the inventory from Approved Suppliers through the Network. We or our affiliate will process and remit all payments to Approved Suppliers through the Network. We (or our affiliate) are the only Approved Supplier of the 1-800 ALL PARTS® branded hoses which are offered as part of our associated program. Participation in our associated program may increase your minimum inventory level requirement. As of the date of this disclosure document, franchisees are not required to purchase any inventory from us or our affiliates.

(9) This category includes estimated payroll, utilities, vendor, advertising, promotion and similar costs during the initial period of operation of a Start-up Warehouse. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your business. Your costs will depend on factors, including how much you follow the System and its procedures; the local market for Products offered through the Warehouse; your management skill; experience and business acumen; local economic conditions; the prevailing wage rate, competition, and the sales level reached during the initial period.

(10) This item estimates your initial start-up expenses (other than the items identified separately in the table) over a three-month period. Except for security deposits or as otherwise noted, none of the above payments are refundable. We will not finance any of these payments. We may, but are not obligated to, assist you in obtaining financing sources for any of the above payments. We also make no representations or warranties that you will in fact obtain any financing. We relied on our and RFI's approximately 20 years of franchising, and A/C Corporation's approximately 23 years of operating, 1-800-RADIATOR & A/C® Warehouses to compile this additional funds estimate. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

YOUR ESTIMATED INITIAL INVESTMENT

RE-SALE WAREHOUSE PURCHASED FROM US, OUR AFFILIATE OR AN EXISTING FRANCHISEE

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of payment	Column 4 When due	Column 5 To whom payment is to be made
Re-sale Initial Franchise Fee (1)	$45,000	Lump Sum	Signing of Franchise Agreement	Us
Purchase Price (2)	$250,000 - $5,000,000	Lump Sum	Upon Signing Franchise Agreement	Us or our Affiliate
Opening Marketing Package (3)	$30,000	Lump Sum	3 Weeks Before Transaction	Us
Travel and Living Expenses While Training (4)	$2,500 - $5,000	As Incurred	During Training	Airlines, Hotels and Restaurants
Rent for first 3 months	$6,000 - $49,000	As Incurred	Monthly	Lessor
Additional Funds – 3 months (5)	$50,000 - $150,000	As Incurred	As Incurred	Employees, Suppliers and Utility
Total Estimated Initial Investment (6)	$383,500 - $5,279,000			

NOTES:

(1) The Re-sale Initial Franchise Fee is non-refundable.

(2) This includes amounts for the equipment and inventory.

(3) If you are purchasing a company-owned 1-800-RADIATOR & A/C® Warehouse from us or our affiliate, or purchasing an existing 1-800-RADIATOR & A/C® Warehouse from an existing franchisee, you must pay us $30,000 for the Opening Marketing Package. This amount is used at our discretion, at any time before or after the re-opening of your Warehouse, to cover expenses related to helping you set up and market your Warehouse, including travel, lodging, salaries, food, promotional and marketing materials, mailers, outbound phone sales calls, organizing inventory (including purchasing additional inventory that we may require), conducting marketing activities in your Territory, or providing on-site remedial training to you or your employees. Promotional and marketing materials may include door hangers, t-shirts, notepads, stickers and other promotional items. We will provide you with an accounting of the amounts spent on the Opening Marketing Package. This amount is non-refundable.

(4) Training is tuition-free, but you must pay for the expenses of attendance, such as lodging, meals, transportation and wages of trainees. This estimate is based upon training one person for one week.

(5) This category includes estimated payroll, utilities, vendor, advertising, promotion and similar costs during the initial period of operation of the Re-sale Warehouse. You should also have funds for one year's estimated insurance premium for property and liability insurance. The cost of insurance varies depending on many factors such as driving records and where you or your driver lives. You should contact your insurance agent and obtain an estimate of your actual insurance costs. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your business. Your costs will depend on factors, including how much you follow the System and its procedures; the local market for Products offered through the Warehouse; your management skill; experience and business acumen; local economic conditions; the prevailing wage rate, competition, and the sales level reached during the initial period.

(6) This item estimates your initial start-up expenses (other than the items identified separately in the table) over a three-month period. Except for security deposits or as otherwise noted, none of the above payments are refundable. We will not finance any of these payments. We may, but are not obligated to, assist you in obtaining financing sources for any of the above payments. We also make no representations or warranties that you will in fact obtain any financing. We relied on our and RFI's approximately 20 years of franchising, and A/C Corporation's approximately 23 years of operating, 1-800-RADIATOR & A/C® Warehouses to compile this additional funds estimate. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

The Franchise Agreement restricts the sources of products and services you utilize in establishing and operating a 1-800-RADIATOR & A/C® Warehouse in three ways. Some items can be purchased only from us or our affiliates, some only from suppliers we have designated or otherwise approved, and others only according to our specifications and standards. We estimate that required purchases of products and services represent approximately 50% to 90% of your total purchases in connection with the establishment of your Warehouse and 80% to 100% of your total purchases in operating your Warehouse.

You must use and follow the System described in the Manual regarding purchasing and are obligated to purchase all Products for sale by the Warehouse only from suppliers that are at that time approved in writing by us as an approved 1-800-RADIATOR & A/C® supplier ("Approved Supplier"), which Approved Suppliers may include us and/or our affiliates. We may designate the manner or method through which you purchase products and services through Approved Suppliers, including through the DrivenAdvantage Platform. As stated in Item 1, Driven Product Sourcing operates the DrivenAdvantage Platform, through which you may purchase certain products for use in operating your Warehouse. Through the DrivenAdvantage Platform, Driven Product Sourcing provides you the opportunity to benefit from Driven Product Sourcing's purchasing power, expertise, and supplier network. For any products for which we designate Driven Product Sourcing as the Designated Supplier (defined below) or an Approved Supplier, you will generally be required to purchase those products through the DrivenAdvantage Platform. We currently require that you purchase minimum quantities from certain Approved Suppliers ("Designated Suppliers"), but your overall required purchases from Designated Suppliers will not exceed 90% of your total required purchases through the Network. A Designated Supplier (who will also be an Approved Supplier) may be the only source for a particular Product. The purpose of these arrangements is to ensure quality and uniformity of Products and, in some cases, to guarantee that volume commitments made by us to suppliers (in exchange for discounts that benefit all 1-800-RADIATOR & A/C® Warehouses in the System) are achieved.

We receive revenue for sales of Private Label Products. As of the date of this disclosure document, Private Label Products include hoses. You may only offer and sell Private Label Products if you qualify for participation in the associated programs. Private Label Products can only be purchased from Approved or Designated Suppliers.

1-800-RADIATOR & A/C® Warehouses offer a lifetime warranty for all parts sold through the Network. The national warranty program is described in our Manual. You are responsible for the costs of the national warranty program for parts sold through your Warehouse. Costs for this warranty are generally, but not always, recouped from the suppliers through either a one-for-one return credit or through an up-front discount off of the purchase price of the part from the supplier. We try to negotiate the terms of the warranty programs offered by suppliers in the best interests of all 1-800-RADIATOR & A/C® Warehouses.

Inventory Purchases

Before commencing operation of your Warehouse, you must acquire and maintain a minimum inventory level of authorized products and parts, as specified by us in the Manual. The initial inventory consists primarily of the Products. While the initial amount of inventory will vary depending on the anticipated sales volume as well as current market prices, you must acquire and maintain a minimum inventory level and may not exceed the maximum out-of-stock percentage that we specify on the parts you sell (as specified by product category), all as we prescribe in the Manual. You must stock all product lines we require in your Warehouse, unless we otherwise provide our express written consent. We may periodically revise the minimum inventory level, maximum out-of-stock percentage and/or product categories. You must purchase your inventory from Approved and Designated Suppliers through the Network. You will pay us for all inventory purchases made through the Network, and we will process the payments and remit them to suppliers to leverage our combined purchasing power for the benefit of all 1-800-RADIATOR & A/C® Warehouses.

During 2023, we processed inventory purchases of $207,412,653 (total inventory purchased by franchisees through the Network) for franchisees, which was 98.9% of combined purchase arrangements equal to $209,681,059 made through the Network (total purchases including the company-owned 1-800-RADIATOR & A/C® Warehouse). The source of the information in this paragraph is purchase and sales data tracked through the Network. Our processing of franchisees' purchases from Designated and Approved Suppliers is not recognized as revenues in our financial statements, although we benefited from the use of such funds in the time period between receipt from franchisees and payment to suppliers.

We received payments from certain suppliers for product sales made through the Network. In the fiscal year ending December 30, 2023, our revenue from supplier listing fees was $5,666,417, which represents 13% of our total revenues of $43,477,917.

Private Label Products

If you meet our then-current operational and financial requirements, we may allow you to participate in our Private Label Product programs, subject to our then-current terms of participation. If we permit you to offer and sell Private Label Products in the Territory, you must purchase the Private Label Products from Approved or Designated Suppliers through the Network. Currently, we are the only Approved Supplier of the 1-800 ALL PARTS® branded hoses. There are other Approved Suppliers you may buy from who also sell hoses that are not privately labeled. We or our affiliate may develop and offer additional branded products as an Approved or Designated Supplier in the future. As of the date of this disclosure document, Private Label Product radiator hoses are the only part category not currently available through the Network from third-party Approved Suppliers.

In the year ending December 30, 2023, our revenue from sales of Private Label Products to our franchisees was $371,123, which represents 0.85% of our total revenues of $43,477,917. From the franchisees' perspective, the Private Label Products represent a very small portion of their overall purchases from suppliers. In the fiscal year ending December 30, 2023, our franchisees' product purchases from Private Label Products was $371,123, which represented 0.18% of their total product purchases of $207,412,563.

Start-Up Warehouse Equipment and Supplies

If you are purchasing a Start-Up Warehouse, prior to the opening of the Warehouse, you must purchase certain warehouse equipment and supplies for the Warehouse that we require (collectively, the "Start-Up Warehouse Equipment and Supplies"). As of the date of this disclosure document, the Start-Up Warehouse Equipment and Supplies include the following: two computers that have at least a "Core i5 12500 Processor," 3Ghz or higher CPU, 8Gb or Higher RAM, and Windows 10 or 11 Pro, a Zebra printer 2844-Z or GX420T, one iPad for each field sales representative, firewall hardware (SonicWALL), LAN cables, a parallel cable, a D-Link, remote access software (LogMeIn), Five9 Phone sets, a Bluetooth barcode scanner, a USB barcode scanner, an iPod Touch or Samsung Galaxy Tab E Lite, warehouse racking, car and building signage, labels, A/C labels, a fitting kit (CSF), and antivirus software, each of which must meet our then-current specifications. The Start-Up Warehouse Equipment and Supplies may, however, be modified, depending upon the specific needs of the Warehouse, and will be identified in Attachment 2 to the Franchise Agreement. We are currently the only Approved Supplier for the following Start-Up Warehouse Equipment and Supplies: labels, A/C labels, the fitting kit (CSF), Five9 Phone sets, firewall hardware (SonicWALL), LAN cables, the parallel cable, the D-Link, remote access software (LogMeIn), and the antivirus software. Currently, we do not offer for sale, and consequently, you must purchase from third-party vendors the computers, the iPads, and the warehouse racking. You may currently purchase the balance of the Start-Up Warehouse Equipment and Supplies from us or third-party vendors.

In the fiscal year ending December 30, 2023, our revenue from the sale of Start-Up Warehouse and Equipment Supplies to our franchisees was $0, which represents 0% of our total revenues of $43,477,917. (We did not sell any Start-Up Warehouse franchises in fiscal year 2023.) We currently sell the applicable Start-Up Warehouse Equipment and Supplies to franchisees at our cost.

Call Center Services

We are currently the only Approved Supplier for the call center services. You must pay us a fee to cover the cost of customer calls and non-automated electronic response requests handled by the call center if you do not handle the customer call or response yourself. It is recommended that you answer all calls and non-automated electronic response requests locally at your Warehouse. Customer calls and requests that are placed to your Warehouse after hours or that are not answered by your personnel or an authorized franchisee during regular business hours must be answered by the call center unless otherwise approved by us. The amount you must pay is based on our actual costs for calls and requests for your Warehouse that are handled by the call center and ranges from $2 to $4 per call based on when the call or request is received by the call center. Although you will answer the majority of the customer phone calls and non-automated electronic response requests to your Warehouse, we provide call center services for those times when you are unavailable to answer calls or response requests to your Warehouse. During 2023, the calls and non-automated electronic response requests answered by us on behalf of franchisees represented 2.51% of the total calls and requests to franchisees. The remaining 97.49% of calls and requests were answered locally by the franchisee's staff.

During 2023, our cost of performing this service for our franchisees was an average of 5.85% of gross sales on transactions processed through the call center. It is highly recommended that you answer your calls and non-automated electronic response requests locally at your Warehouse because customers prefer to purchase from local franchise warehouses versus a phone center in California. We may discontinue the call center services at any time with 30 days' prior written notice to you.

In the fiscal year ending December 30, 2023, our revenue from call center services provided to our franchisees was $196,441, which represents 0.45% of our total revenues of $43,477,917.

Billing and Collections Fee

You must pay us a fee (currently 3%) for collection and billing services for any Chain Accounts that require or request centralized billing services. We are currently the only Approved Supplier for the collection and billing services for Chain Accounts. In addition, you must pay us a processing fee (currently 3%) for all credit card transactions we process for your customers. We may discontinue the credit card processing services at any time with 30 days' prior written notice to you.

In the fiscal year ending December 30, 2023, our revenue from billing and collections fees (including credit card processing fees) was $2,212,912, which represents 5.09% of our total revenues of $43,477,917.

Container Program

In limited instances, qualified franchisees may be able to participate in our container purchase program, which allows the franchisee to purchase containers of Products from suppliers through us at discounted bulk pricing. We receive a markup on these bulk purchases. In the fiscal year ending December 30, 2023, our revenue from franchisees' container purchases of radiator parts was $757,586, which represents 1.74% of our total revenues of $43,477,917.

Total Annual Revenue Excluding Inventory Payments Processed Through the Network

In the fiscal year ending December 30, 2023, we received total annual revenue of $9,204,479 from franchisee purchases of products and services for the items described above (but excluding inventory payments processed through the Network), which represents 21.17% of our total revenues of $43,477,917.

We estimate that required purchases from us (excluding payments processed through the Network for purchases from Approved or Designated Suppliers) represent approximately 5% to 25% of your total purchases in connection with the establishment of your Warehouse and less than 5% of your total purchases in operating your Warehouse. Except as described above, and except for the Opening Marketing Package, you are not currently required to purchase any products or services from us.

Approved Suppliers (Other Than Us or Our Affiliate)

As described above, you must purchase 100% of your inventory from Approved or Designated Suppliers through the Network. We are the only Approved Supplier for the 1-800 ALL PARTS® branded hoses. All other inventory is currently purchased from third-party Approved or Designated Suppliers through the Network. We process these payments through the Network. You must acquire, install and maintain at all times at the Warehouse, at your expense, the telephone system we approve only from an Approved Supplier. The Approved Supplier is the only supplier of the telephone system you must use at your Warehouse. Otherwise, you are not currently required to purchase any other items from third-party Approved or Designated Suppliers.

None of our officers currently own an interest in any non-affiliated, third-party suppliers that comprise the existing supply base for the 1-800-RADIATOR & A/C® franchise system. Periodically, our officers may own non-material interests in publicly-held companies that may be suppliers (or have subsidiaries that may be suppliers) to our franchise system.

Request for Supplier Approval

We may approve additional suppliers. If you want to purchase items from another supplier, you must complete our standard "Supplier Approval Form" and instruct the proposed supplier to contact us and follow our then-current procedures for becoming an Approved Supplier. We will notify you in writing within 30 days of our approval or disapproval of a proposed supplier. We may limit the number of Approved Suppliers with whom you may deal, designate sources that you must use, and/or refuse any of your requests for any reason, including that we have already designated an exclusive source (which might be us or our affiliate) for a particular item or service, or if we believe that doing so is in the best interests of the 1-800-RADIATOR & A/C® Warehouse network. We do not charge a fee to review and evaluate proposed suppliers. Approval of alternative suppliers may be revoked if we determine that the supplier's product(s) fail to satisfy our standards and specifications, as periodically revised.

We estimate that required purchases from Approved or Designated Suppliers (other than us or our affiliates) represent approximately 25% to 95% of your total purchases in connection with the establishment of your Warehouse and 70% to 99% of your total purchases in operating your Warehouse.

Standards and Specifications

You must operate the Warehouse according to our specifications and standards, which include specific computer hardware and software necessary to run the franchise. We formulate and modify our specifications and standards based on offering several levels of product quality at different prices and excellent service to our customers. These specifications and standards are specified in the Manual. We do not make any express or implied warranties with respect to any products or goods we recommend for your use. Our standards and specifications may impose minimum requirements for quality, cost, performance, design and appearance, delivery capabilities, financing terms, and ability to service our franchise system as a whole.

We estimate that required purchases according to our specifications and standards (other than items that must be purchased from approved suppliers) represent less than 10% of your total purchases to establish your Warehouse and less than 10% of your total purchases in operating your Warehouse.

Insurance

You must obtain and maintain, at your own expense, the insurance coverage we require, and you must meet the other insurance-related obligations in the Franchise Agreement. The insurance policy or policies must be written by a responsible carrier or carriers reasonably acceptable to us and must include, at a minimum (except as additional coverage and higher policy limits may reasonably be specified by us periodically), according to our written standards and specifications, the following:

1. Comprehensive general liability insurance, including products liability coverage with minimum coverage of $1,000,000 per occurrence and $2,000,000 in the aggregate. Coverage will be primary and non-contributory to any other insurance available to us.

2. Property insurance covering the perils of fire and extended coverage, vandalism and malicious mischief with coverage to be at replacement cost.

3. Liability for owned, non-owned and hired vehicles with minimum coverage of $1,000,000 per occurrence and $2,000,000 in the aggregate.

4. Business interruption/loss of income insurance for a minimum of 6 months.

5. Umbrella liability insurance policy providing a minimum of $2,000,000 coverage in excess of the above limits.

6. Course of construction insurance at replacement cost.

7. Workers' compensation insurance as required by applicable state law.

We and our designated affiliates must be named as additional insureds on all policies except worker's compensation. You will be liable for the payment of any deductible amount under your insurance policies. Your insurance deductible or self-insured retention will not exceed any amount we may specify in the Manual or in writing unless approved by us and such amount is evidenced on the certificate of insurance. Such policies must contain a waiver of subrogation in our favor. We have the right to review your insurance policies. You must produce copies of your policies within 5 business days from receipt of our written request.

The cost of your insurance coverage will vary depending on the insurance carrier's charges, the terms of payment, and your insurance history. You must also carry the insurance required by your landlord and applicable law. We may specify an insurance agency or insurer as the designated supplier for this service.

Your obligation to obtain and maintain the policies that we require, in the amounts specified, will not be limited in any way by reason of any insurance we maintain, nor will your performance of that obligation relieve you of your liability under the indemnity provisions in the Franchise Agreement.

Computer Hardware and Software

You must use the computer software and hardware components and accessories (collectively, the "Computer System") that we require. Currently, we require you to have two computers, a printer for invoicing and a Zebra printer for labels, and a fax-copier machine. We may require you to maintain service support contracts and/or maintenance service contracts and implement and periodically make upgrades and changes to the Computer System. We may designate the vendor(s) for these support service contracts and maintenance service contracts.

Delivery Logistics Platform and Delivery Services

You must use the Delivery Logistics Platform that we designate. If we have not designated a Delivery Logistics Platform, and you choose (or we require you) to use a Delivery Logistics Platform, you must use a Delivery Logistics Platform that we have approved. Currently, the only approved Delivery Logistics Platform is DeliveryTrax, use of which is currently optional. Your Warehouse must be fully integrated with your Delivery Logistics Platform (if applicable), and you must comply with our minimum standards relating to the Delivery Logistics Platform. You also must use the delivery services provider(s) that we designate. If we have not designated a delivery services provider, and you choose (or we require you) to use a delivery services provider, you must use a delivery services provider that we have approved. We may require you to use a specific delivery services provider for some or all customer orders. Currently, the only approved delivery services provider is DoorDash, use of which is currently optional.

Our and Our Affiliates' Right to Profit

We and/or our affiliates may derive revenue based on your purchases and leases, including from charging you (at prices exceeding our and their costs) for services and products that we or our affiliates sell you and from promotional allowances, rebates, volume discounts, and other amounts paid to us and our affiliates by Approved Suppliers, Designated Suppliers, or suppliers that we recommend for some or all 1-800-RADIATOR & A/C® franchisees. We and our affiliates may use all amounts received from suppliers (including Approved Suppliers and Designated Suppliers), whether or not based on your and other franchisees' prospective or actual dealings with them, without restriction for any purposes that we and our affiliates consider appropriate. In the fiscal year ending December 30, 2023, in addition to the amounts stated elsewhere in this Item 8, we and our affiliates received $563,761 in rebates or other payments or benefits in connection with franchisees' purchases of products and services. In fiscal year 2024, we and our affiliates expect to receive recurring rebates or other payments totaling approximately $663,000, as well as non-recurring payments totaling $600,000, in connection with franchisees' purchases of products and services.

Miscellaneous

We do not provide material benefits (for example, renewal or granting additional franchises) to franchisees based on their purchase of particular products or use of designated or approved sources.

Except as described above, neither we nor our affiliates currently derive revenue or other material consideration as a result of required purchases or leases, but we reserve the right to do so. As of the date of this disclosure document, there are no purchasing or distribution cooperatives.

We negotiate purchase agreements with suppliers, including price terms, for the benefit of franchisees. Currently, our WIZMO® proprietary computer software allows Approved and Designated Suppliers to list their products and pricing on the System for purchase by franchisees. Aspects of the System are transparent to all listed vendors, including competitor products and pricing. We believe that this transparency in competitor products and pricing (e.g., an "open market place") enhances competitive pricing of products to our franchisees.

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	§§1.1, 1.5	Items 1, 11
b. Pre-opening purchases/leases	Not Applicable	Items 5, 7, 8, 11, 16
c. Site development and other pre-opening requirements	Not Applicable	Items 1, 5, 7, 11, 12, 15
d. Initial and ongoing training	§6	Item 11
e. Opening	§§1.1(b), 3.1, 4.1, 8.1	Items 5, 7, 11
f. Fees	§§3, 8.1, 8.3, 1.1(b)	Items 1, 5, 6, 7
g. Compliance with standards and policies/operating manuals	§§1.2, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 5.1	Items 1, 11, 15, 16

Obligation	Section in agreement	Disclosure document item
h. Trademarks and proprietary information	§§5.2, 5.3, 15, 16.2, 16.3, 17.7	Items 13, 14
i. Restrictions on products/services offered	§§4.4, 4.5, 4.7, 4.8, 4.9, 5.1	Items 8, 16
j. Warranty and customer service requirements	§§4.3, 4.4, 4.6	Items 1, 6, 11
k. Territorial development and sales quotas	§§4.3, 4.5	Items 1, 12
l. Ongoing product/service purchases	§§4.3, 4.5, 4.6	Items 8, 16
m. Maintenance, appearance, and remodeling requirements	§§5, 7	Item 17
n. Insurance	§12	Item 7
o. Advertising	§§3.1(c), 8	Items 6, 7, 11
p. Indemnification	§11.2	Items 6, 13
q. Owner's participation/ management/staffing	§§4.2, 14.2	Items 11, 15
r. Records/Reports	§9	Items 6, 11
s. Inspections/Audits	§§9, 10	Items 6, 17
t. Transfer	§§14, 16.1	Items 6, 17
u. Renewal	§2.2	Items 6, 17
v. Post-termination termination obligations	§16.2	Item 17
w. Non-competition covenants	§§1.4, 4.10	Items 5, 17
x. Dispute resolution	§§17.5, 17.6, 17.7, 17.8	Item 17

ITEM 10
FINANCING

Although we do not offer any financing, our affiliates, in their sole discretion, may finance a portion of the initial costs and fees related to your purchase of the 1-800-RADIATOR & A/C® franchise if you meet certain credit requirements. This financing is provided in conjunction with or in lieu of SBA financing or other conventional financing that you obtain in connection with your 1-800-RADIATOR & A/C® franchise purchase. The following chart summarizes the terms of this financing, but the actual terms and conditions will be contained in a Promissory Note and Security Agreement and any other documents as agreed to between you and our affiliate. The form of Promissory Note, Security Agreement and UCC-1 Financing Statement are attached as Exhibit "I" to this disclosure document.

Topic	Provisions	Explanatory Notes
Item Financed	All or a portion of the purchase price	At our affiliate's discretion and in conjunction with or in lieu of franchisee-obtained financing of the 1-800-RADIATOR & A/C® franchise
Source of Financing	Our affiliate	
Amount Financed	Up to the entire purchase price	
Term	1-9 year amortization	Principal and interest amortized over 1-9 years
APR%	7%-9%	Rate of interest varies
Installment Payment	Varies, depending on interest rate, term and amount financed	
Prepay Penalty	None	Can be prepaid at any time
Security Required	(See Note 2)	
Liability Upon Default	Default interest is highest allowed by law; entire principal balance immediately due and payable, collection costs, material breach of Franchise Agreement	(See Note 3)
Loss of Legal Rights on Default	You waive presentment, demand, protest and notice of demand and dishonor, protest and non-payment and all other legal or equitable defenses you may have	
Governing Law	California law governs the Promissory Note and Security Agreement	All actions must be brought in Solano County, California

Topic	Provisions	Explanatory Notes
Events of Default	Any failure to pay any sums when due under the Promissory Note, the Franchise Agreement or any other agreements between the franchisee and the lender or the franchisor; any breach of the Franchise Agreement or any other agreement between the franchisee and the franchisor that are uncured within the applicable time period; material misrepresentations in obtaining the franchise; assignment for the benefit of creditors, or similar action; bankruptcy; insolvency; receivership; contesting the validity of the Promissory Note, Security Agreement, or any related document, including the loan and lien; material adverse change in the financial condition of the franchisee, as determined by us	(See Note 3)

<u>Notes</u>:

(1) In its sole discretion, our affiliate may elect to finance all or a portion of the purchase price for the franchise if you meet certain credit requirements. The amount financed is generally negotiated on an individual basis depending on several factors, including your credit history, guarantees of your owners, and financial condition. We may require you to obtain SBA or other conventional financing related to the purchase of the franchise, in order to qualify for a loan from our affiliate.

(2) You must sign a Security Agreement which grants our affiliate a security interest in all of the furniture, fixtures, equipment, accessories, inventory, licenses, permits, goods, materials, supplies, accounts, general intangibles, and all other assets, supplies and materials, under the Uniform Commercial Code, to secure the prompt payment and performance of all of your obligations to our affiliate, including the indebtedness on the Promissory Note. If you are a business entity, your principal owners may be required to guaranty your obligations under the Promissory Note and the Security Agreement.

(3) Upon an event of default or acceleration event, the entire unpaid principal balance and all accrued interest will be accelerated and become immediately due and payable in full, and the interest rate will increase to the lesser of 18% or the maximum rate permitted by law. Events of default are listed in the chart above. You must pay all costs of collecting amounts due under the Promissory Note. In addition, a default under any of the financing documents constitutes an event of default under the Franchise Agreement.

Except as described above, neither we nor any affiliate offers direct or indirect financing to you, guarantees any note, lease or other obligation of yours, has any practice or intent to sell, assign or discount to a third party all or any part of any financing arrangement of yours, or receives any direct or indirect payments or other consideration from any person for the placement of any financing with the lender.

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 1-800-RADIATOR & A/C® franchisees. Driven Brands may delegate certain of these responsibilities to RFI, Driven Brands Shared Services or other affiliates. However, we remain responsible for all of the support and services required under the Franchise Agreement.

Pre-opening Assistance. Before you open your Warehouse, we or our designee will:

1. Conduct an operations training course for you (Franchise Agreement, Section 6.1). We will not provide assistance with hiring your employees.

2. Provide access to a copy of the Manual, in written and/or electronic form (Franchise Agreement, Section 5).

3. Provide assistance to you, at our discretion, in connection with the opening (or re-opening) and marketing of your Warehouse to the public in your Territory. You must pay us $30,000 for the Opening Marketing Package (Franchise Agreement, Sections 4.1 and 8.1).

4. If necessary, provide you with assistance in locating the site for your Warehouse (Franchise Agreement, Section 1.1(b)). We generally do not own the real estate for the site. In providing you with assistance, we will help you select a site based on a number of factors, such as potential customer density, an assessment of a demographic study of the customer mix compared to existing profiles already established by us, an assessment of competitor activity, traffic patterns of the area, as well as specific size, parking, and other physical characteristics of the proposed site itself. Although we may assist you with locating the site, we do not select your site, and the ultimate selection of the site within your Territory is within your sole discretion. You must select a site within your Territory, which is mutually approved by you and us. You must locate, and we must approve, a site for the Warehouse no later than 30 days prior to your scheduled opening date. We consider the same factors in approving sites that we do if we provide you with assistance in selecting a site, and we will approve or disapprove a site after we receive your description of, and evidence confirming your favorable prospects for obtaining, the proposed site. There are no provisions in the Franchise Agreement that provide for consequences should we and you not agree on the site. You are responsible for negotiating the purchase or lease of the site, conforming the selected premises to local ordinances and building codes, obtaining required permits, and constructing/remodeling the premises.

5. Advise and assist you in opening your Warehouse by coordinating its pre-opening activities and being available to assist with its operations for the first five days during the opening week of business or as reasonably needed in our opinion. This advice and

assistance may be provided on-site or by telephone, e-mail or other electronic communication system, as we determine (Franchise Agreement, Section 4.1).

6. Designate your Territory (Franchise Agreement, Section 1.1; Attachment 1).

Ongoing Assistance. During the operation of your Warehouse, we or our designee will:

1. Provide assistance to you, at our discretion, in connection with the opening (or re-opening) and marketing of your Warehouse to the public in your Territory. You must pay us $30,000 for the Opening Marketing Package (Franchise Agreement, Sections 4.1 and 8.1).

2. Make available additional training programs as we deem appropriate (Franchise Agreement, Section 6.3).

3. Develop and administer at our discretion advertising and promotion programs designed to promote and enhance all 1-800-RADIATOR & A/C® Warehouses (Franchise Agreement, Sections 8.2 and 8.3).

4. Use the Local Marketing Fees you pay us for the purpose of assisting you in marketing your Warehouse within your Territory (Franchise Agreement, Section 8.3(b)).

5. Collect System Marketing Fees and use these funds to pay for promotion and advertising programs for the System (Franchise Agreement, Section 8.3).

6. Designate a recordkeeping system, forms and procedures which you must use in your Warehouse (Franchise Agreement, Section 9.1).

7. Make periodic visits to your Warehouse as we deem advisable (Franchise Agreement, Section 10).

Time Before Opening. We believe that based upon our experience and the experience of our franchisees, you should typically open a Warehouse within 60 days from the date you sign the Franchise Agreement and pay the Initial Franchise Fee. This length of time may be affected by factors such as difficulties in obtaining a lease for an acceptable warehousing premises, building or sign permits or delays caused by zoning or local ordinances, weather conditions, and labor strikes, shortages of products and installation of equipment, fixtures and signs. You must open and operate the Warehouse within 90 days after you sign the Franchise Agreement. If you fail to do so, we may terminate the Franchise Agreement (Franchise Agreement, Section 2.1).

Training. You must complete our initial franchise operations training course (the "Training Program") to our reasonable satisfaction before your Warehouse opens for business. As of December 30, 2023, the Training Program consisted of one week of training at company headquarters in Benicia, California. You must pay all costs of travel, room, board and related and incidental expenses for your employees attending training.

TRAINING PROGRAM

Column 1 Training Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-the-Job Training	Column 4 Location
Product Knowledge	10	0	Corporate Headquarters in Benicia, CA, Company-Owned 1-800-RADIATOR & A/C® Warehouse in Sacramento, CA
Sales & Marketing	10	0	Corporate Headquarters in Benicia, CA, Company-Owned 1-800-RADIATOR & A/C® Warehouse in Sacramento, CA
Inventory/ Purchasing	3	0	Corporate Headquarters in Benicia, CA, Company-Owned 1-800-RADIATOR & A/C® Warehouse in Sacramento, CA
System/Wizmo® Operation	10	0	Corporate Headquarters in Benicia, CA, Company-Owned 1-800-RADIATOR & A/C® Warehouse in Sacramento, CA
Accounting	2	0	Corporate Headquarters in Benicia, CA, Company-Owned 1-800-RADIATOR & A/C® Warehouse in Sacramento, CA
Administration/ Management	5	0	Corporate Headquarters in Benicia, CA, Company-Owned 1-800-RADIATOR & A/C® Warehouse in Sacramento, CA
TOTAL	40	0	

Notes:

(1) We or our affiliates expect to conduct the initial franchise operations training course several times each year. All of the above training must be successfully completed before opening of your Warehouse. We may terminate the Franchise Agreement if you fail to successfully complete the Training Program to our reasonable satisfaction.

(2) Initial training will be conducted in Benicia, California and/or Sacramento, California. We may allow you to attend the Training Program prior to signing the Franchise Agreement. If we do, each trainee will be required to sign a Training Non-Disclosure Agreement. Our current form of Training Non-Disclosure Agreement is attached as Exhibit "A" to this disclosure document. Otherwise, we or an affiliate will provide the Training Program to you and your designated

employees as soon as possible after you sign the Franchise Agreement, depending primarily on when you and your representatives are available. The Training Program is tuition-free, but you are responsible for all costs and expenses of your personnel, such as the cost of travel, lodging, meals and other related and incidental expenses.

(3) We require that you and all administrative and sales personnel personally attend refresher training courses covering operations and new product or procedure introductions. We do not charge for this training, unless we are required to pay for facilities or personnel of a third party, or if our trainers incur any travel and living expenses.

(4) We may hold periodic national or regional conferences, including an annual conference, to discuss various business issues and operational and general business concerns affecting 1-800-RADIATOR & A/C® Warehouses. Attendance at these conferences is mandatory for you and other employees that we designate. We will charge you a registration fee to cover the costs and expenses of these conferences.

(5) "Product Knowledge" will be taught by instructors who have a minimum of two years' experience in the field, all of which are with us and/or RFI, as well as one of the staffed Account Managers and the Franchise Training Team.

(6) "Sales & Marketing" will be taught by an instructor who has a minimum of two years' experience in the field, all of which are with us and/or RFI, as well as one of the staffed Account Managers.

(7) "Inventory Purchasing" will be taught by instructors who have a minimum of two years' experience in the field, all of which are with us and/or RFI. The instruction will be practical in nature, requiring no additional instructional materials.

(8) "System/Wizmo® Operation" will be taught by current sales reps, the Franchise Training Team, and one of the staffed Account Managers.

(9) "Accounting" will be taught by instructors who have a minimum of two years' experience in the field, all of which are with us and/or RFI. The instructional will be practical in nature, but will also rely upon the 1-800-Radiator Wizmo® system as instructional material.

(10) "Administration/Management" will be taught by an instructor who has a minimum of one year of experience in the field, all with us and/or RFI, as well as one of the staffed Account Managers and the Franchise Training Team.

Advertising.

We and our affiliates conduct marketing programs to enhance the goodwill and public image of the 1-800-RADIATOR & A/C® System and all 1-800-RADIATOR & A/C® Warehouses. We may use any media (such as radio, television or print) and online marketing, and advertising may be national, regional or local. We have no obligation to spend any amount on advertising in the area where your Warehouse is located.

System Marketing Fees: You must pay us a monthly marketing fee of 1.5% of your Gross Sales (the "System Marketing Fee"). We use your System Marketing Fee to develop and implement advertising, marketing and promotion programs and materials designed to promote and enhance the goodwill associated with the Marks, to promote the sale of any or all Products and to develop and maintain a favorable public image of 1-800-RADIATOR & A/C® Warehouses generally. These programs may include advertising, promotion, public relations, market research, and other marketing programs, and administrative costs and overhead related to such projects or programs (including compensation to our employees and our affiliates' employees for their assistance with marketing programs). For our services, we deduct an administrative fee of 15% of all System Marketing Fees collected. We may develop advertising internally or use outside advertising agencies. We have the sole right to determine how we use the System Marketing Fees, including sole discretion over the creative concepts, the materials and endorsements used, and the geographic, market and media placement and allocation of the advertising and marketing programs. The programs may include advertising at a trade level to encourage customers to use the services of 1-800-RADIATOR & A/C® Warehouses in preference to the competition. We may also develop and use premium incentive programs and product awareness campaigns. We have no obligation to spend any amount on advertising in the area where your Warehouse is located, or to ensure that your Warehouse benefits directly or proportionately from such programs. The aggregate of System Marketing Fees paid to us by franchisees does not constitute a trust or "advertising fund," and we are not a fiduciary with respect to System Marketing Fees that you and other franchisees pay to us.

If not all System Marketing Fees are spent in the fiscal year in which they accrue, the remaining amount will be carried forward to the following fiscal year. Any overspending that occurs will be offset against System Marketing Fees collected in future years. We and our affiliates will pay System Marketing Fees on the same basis as franchisees for any Warehouses that we and our affiliates own and operate. We do not use any System Marketing Fees for the principal purpose of soliciting new franchise sales, but we may include notices that franchises are available and contact information on any promotional or advertising materials. The System Marketing Fees are not audited. Franchisees may not obtain an accounting of System Marketing Fees; however, we review the national marketing budget and annual spend with franchisees at our annual conference.

During the fiscal year ended December 30, 2023, we collected System Marketing Fees of $4,670,206 from franchisees, and we contributed an additional $48,985 relating to the company-owned 1-800-RADIATOR & A/C® Warehouse, for a total of $4,719,191. Of the total fees contributed, and after payment of an administrative fee in the amount of $300,000 (6.36%), the remaining amount was spent on the following programs: 8.28% on marketing programs related to wholesale (Core Products, air conditioning sales, fuel parts), 9.62% on marketing programs related to new products, 6.29% on marketing programs related to Chain Accounts, 1.96% on retail programs and 67.49% on general marketing.

Monthly Mailers: We will send mailers to Shops in your Territory each month. We will determine the Shops to which we will send the monthly mailers and the number of monthly mailers that we will send. You must reimburse us for the costs we incur in sending the mailers to the Shops in your Territory. The current cost is $0.65 per mailer, but this could increase if our costs increase. Our in-house advertising department prepares the mailers.

Franchisee Advisory Council: There is no advertising council composed of franchisees that advises us on advertising policies.

Franchisee Advertising Cooperative: Franchisees are not required to participate in a local or regional advertising cooperative.

Your Local Marketing: You may develop advertising materials for your own use at your own cost. We must approve the advertising materials in advance and in writing. We may set guidelines for local marketing in the Manual. You must also pay us a local marketing fee equal to 0.5% of your Gross Sales (the "Local Marketing Fee"). We will use the Local Marketing Fee to assist you in marketing the Warehouse within your Territory. Such advertising and promotion will utilize the marketing, public relations programs, media, and advertising materials we have developed or approved and the acquisition of competitive businesses and servicing of Shops and customers in your Territory. We may periodically develop and administer advertising, marketing and sales promotion programs designed to enhance and promote multiple 1-800-RADIATOR & A/C® Warehouses within a geographic region or market area, as we determine, and we may pool the Local Marketing Fees for such 1-800-RADIATOR & A/C® Warehouses and use the funds for such purposes. We will determine the type, quantity, timing, placement and choice of media and market areas for such advertising, marketing and sales promotion programs. We are not required to segregate such funds or to provide any reports or accounting of the use of Local Marketing Fees.

If you are purchasing a company-owned 1-800-RADIATOR & A/C® Warehouse from us or our affiliate, or purchasing an existing 1-800-RADIATOR & A/C® Warehouse from an existing franchisee, you must pay us up to $30,000 for the Opening Marketing Package. This amount is used at our discretion, at any time before or after the reopening of your Warehouse, to cover expenses related to helping you set up and market your Warehouse, including travel, lodging, salaries, food, promotional and marketing materials, mailers, outbound phone sales calls, organizing inventory (including purchasing additional inventory that we may require), conducting marketing activities in your Territory, or providing onsite remedial training to you or your employees. Promotional and marketing materials may include door hangers, t-shirts, notepads, stickers and other promotional items. We will provide you with an accounting of the amounts spent on the Opening Marketing Package, and you will only be billed the actual costs of such items. This amount is non-refundable.

You may determine the prices for products or services offered and sold from your Warehouse. We have the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services from your Warehouse and require you to participate in system-wide discount programs.

Computers; Computer Programs. Your Warehouse must have a Computer System as specified in the Manual, which will operate our customized software and allow you to participate in the Network. Two computers that have at least a "Core i5 12500 Processor," 3Ghz or higher CPU, 8Gb or Higher RAM, and Windows 10 or 11 Pro are required. Your Warehouse must also have Internet capabilities, a printer for invoicing and a Zebra printer for labels, a fax-copier machine, two phones compatible with the required phone system, one iPad for each field sales representative, firewall hardware (SonicWALL), LAN cables, parallel cable, D-Link, remote access software (LogMeIn), an approved Delivery Logistics Platform (if applicable) (as detailed in Items 6 and 8), and antivirus software. We may require you to provide ongoing maintenance, repairs, upgrades, or updates for the computers, other hardware, programs, telefax machine, and telephone answering equipment, with reasonable limitation on the frequency or cost of this requirement. We will have a high-speed (DSL) hook up and other utilities for the Warehouse installed (at your expense). We estimate the cost of the Computer System to be approximately $5,000. As stated in Item 6, the monthly subscription cost of the currently approved Delivery Logistics Platform (DeliveryTrax) (if you elect to use it) depends on a number of factors, including the size of the Warehouse. The current monthly subscription cost of the currently approved Delivery Logistics Platform ranges from $70 to $550, which amount is subject to change. We own proprietary software named WIZMO®, which we sublicense to you. This software (including prior generations) has been in use for the past 19 years and there are no equivalent compatible programs available as it provides a central point for selling, purchasing and managing your Warehouse.

Except for the software, none of the above is the proprietary property of our affiliates or us. We are not obligated to provide or assist you in obtaining the above items or services, except as noted above. The estimated cost of optional maintenance for the Computer System is $100 to $5,000 per year. There are currently no required maintenance contracts.

We will have unlimited, independent access to the information that will be generated by or stored in the Computer System, which includes information such as inventory levels and purchases, financial information for your franchise, Customer Data (defined in Item 14) and customer lists, customer visit logs, sales call logs, realization rates, drop ship rates, and sales data. There are no contractual limitations on our right to access such information. You will have access to all of this information through WIZMO®. 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, 1-800-RADIATOR & A/C® Warehouses, and/or other automotive businesses franchised and owned by us and our affiliates.

Internet Web Site. We have established and maintain an Internet website at www.1800radiator.com that provides information about the System and 1-800-RADIATOR & A/C® Warehouses (the "Website"). We may (but are not required to) include at the Website an interior webpage containing additional information about your Warehouse. If we include your information on the Website, we have the right to require you to prepare all or a portion of the webpage, at your expense, using a template that we provide. All information is subject to our approval before posting.

We will have sole discretion and control over the Website's design and content. We have the sole right to approve any linking to, or other use of, the Website. We have no obligation to maintain the Website indefinitely, but may discontinue it at any time without liability to you. Furthermore, as we have no control over the stability or maintenance of the Internet generally, we are not responsible for damage or loss caused by errors of the Internet.

We also may establish and maintain one or more social media sites (e.g., www.X.com, www.facebook.com or such other social media sites). You may not establish or maintain any social media sites using any user names, or otherwise associated with the Marks, without our advance written consent. We may periodically designate regional or territory-specific user names/handles that you must maintain. You must adhere to the social media policies that we establish periodically, and must require your employees to do so as well.

You may not establish or operate any website for your Warehouse without our prior written consent. We reserve the right to increase the Network Support Fees you pay if we, our affiliate or a third party we designate provides development, hosting, and/or maintenance or support services relating to the Website or any other website or social media site.

Operations and Other Manuals. After you sign the Franchise Agreement, we will give you access to a copy of our Manual, either in written or electronic form (Franchise Agreement, Section 5.1).

The table of contents of our Manual is attached as Exhibit "G" to this disclosure document and contains approximately 62 pages. You must return the Manual to us immediately upon our request and upon expiration or termination of the Franchise Agreement (Franchise Agreement, Sections 5.3 and 16.2(e)).

ITEM 12
TERRITORY

We will designate a geographic area as your territory, which will be mutually approved by you and us and specified in the Franchise Agreement (the "Territory"). You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, we, our affiliate, another franchisee or a third party may only conduct business in your Territory in the event you do not service a Chain Account for the reasons set forth below in this Item 12.

During the term of your Franchise Agreement, we will not establish, or authorize any other person to establish, a 1-800-RADIATOR & A/C® Warehouse in the Territory or solicit customers or accept orders within the Territory, or authorize any other person to solicit customers or accept orders within the Territory, as a 1-800-RADIATOR & A/C® Warehouse, except for referrals of potential 1-800-RADIATOR & A/C® customers and sales in the Territory through Chain Accounts, as detailed below, or as may be required by law.

We and you must agree upon the location and size of the Territory based on population and other demographics. Each territory generally includes a present or anticipated customer base between 500 and 3,000 Shops, but is sometimes lower or higher. Initially, when our affiliates began franchising, they purchased lists of Shops from InfoUSA. Since then, we and our affiliates have internally maintained and updated the list based on information provided by representatives and franchisees visiting Shops and entering visits into the System with notes to indicate whether the Shops are open or closed. As they come across new Shops, the information is entered into our database. We also will periodically purchase new data on a per territory basis to cross and validate our internal database.

You will primarily offer wholesale distribution of a large selection of radiators and other automotive parts to Shops within your Territory. You will also offer parts for sale through the Network to retail customers and Chain Accounts located within your Territory. A "Chain Account" includes national and regional chains of Shops and fleet owners, some of which may be located within your Territory.

You will operate from one or more Warehouses within your Territory. You may not solicit, or accept orders from, customers located outside of your Territory.

There are no conditions under which we would approve the relocation of your Warehouse, other than potentially in the event of a natural disaster or act of God, or your establishment of additional 1-800-RADIATOR & A/C® Warehouses within your Territory. You do not have any options, rights of first refusal, or other preferential rights to acquire additional franchises.

You must include in all advertising and promotion your Warehouse's name and a description of the geographical area you serve. There is no minimum sales quota, and we do not require any certain level of volume or market penetration in order for you to maintain your Territory. You maintain rights to your Territory even though the population increases. We do require you to maintain a minimum inventory level, which typically ranges from $300,000 to $1,500,000 depending on product category and current market prices. If you do not, and do not cure within 10 days after we give you notice, we may terminate your franchise.

We retain any rights that are not specifically granted to you under the Franchise Agreement. We reserve the right to offer goods and services identified by other brands that we or our affiliates control through channels of distribution other than a 1-800-RADIATOR & A/C® Warehouse located within the Territory to locations and customers located anywhere, including those residing in your Territory. We also reserve the right to solicit customers and to sell goods identified by the Marks through alternative channels of distribution, including mail order, catalog sales, telemarketing, Internet, television, newspaper, and any other advertising media, to customers located anywhere, including within your Territory, except that you will be given the right of first refusal to accept and fulfill these orders if the potential 1-800-RADIATOR & A/C® customer is located within your Territory. In the event you do not accept and fulfill the order (or if you fail to do so in a timely manner), we or another franchisee will be free to make the sale and ship the purchased product(s) into your Territory without compensation to you.

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.

You may not advertise on the Internet or establish or maintain any Website or any presence on the Internet without our prior written consent. You may use the Internet to advertise only in compliance with the Franchise Agreement and the Manual.

We and our predecessors have developed procedures for referrals of potential customers and for Chain Accounts. You must cooperate and participate in these procedures, and handle sales to Chain Accounts and potential customers (including Shops and retail customers) located in your Territory. We may designate in the Manual as a "Chain Account" any potential or actual customer of automotive parts and supplies that conducts business in more than one 1-800-RADIATOR & A/C® territory and with whom we have made arrangements regarding the terms of sale of such products or services by either us or our franchisees, including you. If any such Chain Account does business in your Territory, using your best efforts, you agree to service such Chain Account customers according to the terms of such arrangements, including all of our conditions, standards, procedures, policies, warranty requirements and pricing for serving the Chain Account, which we may in our sole discretion amend periodically. We may require you to sign a Chain Account agreement. If you decline to accept a Chain Account, are unable to provide all of the products and services requested by the Chain Account or refuse to service it at prices and according to warranty and other standards we determine, then to protect the reputation of the System and preserve the Chain Account, we, our affiliate, another franchisee or a third party may service such Chain Account in the Territory without any compensation to you. If you refuse to service any order or comply with any standards and specifications, you may lose the right to service that Chain Account, as determined by us in our sole and absolute discretion.

Some Chain Accounts, for whatever reason, may decide that they do not want to do business with you. If this happens, we, in our sole discretion, will cooperate with you, at your expense, to the extent we deem reasonably practicable, to resolve the Chain Account's concern. However, if after we exercise what we believe in our sole discretion, to be reasonable efforts to rectify the problem, the Chain Account continues to refuse to do business with you, then we, our affiliate, any other franchisee or third party that we designate, may provide services to that/those Chain Account(s). Neither we, our affiliates, any franchisee nor third party will be liable to you or obligated to pay to you any compensation for doing so nor will we, our affiliate, franchisee or third party be considered in breach of any provision of the Franchise Agreement or any other agreement between you and us. In all cases, our decisions over disputes regarding solicitations of customers are final and binding on all parties.

You must participate in our electronic Network, which handles customer's orders, sales, deliveries and inventory control. The Network will automatically debit or credit you for transactions with customers in your Territory. As a result, you will receive credit for sales of Products within your Territory even if you were not directly involved in the sale, if you are in compliance with your obligations under the Franchise Agreement and the Manual. If you are not in compliance with your obligations under the Franchise Agreement and the Manual, then we will have no obligation to pay you any compensation for soliciting or accepting orders inside your Territory.

We reserve the exclusive right to negotiate the purchase of assets or the purchase of the entire business of all competitors in your Territory. You may not negotiate with any competitors in your Territory without our prior written permission. These negotiations will always be for your benefit, with the intention being for you to take over the acquired sales. If we or our affiliate acquire a competitor in your Territory, we may sell some or all of the purchased assets to you. You must pay a portion of the acquisition price for the assets of the acquired business, which typically include the competitor's inventory and customer accounts. Your payments will be calculated based on our estimate of the first one or two years of new sales that may be generated from the acquired business and paid in equal installments during the first 12 months following the acquisition in most cases. You may also be required to make additional investments in things such as additional sales vehicles, inventory, computers, and/or phone lines. You also must hire any additional employees needed to service the acquired business.

ITEM 13
TRADEMARKS

We grant you the right to use the Marks in operating your Warehouse. You will receive the right to operate under the name 1-800-RADIATOR & A/C® and to use the name with identification of your Territory. You may also use other current or future Marks to operate your Warehouse. The primary Marks we use are 1-800-RADIATOR® and 1-800-RADIATOR & A/C®, but we also use associated trade names, trademarks, service marks, logos and symbols. As noted in Item 1, we became the owner of these Marks in July 2015.

Mark	Registration Number	Registration Date
1-800-RADIATOR	2,638,521	10/22/2002
1-800-RADIATOR & A/C	4,504,507	4/1/2014
	4,528,319	5/13/2014
SUPPLIENCE	5,469,678	5/15/2018
SUPPLIENTISTS	5,608,375	11/13/2018
	5,707,947	3/26/2019
	3,337,961	11/20/2007
	3,324,638	10/30/2007

We have filed all required affidavits. We renewed the registration of the first three Marks and the last two Marks in the chart. We intend to renew the remainder of the Marks as required. You must follow our rules when using these Marks. You cannot use a name or Mark as part of a corporate name or with modifying words, designs or symbols except for those that we license to you. You will be authorized to use the Mark 1-800-RADIATOR & A/C® with the name of the area in which your Warehouse is located, such as "1-800-RADIATOR & A/C® of East Bay." You may not use the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. You may not use the Marks as any part of the name of the legal entity, if any, that you form upon our approval to operate your Warehouse.

There are no agreements that limit our right to use or license the use of the Marks. We do not know of any infringing uses that could materially affect your use of the Marks. There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court relating to any of the above Marks. There are no pending infringement, opposition, or cancellation proceedings relating to any of the above Marks. There is no pending material federal or state litigation regarding our use or ownership rights in any of the above Marks.

You must notify us immediately after learning about an infringement of or challenge to your use of the Marks (Franchise Agreement, Section 15.7). We will take the action we think appropriate to protect the integrity and validity of the Marks. We are not required to take any specific action in regard to infringements involving the Marks. We have the sole right to control administrative proceedings or litigation regarding any trademark infringements.

We will defend you and indemnify you if you are a party to a legal proceeding involving a Mark licensed by us so long as you were using the Mark properly, you timely notify us of the claim, and you are in compliance with the Franchise Agreement and all other agreements between us and you. If we undertake the prosecution, defense, or settlement of such matter, we will not reimburse you for your costs or fees for any legal counsel you retain (Franchise Agreement, Section 15.7).

You must modify or discontinue the use of a Mark if we modify or discontinue it (Franchise Agreement, Section 15.6). However, we will not be obligated to reimburse you for any expenses or loss of revenue attributable to any modified or discontinued Mark or for any expenditures you make to promote a modified or substitute trademark or service mark. You must not contest our or RFI's rights to the Marks, trade secrets or business techniques that are part of our business or the 1-800-RADIATOR & A/C® franchise system.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We have no patents or registered copyrights that are material to the 1-800-RADIATOR & A/C® franchise described in this disclosure document. However, we do claim copyright protection and proprietary rights in the original materials used in the System, including our Manual, bulletins, correspondence and communications with our franchisees, training, advertising and promotional materials, proprietary software and other copyrightable materials relating to the operation of 1-800-RADIATOR & A/C® Warehouses and the System, as well as proprietary rights in all data and other information generated by, or used or developed in, operating the Warehouse, including Customer Data, and any other information contained periodically in the Computer System. The Manual is referred to in Item 11. Item 11 describes limitations on the use of this Manual by you and your employees.

We treat all of this information as trade secrets, and you must treat any of this information we communicate to you confidentially. You and your owners must agree not to communicate or use our confidential information, including our Manual and any other information we create or approve for use in operating the Warehouse, for the benefit of anyone else during or after the Franchise Agreement's term. You must promptly tell us when you learn about unauthorized use of this proprietary information. We are not required to take any action, but we will respond to this information as we think appropriate.

You must not copy, record or otherwise reproduce these materials, or make them available to any unauthorized person. You may divulge this confidential information only to your employees who need it to operate your Warehouse. Certain individuals having access to our confidential information, including your owners, may be required to sign nondisclosure and non-competition agreements in a form we approve.

There is no presently effective determination of the United States Copyright Office or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the Franchise Agreement or otherwise to protect any rights you have to use the copyrights. It is our practice to indemnify franchisees for losses resulting from third-party actions concerning the franchisees' authorized use of our proprietary information. We have no actual knowledge of any infringements that could materially affect the ownership, use or licensing of the copyrights.

You must comply with our System standards, our other 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 Computer 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 order history, and other personal information of or relating to the Warehouse'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 deem 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.

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

Unless you obtain our prior written consent, we require that you personally attend our training courses and supervise the Warehouse on a full-time basis. If you are a legal entity such as a corporation, partnership or limited liability company, one of your owners must be approved by us to be your full-time representative. Each of your direct and indirect individual owners signing the Franchise Agreement as a "Principal" must personally guarantee the Franchise Agreement (see Attachment 3 to the Franchise Agreement). You or your field sales representative must personally make at least four sales visits per each metro customer or potential metro customer (as defined in the Manual) in your Territory each year, or such other minimum number of sales visits as we may specify in the Manual periodically. You must also make at least two sales visits to each non-metro or potential non-metro customer (as defined in the Manual) in your Territory each year, which may be in-person or via approved mailers (or other approved methods that we authorize in the Manual periodically). Failure to make these sales visits will be considered a material default of your Franchise Agreement. We may require you to conduct a minimum number of required sales visits per week (or other specified period) and a minimum number of outbound calls per day (or other specified period) during your Franchise Agreement's term. We will work with you in your Territory to show you how to make these calls and provide guidance on sales visits. If you fail to make required sales visits and outbound calls, we will have the right to perform such visits and/or outbound calls on your behalf, in person or by a direct mailing campaign to customers or potential customers, and you must reimburse us for any expenses that we incur in doing so. We may require you to obtain confidentiality agreements from certain of your owners and the Warehouse's managers and other employees to protect our confidential information.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer and sell only those products and services that we have approved. You must offer all products and services that we designate as required for all franchisees. These required products and services are described in the Manual. You must obtain our prior written approval for any other products and services to be sold by your Warehouse. All products and services must conform to our standards and specifications. We have the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services from your Warehouse and require you to participate in system-wide discount programs.

We may change the types of Core Products and services that you must offer from your Warehouse and require the execution of additional agreements to offer such Additional Products and services. There are no limits on our rights to make such changes. You will be authorized to service auto parts categories we carry if – and only if – you carry the required inventory as stipulated in the Manual, and you make the required sales visits and marketing expenditures as stipulated in the Manual.

You must comply with all applicable laws and regulations and obtain all appropriate governmental approvals for the franchise. You must operate your Warehouse in conformity with the methods, standards and specification we prescribe to maintain uniformity within the 1-800-RADIATOR & A/C® System and to provide the highest degree of quality and service. You must not deviate from our standards and specifications without our prior written consent.

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. Length of the franchise term	FA: §2.1	Initial term of the franchise is 20 years.
b. Renewal or extension of the term	FA: §2.2	You may renew the franchise for an additional 20-year term if certain conditions are met. "Renewal" may require you to sign a contract with materially different terms and conditions than the Franchise Agreement.

Provision	Section in franchise or other agreement	Summary
c. Requirements for franchisee to renew or extend	FA: §2.2	12 months' notice, no material defaults during last 12 months, material and timely compliance with Franchise Agreement during initial term, satisfied all monetary obligations owed to us and your suppliers, completed all required additional training, modernized the Warehouse and vehicles and other equipment, payment of renewal fee, meet our then current requirements and qualifications for 1-800-RADIATOR & A/C® Warehouse franchisees and signing of new franchise agreement and general release. "Renewal" may require you to sign a contract with materially different terms and conditions than the Franchise Agreement.
d. Termination by franchisee	None	You may not terminate except under grounds available by law.
e. Termination by franchisor without cause	None	Not applicable.
f. Termination by franchisor with cause	FA: §§1.2, 4.2, 16.1	We can terminate if you default.
g. "Cause" defined--curable defaults	FA: §16.1	You have 30 days after notice to cure defaults (10 days for default in payment to us, default under any promissory note or financing arrangement, failure to make the number of required sales visits as required in the Manual, failure to maintain the minimum inventory levels of Products we designate periodically, and failure to answer inbound customer calls or respond to non-automated electronic response requests in a timely manner as required by us). This includes defaults in other franchise agreements with us or agreements related to the operation of your Warehouse. No cure period for default if repeated twice within any 12-month period.
h. "Cause" defined--non-curable defaults	FA: §16.1	Non-curable defaults: Failure to comply with applicable laws; failure to comply with confidentiality obligations; intentional or repeated unauthorized sales outside your Territory; failure to successfully complete training to our reasonable satisfaction; unauthorized transfer or violation of our right of first refusal; bankruptcy, assignment for the

Provision	Section in franchise or other agreement	Summary
		benefit of creditors, or similar action; material misrepresentation in obtaining the franchise; conviction of crime involving moral turpitude or other serious offense that is likely to adversely affect the reputation of your Warehouse, other 1-800-RADIATOR & A/C® Warehouses, or the goodwill associated with the Marks; or abandon or fail to actively operate the Warehouse for three or more consecutive business days.
i. Franchisee's obligations on termination / non-renewal	FA: §16.2	Immediate obligations include discontinued use of telephone numbers, Marks or proprietary information, remove all Marks from all vehicles and other equipment, transfer all customer lists, contact lists or similar information to us, return of Manual, sell to us at our request certain inventory, and de-identify the Warehouse.
j. Assignment of contract by franchisor	FA: §14.10	No restriction on our right to assign.
k. "Transfer" by franchisee-defined	FA: §14.7	Includes transfer of rights under Franchise Agreement and direct or indirect ownership change.
l. Franchisor approval of transfer by franchisee	FA: §§14.6, 14.7, 14.8	We have the right to approve all third-party transfers but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	FA: §§14.6, 14.7, 14.8	No default, assets of the Warehouse in standard condition, payment of all amounts owed to us and our affiliates, payment of transfer fee, transferee qualifies and passes training, then-current franchise agreement signed by transferee, payment of grand opening fees to re-introduce a Re-sale Warehouse to the public, and release and non-competition agreement signed by you.
n. Franchisor's right of first refusal to acquire franchisee's business	FA: §14.9	We can match any offer for the franchised business.
o. Franchisor's option to purchase franchisee's business	FA: §14.8	If one of your principals dies or becomes legally incapacitated, and we do not approve the successor, we will notify you, and your or the decedent's estate will use your best efforts within three months from the date of such written notice from us to sell the interest

Provision	Section in franchise or other agreement	Summary
		in the Franchise Agreement and the Warehouse to a bona fide purchaser consistent with and subject to Article 14 of the Franchise Agreement. If by the end of the three-month period you have not consummated a transfer of such interest or stock in a transaction that meets the requirements of Article 14, we will have the option to purchase all of such interest in the Warehouse or in the ownership of the legal entity at fair market value as determined in good faith by an independent appraiser.
p. Death or disability of franchisee	FA: §14.8	Approval by us of heir or sale within three months to an approved buyer.
q. Non-competition covenants during the term of the franchise	FA: §4.10	No engaging in or performing services for any Similar Business without our prior express written consent (subject to state law). A "Similar Business" is any outlet, warehouse or other facility or business that provides services and/or products involving the wholesale or retail distribution of automotive parts, supplies and related products similar to those sold in a 1-800-RADIATOR & A/C® Warehouse, except that, any other automotive business franchised by Driven Brands Holdings or its subsidiaries will not be considered a Similar Business.
r. Non-competition covenants after the franchise is terminated or expires	FA: §4.10(d)	No engaging in or having any interest in Similar Business for two years within the former Territory or 25 miles of any 1-800-RADIATOR & A/C® Warehouse in U.S. or Canada (subject to state law).
s. Modification of the agreement	FA: §17.12	Only written and signed modifications, but Manual subject to change.
t. Integration/merger clause	FA: §17.11	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	FA: §17.7	Before either party may initiate any arbitration proceeding, the parties must first attempt to resolve the controversy or claim by mediation conducted under the Commercial Mediation Rules of the American Arbitration Association. The mediation will be held in Solano County,

Provision	Section in franchise or other agreement	Summary
		California. Except for certain claims, all disputes must be arbitrated before the American Arbitration Association under the Federal Rules of Civil Procedure. The arbitration will be held in Solano County, California, and judgment upon the decision of the arbitrator may be entered in any court having jurisdiction over the matter (subject to state law).
v. Choice of forum	FA: §17.7	Mediation/arbitration must be in Solano County, California (subject to state law). Injunctive relief in any competent court of jurisdiction, if mediation and arbitration requirements are followed and filed at the same time.
w. Choice of law	FA: §17.6	Except for Federal Arbitration Act and other federal law, California law applies (subject to state law). The non-competition provisions will be governed by the laws of the state where the Warehouse is located.

ITEM 18
PUBLIC FIGURES

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

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ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

I. KEY PERFORMANCE INDICATORS & MARKET SHARE ANALYSIS

Part I of this financial performance representation analyzes the impact of two key performance indicators ("KPIs") for 1-800-RADIATOR & A/C® Warehouses. As further explained in the footnotes which follow, this analysis is based on the actual operating results of 188 franchised 1-800-RADIATOR & A/C® Warehouses that operated during the 12 accounting periods ended December 30, 2023.

BASES AND ASSUMPTIONS

KPIs for the 1-800-RADIATOR & A/C® franchise model are: (1) having enough inventory in stock so that when a customer places an order, the part will be available for immediate delivery, and (2) making frequent sales visits to customers so that they buy more often, both of which are further explained below.

This KPI analysis is based on Metro Customers. Each 1-800-RADIATOR & A/C® Warehouse's territory is broken down into two areas – "Metro Areas" that receive deliveries the same day using the local franchisee's own delivery vehicles and/or contractors' (which contractors do not include UPS or FedEx ground service) delivery vehicles, and "Non-Metro Areas" that receive next day deliveries, usually by UPS or FedEx ground service. A "Metro Customer" is a customer that is located in a Metro Area. In 2023, over 90% of franchisees' sales were to Metro Customers.

Greater availability of inventory – Automotive repair shops want to do business with suppliers who deliver parts quickly so the shops can service their customers' vehicles efficiently. To help franchisees stock appropriately, we have a very sophisticated software package that tracks incoming phone calls and sales by part number and by 1-800-RADIATOR & A/C® Warehouse so that each 1-800-RADIATOR & A/C® Warehouse has a uniquely customized inventory mix. The system allows franchisees to fine-tune their inventory stocking models to achieve very high in-stock rates of parts, while maintaining relatively lean inventories. We find that one of the best ways to keep customers loyal and grow the business is for 1-800-RADIATOR & A/C® Warehouses to minimize the percentage of time that they are out of stock on their fastest moving parts. During 2023, the best performing 1-800-RADIATOR & A/C® Warehouses (top 1/4) were out of stock 7% of the time for radiators and 8% of the time for air conditioning condensers, while the lowest performing 1-800-RADIATOR & A/C® Warehouses (bottom 1/4) were out of stock 11% of the time for radiators and 13% of the time for air conditioning condensers.

Frequent in-person sales visits and outbound calls – Once a 1-800-RADIATOR & A/C® Warehouse achieves great inventory coverage, it must then get the message out to all existing and prospective customers in its territory. Existing and prospective customers require regular in-person sales visits and outbound calls to establish, build, and retain their loyalty.

In 2023 , the top 1/4 1-800-RADIATOR & A/C® Warehouses visited and/or made outbound calls to their Metro Customers an average of 5.2 times each, or about one visit or call every 11 weeks per Metro Customer. The bottom 1/4 1-800-RADIATOR & A/C® Warehouses made an average of 2.7 visits or calls per Metro Customer in 2023 – or about one visit or call every 22 weeks.

Our Manuals and system standards currently require franchisees (or their field sales representative) to make a required amount of sales visits and outbound calls annually to each Metro Customer in their territory. For example, a full-time field sales representative can make 20 to 30 visits per day, which is about 5,000 to 6,250 total visits annually. Therefore, a 1-800-RADIATOR & A/C® Warehouse with 1,003 Metro Customers must have, at minimum, one full-time sales representative. We may periodically adjust the minimum number of sales visits and outbound calls for Metro Customers and Non-Metro Customers, as well as the approved methods of communication for these visits.

In the following table, each 1-800-RADIATOR & A/C® Warehouse included in the financial performance representation is separated into one of four groups (1st, 2nd, 3rd, and 4th quartiles) based on average sales per Metro Customer. (For example, a territory with 1,000 Metro Customers doing $1,000,000 in annual Metro Sales does $1,000 per Metro Customer.)

<u>2023 Results</u>

In 2023, the average Metro Sales per Metro Customer for all 1-800-RADIATOR & A/C® Warehouses in this analysis was $1,468, the median Metro Sales per Metro Customer was $1,351, the highest Metro Sales per Metro Customer was $5,263, and the lowest Metro Sales per Metro Customer was $179. The number of 1-800-RADIATOR & A/C® Warehouses in this financial performance representation that met or exceeded the average totaled 81 (43.1%).

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	1st Quartile		2nd Quartile		3rd Quartile		4th Quartile			
	Average	Median	Average	Median	Average	Median	Average	Median	2023 YE Average	2023 YE Median
Warehouses	47	47	47	47	47	47	47	47	188	188
Metro Sales Per Metro Customer*	$2,432	$2,196	$1,675	$1,685	$1,126	$1,108	$639	$678	$1,468	$1,351
Metro Customers	1,314	1,233	1,161	952	1,374	1,170	1,283	1,092	1,283	1,093
Metro Sales**	$2,974,858	$2,829,601	$1,910,338	$1,679,695	$1,522,203	$1,262,746	$819,098	$749,082	$1,806,624	$1,373,911
Total Sales ***	$3,337,870	$3,094,051	$2,179,817	$1,816,772	$1,715,115	$1,489,175	$934,686	$830,170	$2,041,872	$1,580,373
Gross Margin	49%	47%	49%	47%	47%	46%	48%	49%	48%	47%
Visits and Outbound Calls Per Metro Customer	5.1	5.0	4.5	4.4	3.9	4.1	2.5	2.8	4.0	4.0
Radiator OOS%	7%	4%	5%	4%	5%	4%	11%	7%	7%	5%
Condenser OOS%	8%	4%	6%	5%	6%	4%	13%	8%	8%	6%
Compressor OOS%	10%	6%	9%	7%	10%	9%	21%	14%	13%	9%

* For the 1st Quartile, the highest Metro Sales per Metro Customer were $5,263, and the lowest Metro Sales per Metro Customer were $2,024.
* For the 2nd Quartile, the highest Metro Sales per Metro Customer were $2,023, and the lowest Metro Sales per Metro Customer were $1,354.
* For the 3rd Quartile, the highest Metro Sales per Metro Customer were $1,349, and the lowest Metro Sales per Metro Customer were $913.
* For the 4th Quartile, the highest Metro Sales per Metro Customer were $910, and the lowest Metro Sales per Metro Customer were $179.
* The highest 2023 year Metro Sales per Metro Customer were $5,263, and the lowest 2023 year Metro Sales per Metro Customer were $179.

** For the 1st Quartile, the highest Metro Sales were $7,434,631, and the lowest Metro Sales were $388,687.
** For the 2nd Quartile, the highest Metro Sales were $4,426,338, and the lowest Metro Sales were $520,082.
** For the 3rd Quartile, the highest Metro Sales were $4,076,956, and the lowest Metro Sales were $208,625.
** For the 4th Quartile, the highest Metro Sales were $2,545,803, and the lowest Metro Sales were $104,440.
** The highest 2023 year Metro Sales were $7,434,631, and the lowest 2023 year Metro Sales were $104,440.

*** For the 1st Quartile, the highest Total Sales were $8,477,992, and the lowest Total Sales were $400,195.
*** For the 2nd Quartile, the highest Total Sales were $5,757,810, and the lowest Total Sales were $585,198.
*** For the 3rd Quartile, the highest Total Sales were $4,306,348, and the lowest Total Sales were $425,027.
*** For the 4th Quartile, the highest Total Sales were $2,793,843, and the lowest Total Sales were $122,274.
*** The highest 2023 year Total Sales were $8,477,992, and the lowest 2023 year Total Sales were $122,274.

The following chart indicates the number and percentage of franchisees that were above or below the average in each KPI category.

KPI Category	Above/Below Average	1st Quartile	2nd Quartile	3rd Quartile	4th Quartile	Grand Total	% Above/Below Average
Metro Sales Per Metro Customer	Above	11	26	21	27	85	45%
Metro Sales Per Metro Customer	Below	36	21	26	20	103	55%
Metro Customers	Above	22	16	18	19	75	40%
Metro Customers	Below	25	31	29	28	113	60%
Metro Sales	Above	20	17	20	18	75	40%
Metro Sales	Below	27	30	27	29	113	60%
Total Sales	Above	21	17	18	17	73	39%
Total Sales	Below	26	30	29	30	115	61%
Gross Margin %	Above	19	15	22	24	80	43%
Gross Margin %	Below	28	32	25	23	108	57%
Visits and Outbound Calls Per Metro Customer	Above	22	18	25	25	90	48%
Visits and Outbound Calls Per Metro Customer	Below	25	29	22	22	98	52%
Radiator OOS %	Above	12	17	17	13	59	31%
Radiator OOS %	Below	35	30	30	34	129	69%
Condenser OOS %	Above	11	18	19	11	59	31%
Condenser OOS %	Below	36	29	28	36	129	69%
Compressor OOS %	Above	15	18	18	12	63	34%
Compressor OOS %	Below	32	29	29	35	125	66%

Footnotes to Financial Performance Representation

a) We based the above financial performance representations on the actual operating results of 188 franchised 1-800-RADIATOR & A/C® Warehouses that operated during the 12 accounting periods from January 1, 2023 through December 30, 2023 (excluding (i) five 1-800-RADIATOR & A/C® Warehouses that opened during 2023 and did not operate for all 12 accounting periods, and (ii) one 1-800-RADIATOR & A/C® Warehouse that was temporarily closed during 2023 and did not submit Metro Sales and other KPI results to us for all 12 accounting periods. Also excluded are the four 1-800-RADIATOR & A/C® Warehouses that closed during 2023 (which Warehouses operated for more than 12 months). We obtained the above information for franchised 1-800-RADIATOR & A/C® Warehouses from our proprietary software system. All franchised 1-800-RADIATOR & A/C® Warehouses in this analysis operate in industrial locations within greater metropolitan areas of U.S. cities. These franchised 1-800-RADIATOR & A/C® Warehouses use the prototypical business format and operating procedures for a 1-800-RADIATOR & A/C® Warehouse that form the basis of the franchise opportunity that we offer in this disclosure document. The franchised 1-800-RADIATOR & A/C® Warehouses in the 2023 results operated for an average of 10 years, two months.

b) "Metro Sales per Metro Customer" is "Metro Sales" divided into the "Metro Customers," and "Metro Customers" is the total number of potential Shops a territory has in its Metro Area. Metro Customer count includes all active buying customers and the non-buying Shops. Metro Sales per Metro Customer gives the best indication of the market share because it describes the average revenue each 1-800-RADIATOR & A/C® Warehouse can sell to its entire customer base. The customer counts used are all potential customers in a given Metro Area, including active buying customers as well as non-buying customers.

c) "Metro Customers" measures the number of automotive repair and related businesses ("Shops" or "customers") inside a 1-800-RADIATOR & A/C® Warehouse's Metro Area. This analysis includes all Shops likely to be doing auto repair work or selling parts (such as Napa®, Auto Zone®, and other parts sellers). It excludes Shops that are out of business or that typically do not do much repair work, such as car washes and gas stations without repair bays. (In our system, we mark these Shops with the marketing statuses of X, M and V. All are excluded from the active Metro Shop count.) These counts are maintained by each franchisee at the local level, and we have not sought to verify their accuracy.

d) "Metro Sales" represents net sales to Shops within the 1-800-RADIATOR & A/C® Warehouse's Metro Area, based on assigned zip codes. "Sales" includes the sum of: (i) sales from parts delivered by the 1-800-RADIATOR & A/C® Warehouse; (ii) sales from parts shipped into the 1-800-RADIATOR & A/C® Warehouse's territory by other 1-800-RADIATOR & A/C® Warehouses; and (iii) miscellaneous collections from customers. It excludes revenues collected from the 1-800-RADIATOR & A/C® Warehouse's sale of inventory to neighboring franchisees, as described in footnote e).

e) "Total Sales" are the total combined net sales to Metro and Non-Metro Customers within the 1-800-RADIATOR & A/C® Warehouse's territory. Net sales are sales after discounts, returns, coupons and most other promotions. Rebates for certain customers may not be included in these totals, which in some cases would reduce the stated sales numbers. Also not included in these sales numbers are inter-1-800-RADIATOR & A/C® Warehouse inventory transfers ("drop-ship warehouse" or "DW's"), which would increase the sales numbers. Within our 1-800-RADIATOR & A/C® franchise system, franchisees may buy inventory from and sell inventory to neighboring 1-800-RADIATOR & A/C® Warehouses. This typically happens when 1-800-RADIATOR & A/C® Warehouses are out of stock on parts locally and need to source product from a neighboring franchised 1-800-RADIATOR & A/C® Warehouse. The shipping 1-800-RADIATOR & A/C® Warehouse may apply a mark-up at its discretion, which the receiving 1-800-RADIATOR & A/C® Warehouse must pay. If the shipping 1-800-RADIATOR & A/C® Warehouse charges a markup on the cost of the part, the mark-up becomes income for the shipping 1-800-RADIATOR & A/C® Warehouse and would be added to the Cost of Goods line item in the receiving 1-800-RADIATOR & A/C® Warehouse's profit and loss statement. The receiving 1-800-RADIATOR & A/C® Warehouse is also responsible for freight costs. In 2023, there were no royalties charged on DW inventory-only revenues. For 2023, there were approximately $13.2 million of DW revenues within the entire 1-800-RADIATOR & A/C® network, which include royalty-free income collected by shipping 1-800-RADIATOR & A/C® Warehouses of approximately $3 million, which is then billed to the receiving 1-800-RADIATOR & A/C® Warehouses and added to their Cost of Goods. The additional DW fees added to Cost of Goods are reflected in the Gross Margin %.

f) "Gross Margin %" is Total Sales less Cost of Goods divided by Average Total Sales. The method for determining Cost of Goods is the sum of the total cost of products sold by the 1-800-RADIATOR & A/C® Warehouses during the time period including any markups charged by neighboring 1-800-RADIATOR & A/C® Warehouses when parts are out of stock locally. There is also an additional 1% subtracted from Gross Margin % to account for vendor freight and warranty expenses incurred by each 1-800-RADIATOR & A/C® Warehouse. The above financial performance representation does not reflect the cost of sales, operating expenses or other costs or expenses that must be deducted from the Total Sales to obtain your net income or profit, including costs and expenses related to labor, leases and rent, insurance, utilities, supplies and other additional purchased materials that are not sellable inventory, licenses and permits, and professional fees.

g) "Visits and Outbound Calls per Metro Customer" divides the total in-person sales visits and/or calls per 1-800-RADIATOR & A/C® Warehouse by the total number of Metro Customers for that same 1-800-RADIATOR & A/C® Warehouse. The in-person sales visits and outbound calls are the visits and outbound calls entered into the proprietary software system by each 1-800-RADIATOR & A/C® Warehouse.

h) "Radiator OOS%" is the rate at which each 1-800-RADIATOR & A/C® Warehouse is out of stock on its fastest moving radiator parts. The software system tracks each phone call and quote and the availability of the requested part. This information is used to enhance and improve each franchisee's marketing efficiencies. Since this KPI measures only a specific set of the fastest moving parts in each 1-800-RADIATOR & A/C® Warehouse's territory, it is not an in-stock rate for the entire line of all radiator parts being marketed.

i) "Condenser OOS%" is the same KPI described in footnote "h," except it measures the out of stock performance for the air conditioning condensers part category.

j) "Compressor OOS%" is the same KPI described in footnote "h," except it measures the out of stock performance for the air conditioning compressors part category.

II. SALES TO COST ANALYSIS

Part II of this financial performance representation reflects the average sales, certain expenses and income for the period from January 1, 2023 through December 30, 2023 for the 125 franchised 1-800-RADIATOR & A/C® Warehouses that participated in our survey for 2023. We surveyed all 1-800-RADIATOR & A/C® Warehouse franchisees regarding their business expenses for 2023. We received responses for 125 1-800-RADIATOR & A/C® Warehouses (which were operated by 66 franchisees). The 1-800-RADIATOR & A/C® Warehouses in Part II of this financial performance representation have operated for an average of 10 years, 11 months.

The 1-800-RADIATOR & A/C® Warehouses included in the results below are characteristic of the typical 1-800-RADIATOR & A/C® Warehouse locations in our franchise system. The number of 1-800-RADIATOR & A/C® Warehouses by state are as follows: 4 in Alabama, 2 in Arkansas, 5 in Arizona, 15 in California, 2 in Colorado, 12 in Florida, 5 in Georgia, 6 in Illinois, 2 in Indiana, 2 in Kansas, 2 in Kentucky, 3 in Louisiana, 2 in Maryland, 1 in Michigan, 1 in Minnesota, 3 in Mississippi, 2 in Missouri, 2 in Nebraska, 4 in New York, 5 in North Carolina, 2 in Ohio, 3 in Oklahoma, 2 in Pennsylvania, 1 in Puerto Rico, 5 in South Carolina, 3 in Tennessee, 18 in Texas, 5 in Virginia, 2 in Washington, and 4 in Wisconsin.

The survey asked for franchisees' operational expenses only. Our proprietary software system provided the figures for Sales, DW Income earned and Cost of Goods ("COGS") to complete the chart below.

We used our proprietary software system to obtain this information because in most cases our franchisees classify DW revenues in their sales and COGS lines in their profit and loss statements that are unrelated to the core business described throughout this disclosure document. Furthermore, no royalties and marketing fees are charged on these DW inventory-only revenues.

In order to give prospective franchisees an accurate perspective into the unit economics of this business model without those DW revenues, we decided to collect from our franchisees expense detail only and then match sales and COGS information to each franchisee to complete the chart below. A series of supporting footnotes describe each line item in the chart in more detail. The chart summarizes the average expenses and EBITDA information of all the respondents in our survey.

# of Survey Respondents	125	Total Above	Total Below	Total Above %	Total Below %
Sales Per Metro Shop*	$ 1,556	60	65	48%	52%
Metro Shops	1,347	50	75	40%	60%
Sales + DW Income**	$ 2,295,161	46	79	37%	63%
COGS	$ 1,153,107	48	77	38%	62%
Gross Profit	$ 1,142,054	44	81	35%	65%
Gross Margin %	50%	47	78	38%	62%
Royalties & Fees	$ 214,881	49	76	39%	61%
Automobile	$ 40,110	45	80	36%	64%
Labor	$ 456,564	44	81	35%	65%
Communications	$ 9,139	58	67	46%	54%
Advertising & Marketing	$ 21,902	48	77	38%	62%
General Office	$ 9,883	51	74	41%	59%
Insurance	$ 16,929	51	74	41%	59%
Occupancy	$ 90,656	45	80	36%	64%
Shipping & Postage	$ 31,982	52	73	42%	58%
Other Above Line Expenses	$ 48,145	42	83	34%	66%
EBITDA $***	$ 233,869	51	74	41%	59%
EBITDA %	10%	73	52	58%	42%

* The median Sales Per Metro Shop was $1,490.
* The highest Sales Per Metro Shop was $5,275.
* The lowest Sales Per Metro Shop was $179.

** The median Sales + DW Income was $1,822,390.
** The highest Sales + DW Income was $7,326,440.
** The lowest Sales + DW Income was $406,937.

*** The median EBITDA $ was $194,998.
*** The highest EBITDA $ was $1,312,121.
*** The lowest EBITDA $ was -$409,763.

Footnotes to Financial Performance Representation

1. “Sales + DW Income” are total sales delivered into the Metro Areas and Non-Metro Areas combined plus the DW revenues earned by marking up inventory and selling to neighboring 1-800-RADIATOR & A/C® Warehouses. For the 125 1-800-RADIATOR & A/C® Warehouses in the survey results, the “DW Income” represents an average 0.75% of the Sales + DW Income figures.

2. “COGS” includes an allowance for vendor freight and scrapped/warrantied parts of an additional 1%. The amounts are estimates based on our franchisees’ experience during the period. Your actual costs may vary significantly depending on the level of inventory your Warehouse carries as well as your policy of accepting returns from your customers.

3. “Gross Profit Margin %” equals Sales less COGS, divided by total Sales.

4. “Royalties & Fees” are the total royalties, local marketing and national marketing fees paid by the franchisees that participated in the survey. This also includes call center charges and credit card/payment processing fees.

5. “Automobile” are all automotive expenses including gas, insurance, maintenance, major repairs, mileage, and other items. It does not include loan payments related to vehicle purchases.

6. “Labor” includes all labor costs, but not any draw or salary for the franchisee. The typical labor roles franchisees hire for their 1-800-RADIATOR & A/C® Warehouses are:

    a. Customer Service Representatives or Inside Sales – Franchisees hire someone to answer inbound phone calls coming in from customers looking to order products. In most cases, this role is also able to help around the 1-800-RADIATOR & A/C® Warehouse with staging deliveries, receiving product from suppliers and also making outbound marketing telephone calls during down time.

    b. Field Sales Representatives or Outside Sales – Each franchisee needs to visit all Metro Customers at least four times per year, but this can be more, depending on the type of customer, as well as differences in categories of inventory. The average field sales representative can make and enter into our system 20 to 30 visits per day depending on the size of the territory. Accordingly, one full time field sales representative can cover a territory between 1,250 to 1,875 Metro Shops.

    c. Drivers – Franchisees hire and/or contract drivers to deliver product to customers. In many instances, franchisees have a mixture of employed drivers, contract delivery services, and/or on-demand delivery options in order to better control their costs with the seasonal swings of their businesses. Most franchisees have at least one full time driver for every $300,000 to $500,000 of revenue. This item includes contract services, health insurance, state and federal taxes, Social Security, and other labor-related costs.

7. “Communications” are all phone and Internet service costs. This includes phone lines, faxes, and cellular services.

8. “Advertising & Marketing” includes the cost of materials such as candy, notepads, flyers, stickers and all other advertising and marketing supplies.

9. “General Office” includes the cost of general office supplies such as paper, ink, staples, toiletries, pens, uniforms, and other items.

10. “Insurance” is the cost of insurance (e.g., general liability, property, and workers compensation). It does not include health or automobile insurance. We included the costs of automobile insurance in the “Automobile” line item, and the costs of health insurance in

the “Labor” line item.

11. “Occupancy” are costs that include rent, building maintenance, alarms, and all other utilities like electric, gas, water, and trash service.

12. “Shipping & Postage” is the cost that includes packing and shipping supplies and postage expenses related to customer purchases.

13. “Other Above Line Expenses” are the expenses of all other costs directly related to the business. These costs include travel, meals and entertainment, professional fees, and new furniture and equipment.

14. “EBITDA $” are the amounts that remain for franchisees when all expenses listed in the table are subtracted from Sales + DW Income. “EBITDA” stands for “Earnings Before Interest, Depreciation and Amortization.”

    a. We have not included depreciation, amortization, and debt service.

    b. Franchisees may have depreciation/amortization deductions from certain equipment and costs to acquire their 1-800-RADIATOR & A/C® Warehouses.

    c. We have not made any provisions in the table for debt service related to these or other items.

    d. This table does not include an allowance for general administrative costs such as bookkeeping, accounting, collections, and maintenance because generally franchisees personally perform these duties.

15. “EBITDA %” is EBITDA $ / Sales + DW Income.

16. “Sales per Metro Shop” are “Metro Sales” divided into the “Metro Shops,” and “Metro Shops” is the total number of potential Shops a territory has in its Metro Area. Metro Shop count includes all active buying customers and the non-buying Shops. “$/Metro Shop” gives the best indication of market share because it describes the average revenue each 1-800-RADIATOR & A/C® Warehouse can sell to its entire customer base. The Shop counts used are all potential customers in a given Metro Area, including active buying customers as well as non-buying customers.

17. “Metro Shops” measures the number of automotive repair and related businesses (“Shops” or “customers”) inside a 1-800-RADIATOR & AC® Warehouse’s Metro Area. This analysis includes all Shops likely to be doing auto repair/collision work and selling parts (such as Napa®, Auto Zone®, and other parts sellers). It excludes Shops that are out of business or that typically do not do much repair work, such as car washes and gas stations without repair bays. (We mark these Shops with the marketing statuses of X, M and V. All are excluded from the active Metro Shop count.) These counts are maintained by each franchisee at the local level, and we have not sought to verify their accuracy.

* * * * * * * * *

Prospective franchisees and sellers of franchises should note that no certified public accountant has audited these figures or expressed his or her opinion concerning their contents or form.

Written substantiation for the financial performance representations made above will be made available to you upon reasonable request.

Some 1-800-RADIATOR & A/C® Warehouses have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.

Other than the preceding financial performance representations, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing 1-800-RADIATOR & A/C® Warehouse, however, we may provide you with the actual records of that 1-800-RADIATOR & A/C® Warehouse. 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 30, 2023, December 31, 2022, and December 25, 2021. The "Company-Owned" outlet referenced in the tables below is A/C Corporation's outlet.

Table No. 1

Systemwide Outlet Summary
For years 2021 to 2023

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	2021	191	193	+2
	2022	193	193	0
	2023	193	194	+1
Company-Owned	2021	1	1	0
	2022	1	1	0
	2023	1	1	0
Total Outlets	2021	192	194	+2
	2022	194	194	0
	2023	194	195	+1

Table No. 2

Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor)
For years 2021 to 2023

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Alabama	2021	0
	2022	2
	2023	0
Arizona	2021	1
	2022	0
	2023	0
California	2021	0
	2022	1
	2023	3
Florida	2021	0
	2022	2
	2023	0
Iowa	2021	0
	2022	1
	2023	0
Louisiana	2021	1
	2022	1
	2023	1
Maine	2021	0
	2022	0
	2023	1
Maryland	2021	0
	2022	1
	2023	0
Massachusetts	2021	0
	2022	0
	2023	1
Missouri	2021	0
	2022	0
	2023	2
Montana	2021	0
	2022	0
	2023	1

Column 1 State	Column 2 Year	Column 3 Number of Transfers
New Jersey	2021	0
	2022	1
	2023	0
New York	2021	1
	2022	0
	2023	0
North Carolina	2021	0
	2022	0
	2023	1
Ohio	2021	1
	2022	0
	2023	0
South Carolina	2021	0
	2022	1
	2023	0
Texas	2021	1
	2022	0
	2023	0
Washington	2021	1
	2022	0
	2023	1
Total	2021	6
	2022	10
	2023	11

Table No. 3

Status of Franchised Outlets
For years 2021 to 2023

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termi-nations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at End of the Year
Alabama	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termi-nations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at End of the Year
Arizona	2021	4	1	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Arkansas	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
California	2021	24	0	0	0	0	0	24
	2022	24	0	0	0	0	0	24
	2023	24	0	0	0	0	0	24
Colorado	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Connecticut	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Delaware	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Florida	2021	14	0	0	0	0	0	14
	2022	14	0	0	0	0	0	14
	2023	14	0	0	0	0	0	14
Georgia	2021	4	1	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Idaho	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Illinois	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Indiana	2021	3	0	0	0	0	1	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termi-nations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at End of the Year
Iowa	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Kansas	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Kentucky	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Louisiana	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Maine	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Maryland	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Massachu-setts	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Michigan	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	1	2	0	0	0	4
Minnesota	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Mississippi	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Missouri	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	1	0	0	0	0	4

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termi-nations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at End of the Year
Montana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nebraska	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Nevada	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New Jersey	2021	8	0	0	0	0	0	8
	2022	8	0	0	0	0	0	8
	2023	8	0	0	0	0	0	8
New York	2021	10	0	0	0	0	0	10
	2022	10	0	1	0	0	0	9
	2023	9	0	1	0	0	0	8
North Carolina	2021	7	1	0	0	0	0	8
	2022	8	0	0	0	0	0	8
	2023	8	0	1	0	0	0	7
Ohio	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Oklahoma	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Oregon	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Pennsylvania	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
Puerto Rico	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termi-nations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations - Other Reasons	Col. 9 Outlets at End of the Year
Rhode Island	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
South Carolina	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Tennessee	2021	5	0	0	0	0	1	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Texas	2021	17	1	0	0	0	0	18
	2022	18	0	0	0	0	0	18
	2023	18	1	0	0	0	0	19
Utah	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Virginia	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
Washington	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
West Virginia	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Wisconsin	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Total	2021	191	4	0	0	0	2	193
	2022	193	1	1	0	0	0	193
	2023	193	5	4	0	0	0	194

Table No. 4

Status of Company-Owned Outlets
For years 2021 to 2023

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired from Franchisees	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisees	Col. 8 Outlets at End of the Year
California	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Totals	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

Table No. 5

Projected Openings as of December 30, 2023

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
Illinois	1	0	0
Indiana	0	1	0
Michigan	0	1	0
New Mexico	0	1	0
Ohio	1	0	0
South Carolina	0	1	0
Total	2	4	0

The names, addresses and telephone numbers of 1-800-RADIATOR & A/C® franchisees as of December 30, 2023 are attached as Exhibit "E."

The name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of the franchisees who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year, or who have not communicated with us within 10 weeks of the date of this disclosure document, are attached as Exhibit "F." If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There are no trademark-specific franchisee organizations sponsored or endorsed by us. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the 1-800-RADIATOR & A/C® franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit "C" are the audited consolidated financial statements of Driven Systems, our parent company, and its subsidiaries for the years ended December 30, 2023 and December 31, 2022 and for the years ended December 31, 2022, December 25, 2021, and December 26, 2020; and Driven Systems' unaudited balance sheet as of March 30, 2024, and its unaudited statements of income and cash flows for the three-month periods ended March 30, 2024 and April 1, 2023. Driven Systems guarantees the performance of 1-800-Radiator. A copy of the guarantee of Driven Systems is attached as Exhibit "L."

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 "C" are the audited consolidated financial statements of Driven Brands and its subsidiaries for the years ended December 30, 2023 and December 31, 2022 and for the years ended December 31, 2022, December 25, 2021, and December 26, 2020; and Driven Brands' unaudited balance sheet as of March 30, 2024, and its unaudited statements of income and cash flows for the three-month periods ended March 30, 2024 and April 1, 2023. These financial statements are being provided for disclosure purposes only. Driven Brands is not a party to the Franchise Agreement we sign with franchisees nor does it guarantee our obligations under the Franchise 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 1-800-Radiator, have guaranteed the indebtedness incurred in connection with each of these transactions. See the Footnotes to the financial statements in Exhibit "C" for more information about these transactions.

ITEM 22
CONTRACTS

The following contracts/documents are exhibits:

Exhibit "A"	Training Non-Disclosure Agreement
Exhibit "B"	Franchise Agreement and Personal Guaranty
Exhibit "H"	Conditional Assignment of Telephone Numbers and Domain Names
Exhibit "I"	Form of Promissory Note, Security Agreement and UCC-1 Financing Statement
Exhibit "J"	Franchise Agreement Riders
Exhibit "K"	Franchise Compliance Certificate
Exhibit "M"	Form of General Release

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”

Training Non-Disclosure Agreement

1-800-RADIATOR & A/C®
TRAINING NON-DISCLOSURE AGREEMENT

This Training Non-Disclosure Agreement (the "**Agreement**") dated __________________, 20__ is between 1-800-Radiator Franchisor SPV LLC, a Delaware limited liability company ("**we**", "**us**" or "**our**"), ____ ("**Prospect**," "**you**," or "**your**"), a legal entity organized in the State of ________________, and __________________________, an individual ("**Prospect's Representative**"). Prospect and Prospect's Representative are hereinafter referred to collectively as "**Trainee**"). We, Prospect and Prospect's Representative may be referred to in this Agreement individually as a "**party**" and collectively as the "**parties**."

RECITALS

A. We grant franchises for the establishment and operation of businesses that order and distribute radiators, condensers, air conditioning compressors, fan assemblies, fuel pumps, hoses, exhaust-related products and services, heavy duty hard parts and services, and other automotive parts and related services through one or more warehouses under the name 1-800-RADIATOR® and 1-800-RADIATOR & A/C® and other names (the "**Marks**") using a system (the "**System**") which consists in part of an electronic network for maintaining close inventory management and a specialized computerized customer ordering, sales and delivery and reporting database; Internet marketing; telemarketing; advertising, signs and other materials; specially designed software; equipment layout plans; product ordering and sales techniques; and presentation and other business techniques, systems and procedures and an Operations Manual (the "**Manual**," as currently written and as it may be revised and updated by us in the future) (the "**1-800-RADIATOR & A/C® Business**").

B. Prospect has submitted a franchise application to purchase a 1-800-RADIATOR & A/C® Business and would like Prospect's Representative to participate in our initial franchise operations training course (the "**Training Program**") before making a decision to purchase a franchise.

C. By participating in the Training Program, Trainee will have access to our Confidential Information (as defined below).

D. We have completed our preliminary review of Prospect's franchise application and have invited Prospect's Representative to participate in our Training Program subject to the terms, conditions and provisions contained in this Agreement.

NOW, THEREFORE, in consideration for the mutual promises and covenants set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **<u>Confidentiality Agreement</u>**. During the Training Program, Trainee will have access to certain confidential and proprietary information, trade secrets, know-how and documents, including, without limitation, our Manual, related to our System and the 1-800-RADIATOR & A/C® Businesses operating under the System ("**Confidential Information**").

Trainee acknowledges that such Confidential Information affords us and our franchisees a competitive advantage and that any disclosure or unauthorized use of our Confidential Information will constitute irreparable loss and harm to us. In order to protect the goodwill of the System and the confidentiality and value of the Confidential Information, Trainee agrees as follows:

a. Trainee will at all times maintain the Confidential Information in confidence and shall use the Confidential Information only in the performance of the activities contemplated by this Agreement. Trainee will not, directly or indirectly, use the Confidential Information for Trainee's own benefit and will not disclose the Confidential Information, except as set forth in Section 1.e. below.

b. Trainee shall not at any time make copies of the Manual or other documents or compilations containing all or any part of the Confidential Information without our express written permission and shall surrender any material containing all or any part of the Confidential Information to us upon request, but in no event later than the conclusion of the Training Program contemplated by this Agreement.

c. Trainee shall not at any time, directly or indirectly, do or omit to do any act that would or would likely be injurious or prejudicial to the confidentiality and value associated with the Confidential Information and the goodwill associated with the System.

d. Trainee acknowledges that we or our affiliate own all rights in and to the Confidential Information and that this Agreement shall not grant Trainee any rights in or to the Confidential Information except the limited right to use the Confidential Information during participation in the Training Program as contemplated in this Agreement. Trainee further acknowledges that we are not making any representation or warranty, express or implied, as to the accuracy or completeness of the Confidential Information, and neither we nor any of our officers, directors, shareholders, employees, agents or affiliates will have any liability to Trainee or any other person resulting from their use of Confidential Information.

e. In the event any Trainee becomes legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the Confidential Information, Trainee shall provide us with prompt prior written notice of such requirement so that we may seek a protective order or other appropriate remedy and/or waive compliance with the terms hereof. In the event that such protective order or other remedy is not obtained, or if we waive compliance with provisions hereof, Trainee agrees to furnish only that portion of the Confidential Information which Trainee is advised by written opinion of counsel is legally required and to exercise their best efforts to obtain reasonable assurances that such Confidential Information will be accorded confidential treatment.

f. Trainee agrees that the obligations under this Section 1 are necessary and reasonable in order to protect us and expressly agrees that monetary damages would be inadequate to compensate us for any breach of the covenants and agreements set forth herein. Trainee further agrees and acknowledges that any such violation or threatened violation will cause irreparable injury to us. Accordingly, Trainee agrees that, in addition to any other remedies that may be available at law, in equity or otherwise, we shall be entitled to a temporary and/or permanent injunction and a decree for specific performance against Trainee for the threatened breach of this Agreement or the continuation of any such breach, without proof of actual damages and without being required to furnish a bond or security.

2. **Acknowledgments**. The parties acknowledge and agree that:

a. We will make available to Trainee the Training Program at a place or places designated by us. We will not charge Trainee for participation in the Training Program. Trainee is responsible for the cost of Trainee's travel and living arrangements, and all other related and incidental expenses he or she incurs while participating in the Training Program. We will not pay Trainee any compensation or benefits for participation in the Training Program. Trainee is not and will not become an employee or agent of ours as a consequence of entering into this Agreement or by participating in the Training Program.

b. The following acknowledgment is made by and binding upon all trainees signing this Agreement, except those trainees 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: Trainee expressly acknowledges that the Training Program does not include any information regarding the level or range of actual or potential sales, income, gross profits or net profits of a 1-800-RADIATOR & A/C Warehouse. If Trainee inadvertently receives any such information, Trainee agrees to promptly report the incident to Scott O'Melia at (704) 377-8855 or Scott.O'Melia@drivenbrands.com.

c. This Agreement is not a franchise agreement. Nothing in this Agreement shall be construed as granting to Trainee any license or any other rights with respect to the System, the Marks or the Confidential Information, except for the right to use the Confidential Information as expressly provided in this Agreement. No franchise relationship between the parties exists or will exist as a result of this Agreement, including Trainee's attendance, participation in or completion of the Training Program. We have made and make no representations, warranties or guaranties that we will grant you a franchise for a Business upon Trainee's completion of the Training Program. No party is required to sign a franchise agreement upon completion of the Training Program.

3. **Miscellaneous**.

a. Trainee agrees to pay all expenses (including court costs and reasonable attorneys' fees and costs) incurred by us in enforcing this Agreement.

b. Any failure by us to object to or take action with respect to any breach of any provision of this Agreement by Trainee shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Trainee.

c. This Agreement shall be binding upon and inure to the benefit of the undersigned parties, their successors and assigns; provided that Trainee's rights under this Agreement shall not be assigned without our prior written consent.

d. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties. Failure to enforce any provision of this Agreement in one or more instances shall not constitute a waiver of any term hereof.

e. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO CALIFORNIA CONFLICT OF LAW PRINCIPLES.**

f. The parties hereto hereby irrevocably submit themselves to the jurisdiction of the state and federal district courts located in the state, county or judicial district in which our principal place of business is located and the parties each waive all questions of personal jurisdiction for the purpose of carrying out this provision. The parties further agree that the venue for any proceeding relating to or arising out of this Agreement shall be the state and federal district courts located in the state, county or judicial district in which our principal place of business is located; provided however, that we may bring any action for injunctive or other extraordinary relief in any state or federal district court that has jurisdiction.

h. All notices and other communications required or permitted to be given under this Agreement will be deemed given when delivered in person, sent by facsimile to such party's facsimile number (or other electronic communication system, including e-mail), sent by an established overnight delivery service or mailed by registered or certified mail addressed to the recipient at the address set forth below unless the recipient has given the sending party written notice of change of address, or unless the sending party's records show a change in address for the recipient, in which event such other communicated or known address may be used. If mailed, such notice shall be deemed to have been received three (3) days after mailing, and if sent by overnight delivery, such notice shall be deemed to have been received the day following sending.

Us: 1-800-Radiator Franchisor SPV LLC
4401 Park Road
Benicia, CA 94510
ATTN: General Manager
FAX: 707-747-7401

Trainee: ______________________
____
____
ATTN: ________________
FAX: _________________

i. If, for any reason, any provision of this Agreement is determined to be invalid or in conflict with any existing or future law or regulation by a court or agency having valid jurisdiction, such invalidity shall not impair the operation of or have any other effect upon such other provisions as may remain otherwise intelligible. The latter shall continue to be given full force and effect, and the invalid provisions shall be deemed not be a part of this Agreement. If any promise or covenant of this Agreement is determined by a court of competent jurisdiction to be unreasonable and unenforceable as written but enforceable to a lesser extent, the parties agree to be bound by the lesser promise or covenant imposing the maximum duty permitted by law.

j. This Agreement may be executed in one (1) or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same instrument. Facsimile signatures will have the same force and effect as original signatures.

[*Signature Page to Follow*]

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

Us:	**Trainee:**
1-800-Radiator Franchisor SPV LLC, a Delaware limited liability company	____________________________________ a(n)__________________________________
By: __________________________	By: _______________________________
Name: ________________________	Name: _____________________________
Title: _________________________	Title: ______________________________
	____________________________________
	Name: _____________________________

EXHIBIT “B”

Franchise Agreement and Personal Guaranty

1-800-RADIATOR & A/C®
FRANCHISE AGREEMENT

TABLE OF CONTENTS

ATTACHMENTS

1-800-RADIATOR & A/C®
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") dated _____________, 20__ is between 1-800-Radiator Franchisor SPV LLC, a Delaware limited liability company ("**we**", "**us**" or "**our**"), and ____ ("**you**" or "**your**"), a legal entity organized in the State of ________________, and the principal(s) identified on the signature page of this Agreement (the "**Principals**").

RECITALS

A. We, our predecessors and affiliates have originated a distinctive concept and type of business for the ordering and distribution through warehouses of radiators, condensers, air conditioning compressors, fan assemblies, fuel pumps, hoses, exhaust-related products and services, and heavy duty hard parts and services (collectively, the "**Core Products**"), and other automotive parts and related services we may designate and permit you to distribute from time to time under terms and conditions we provide (collectively, the "**Additional Products**") (the Core Products and the Additional Products are collectively referred to herein as the "**Products**") under the name 1-800-RADIATOR® and 1-800-RADIATOR & A/C® and other names (the "**Business**").

B. The Business includes distribution of these Products to automotive repair shops, parts stores, body shops and other repair shops ("**Shops**"), individual car enthusiasts, "do it yourselfers" and other car owners ("**Retail Customers**") and national and regional chains of Shops and fleet owners ("**Chain Accounts**").

C. The Business is operated under a system (the "**System**") which consists in part of an electronic network (the "**Network**") for maintaining close inventory management and a specialized computerized customer ordering, sales and delivery and reporting database; Internet marketing; telemarketing; advertising, signs and other materials; specially designed software; equipment layout plans; product ordering and sales techniques; and presentation and other business techniques, systems and procedures and an Operations Manual as described herein (the "**Manual**," as currently written and as it may be revised and updated in the future).

D. We use and license others to use various trademarks and service marks employed in the Business (the "**Marks**"), and we are willing to franchise others to operate franchised Businesses using the System and Marks.

E. You wish to purchase a 1-800-RADIATOR & A/C® franchise from us upon the terms, conditions and provisions contained in this Agreement and in the Manual and to operate a franchised Business pursuant to the System and using the Marks.

THEREFORE, the parties hereby agree as follows:

ARTICLE 1: GRANT OF FRANCHISE

1.1 Grant

(a) We hereby grant you a license and franchise to use the Marks and the System solely in direct connection with the sale of services and products as authorized herein from one or more warehouses in the Territory as we approve (the "**Franchised Business**") which will be operated by you within the geographical area described on Attachment 1 attached hereto and incorporated herein by reference (the "**Territory**"). The Franchised Business will be operated under the following name:

"1-800-RADIATOR & A/C® of _________________."

This grant is subject to the terms, conditions and limitations contained herein and the Manual, including, without limitation, those of Article 15. The name above will be utilized by you in accordance with a proper d/b/a filing and will not now or hereafter be used as your corporate or entity name.

(b) We may voluntarily assist you (without obligation) in finding a site for the location of the warehouse (the "**Warehouse**") from which the Franchised Business will operate within the Territory. Neither our assistance, nor our acceptance of the site you propose, shall be construed as a warranty, guarantee or assurance, express or implied, as to the viability, profitability or successful operation of the Franchised Business within the Territory by you, and we hereby expressly disclaim any responsibility therefor. You acknowledge that is it solely your responsibility to find, select and acquire the site for the Warehouse. You must purchase from us or our affiliate and third-party vendors, as we determine in our sole discretion, the Start-Up Warehouse Equipment and Supplies for the Warehouse at our, our affiliate's, or any such third-party vendor's (as applicable) then-current prices. The "**Start-Up Warehouse Equipment and Supplies**" include the items described in Attachment 2 attached to this Agreement and incorporated herein by reference, each of which must meet our then-current specifications. You may not enter into any lease for the Warehouse premises unless and until you have provided to us a copy of the proposed lease for our consent and received our written consent to such proposed lease. We may withhold our consent to any lease that does not contain an addendum to the lease in substantially the form of Attachment 4 to this Agreement. You shall deliver to us a true and correct copy of the fully executed lease, including the addendum, within ten (10) business days of its execution. The failure to provide a lease addendum substantially in the form of Attachment 4 hereto shall constitute a material breach of this Agreement.

(c) You agree to pay for all other utilities, including, without limitation, one high speed DSL with splitter and an alarm system, as prescribed by us in the Manual.

(d) Notwithstanding anything to the contrary herein, you shall not sublicense, sublease, subcontract or enter into any management agreement that affords any other person or entity the right to operate the Warehouse or to use the System or the Marks.

1.2 Strict Conformity; Manual

You acknowledge and agree that in order to meet the competitive needs of the Business all operators must be willing to follow at all times the same procedures and requirements, most of which will be specified in the Manual. In addition, the Manual may be revised in the future to continue to meet changing conditions of the marketplace. Consequently, you agree that throughout the Term of this Agreement you will operate your Franchised Business in strict accordance with the terms of this Agreement and the Manual and will perform all of your other obligations provided for by this Agreement and the Manual. As examples, and without limitation, you understand and agree that the following obligations are very important to the System and to the Franchised Business and that a repeated failure on your part to comply with these obligations on a timely basis or a failure to update your operations to comply with the Manual will be considered a material default and just cause for termination of this Agreement:

(a) timely, immediate recording of sales, inventory levels and other information as stated in the Manual;

(b) making the minimum number of sales visits required under Section 4.2 below and the Manual and/or as communicated to you from time to time; and

(c) compliance with the sales and marketing requirements stated in the Manual, as updated from time to time.

1.3 Territory; Exceptions

(a) We will not during the Term of this Agreement establish or authorize any other person to establish a Business in the Territory or solicit customers or accept orders within the Territory, or authorize any other person to solicit customers or accept orders within the Territory, as a Business, except as specifically provided otherwise in this Agreement or the Manual, or as may be required by law.

(b) You agree that we may from time to time develop procedures for referrals of potential 1-800-RADIATOR & A/C® customers through advertising, national pricing programs, centralized telephone numbers and dispatching, Internet websites or other means, in which case you agree to cooperate and participate in such procedures. You agree that in the event of any dispute regarding solicitations of customers, our decision made in good faith shall be final and binding on all parties. You will receive credit for all sales of authorized products made in the Territory even if you were not directly involved in the sale, provided you are in compliance with this Agreement and the Manual, including, but not limited to, the provisions in this Agreement and the Manual dealing with inventory levels and sales visits.

(c) You also agree that that we, our affiliates, or other franchisees may respond to, negotiate and deliver products for orders within the Territory under procedures specified by us in the Manual from time to time. You will be given a right of first refusal to accept and fulfill these orders if the potential customer is located within the Territory. You understand that you will be required to respond quickly to these orders and, if you are unable to do so, or if you are not in compliance with this Agreement and the Manual, that the orders may be shipped in from another location, in which case you will not receive credit for the sale.

(d) We and our affiliates reserve the right to offer and sell, and to grant to third parties the right to offer and sell, goods and services identified by other brands that we or our affiliates control (including goods and services that are competitive with the goods and services offered by Businesses) through channels of distribution other than a Business we approve to locations and customers located anywhere, including within the Territory.

(e) We reserve the exclusive right to negotiate the purchase of assets or the purchase of the entire business of one (1) or more competitors in the Territory. You may not negotiate with any competitors in your Territory without our prior written permission. If we acquire a competitor in the Territory, we may sell some or all of the purchased assets to you, and you agree to pay a portion of the acquisition price for the assets, which typically include the competitor's inventory and customer accounts. Your payments will be calculated based on our estimate of the first one (1) or two (2) years of new sales that may be generated from the acquired business, as determined by us in our sole discretion. Your payments will be made in equal installments during the first twelve (12) months following the acquisition or another period prescribed by us. You may also be required to make additional investments in things such as, without limitation, additional sales vehicles, inventory, computers, and/or phone lines. You also agree to hire any additional employees needed to service the acquired business or your portion thereof.

(f) We and our affiliates reserve any rights that are not specifically granted to you under this Agreement.

1.4 Solicitation

You agree that you will not solicit customers or accept orders for the Franchised Business anywhere except within the Territory. You further agree that in all advertising and promotion by you of the Franchised Business, you will use the name set forth above in Section 1.1 and will include statements which describe the area served by you, which statements shall include the fact that the Franchised Business is "independently owned and operated" by you and must otherwise be in such form as may be approved by us from time to time. You agree that any failure to observe the requirements of this Section 1.4 shall constitute a material default.

1.5 Selection of Territory

You agree that neither our acceptance of the site you propose nor any assistance we may have provided in the selection of a site for the Warehouse within the Territory nor any consent we may have given to that site or to the lease for the Warehouse premises, constitutes a representation, warranty or guaranty of any kind with respect to the anticipated success, profitability or sales of the Franchised Business.

ARTICLE 2: TERM

2.1 Initial Term

Subject to earlier termination in accordance with this Agreement, this Agreement has an initial term of twenty (20) years (the "**Initial Term**") commencing on the date you first open the Franchised Business. You agree that you will open the Franchised Business within ninety (90) days after the date of this Agreement or on such other date as we may designate.

2.2 Renewal

You may renew this Agreement for one additional twenty (20)-year term (the "**Renewal Term**" and together with the Initial Term, the "**Term**"), if all of the following conditions have been met before the end of the Initial Term:

(a) You must give us written notice of renewal not less than twelve (12) months or more than eighteen (18) months before the end of the Initial Term;

(b) You must not default in any material provision of this Agreement, any other agreements between you and us, and/or any of our affiliates, or the Manual during the last twelve (12) months of the Initial Term, whether or not such defaults were cured, and must have complied with all material terms and conditions of this Agreement, all other agreements with us and/or any of our affiliates, and the Manual during the Initial Term;

(c) You must have paid all amounts owed to us and/or our affiliates, and other suppliers and vendors of the Franchised Business and have timely paid all such amounts throughout the Initial Term;

(d) You must timely comply with any written notice from us of required changes to be made at the Franchised Business, such as additional training requirements, and modernization of the Franchised Business and its equipment and/or renovating the Warehouse and installing new equipment to reflect the then-current System standards and image;

(e) You must meet our then-current requirements and qualifications for 1-800-RADIATOR & A/C® franchisees;

(f) You must pay us a renewal fee of Twenty Thousand Dollars ($20,000.00) and execute our then-current form of Franchise Agreement, which Agreement will supersede this Agreement in all respects and the terms of which may differ from the terms of this Agreement, including, as examples, a higher percentage Franchise Fee and Marketing Fees; provided, however, that such Agreement will not include an initial franchise fee; and

(g) You must execute our then-current standard form of general release of any and all claims against us and our affiliates, officers, directors, agents and employees.

2.3 Notice Required by Law

If applicable law requires that we give notice to you prior to the expiration of the Initial Term, this Agreement shall remain in effect on a week-to-week basis until we have given the notice required by such applicable law. If we are not offering new franchises, are in the process of revising, amending or renewing our form of franchise agreement or disclosure document, or are not lawfully able to offer you our then-current form of franchise agreement, at the time you deliver your renewal notice, we may, in our discretion, (i) offer to renew this Agreement upon the same terms set forth herein for a renewal term determined in accordance with Section 2.2 hereof, or (ii) offer to extend the Initial Term hereof on a week-to-week basis following the expiration of the Initial Term hereof for as long as we deem necessary or appropriate so that we may lawfully offer our then-current form of franchise agreement.

ARTICLE 3: FEES

3.1 Fees

As partial consideration for the franchise rights granted to you in this Agreement, you will pay us:

(a) If you are signing this Agreement in connection with a start-up Warehouse or in connection with your purchase of an existing re-sale Warehouse from us, our affiliate or an existing franchisee, an "**Initial Franchise Fee**" of Forty-Five Thousand Dollars ($45,000.00) upon signing this Agreement. The Initial Franchise Fee is fully earned when paid and is not refundable; and

(b) An ongoing weekly "**Franchise Fee**" in an amount equal to eight percent (8%) of the Gross Sales, as defined in Section 3.5 below, from the Franchised Business as payment for the continuing right to use the System and the Marks; and

(c) "**Marketing Fees**" as described in Section 8.3 below;

(d) An "**Electronic Procurement Fee**" for each order processed through an electronic procurement channel to cover our costs of creating sales quotes and providing other sales support in connection with such order. The amount of the Electronic Procurement Fee depends on the applicable electronic procurement channel used and may be a percentage of the transaction value, a flat fee, or a combination thereof, with the amount of such percentage or flat fee to be determined by us in our sole discretion. Electronic Procurement Fees are currently invoiced and payable monthly; and

(e) An "**Administrative Fee**" and a "**Late Payment Penalty**" as described in Section 3.4 below.

3.2 Credit Card Processing Services Fees

We or our designee will process credit card payments for customers of the Warehouse during the Term of this Agreement. You must pay us or our designee our then-current processing fee for all credit card transactions processed by us or our designee (the "**Credit Card Processing Services Fee**"). The Credit Card Processing Services Fee must be paid weekly along with your Franchise Fee and Marketing Fees (or as otherwise specified in the Manual). We may change the amount of the Credit Card Processing Services Fee or discontinue the credit card processing services at any time upon thirty (30) days' prior written notice to you. There is no assurance or guarantee as to the ultimate success of the credit card process due to declines, charge-backs, and other similar circumstances. We have no obligation other than to exercise our standard procedures for processing credit card payments. We do not warrant the timing, collectability or disbursement of any amounts owed to you by anyone.

3.3 No Fees Refundable

You agree that no fees payable under this Agreement are refundable in whole or part under any circumstances and that all such fees have been fully earned by us by the grant of this franchise.

3.4 Payment of Fees

(a) You agree to pay us the Franchise Fee and Marketing Fee (the "**Fees**"), inventory payments and any other amounts due through the Network or required under this Agreement, on or before the day of each week that we periodically specify (the "**Payment Day**") by automatic debits or as otherwise designated in the Manual, provided that Electronic Procurement Fees are invoiced and payable monthly. You agree to participate fully in the Network system of debits and credits and automatic transfer of funds. TIME IS OF THE ESSENCE in the payment of all Fees and other fees payable under this Agreement and the recording of each sales and inventory change at the Franchised Business. You agree that we may modify the Payment Day and corresponding reporting period and the manner in which payment must be made to us and our affiliates at any time in our sole discretion.

(b) You agree to furnish or take whatever action is reasonably necessary to establish direct transfers from your bank account(s) to our designated bank account(s) in order to timely pay amounts owed to us and our affiliates. Without limiting the foregoing, you specifically agree to obtain the electronic devices and means designated herein and in the Manual so that we can cause such transfers to be made.

(c) You further agree to maintain sufficient funds in your account(s) to allow timely honoring of each payment to us by your bank or other financial institution on the due date(s). You hereby specifically authorize us to make such direct transfers of the Fees and other amounts owed under this Agreement so long as such transfers of Fees are limited to amounts computed with reference to sales information furnished by you, or if you fail to furnish such information, with reference to good faith estimates by us.

(d) If any payment due to us or our affiliates by you is not received on or before its due date, the payment shall be deemed overdue. Any payment not paid when due will bear interest at the rate of eighteen percent (18%) per annum or the highest rate permitted by law, whichever is less, from the day it was due until paid. Any late payment of Fees or other amounts owed under this Agreement will be accompanied by a late payment administrative charge ("**Administrative Fee**"). For each late payment of any fees owed under this Agreement in any twelve (12)-month period, the Administrative Fee will be (1) One Hundred Fifty Dollars ($150.00) for the first late payment; and (2) Three Hundred Dollars ($300.00) for the second and each subsequent late payment. If any check or draft, electronic or otherwise, is unpaid because of insufficient funds or otherwise, then you shall pay to us and/or our affiliates, our expenses arising from such non-payment, including bank fees in the amount of at least Thirty Dollars ($30.00), hourly staff charges arising from such default starting at a minimum of Five Hundred Dollars ($500.00) and any other related expenses incurred by us ("**Late Payment Penalty**").

(e) To secure payment of the Fees and any other amounts owed to us and/or any of our affiliates, you hereby grant us or any of our affiliates a continuing security interest in your furniture, fixtures, equipment, accessories, inventory, licenses, permits, goods, materials, supplies, accounts, deposit accounts, cash, insurance, documents, instruments, contract rights, rights to the payment of money, general intangibles, and all other assets of the Franchised Business, whether now owned or hereafter acquired, and all books and records relating to and all proceeds of all of the foregoing. This security interest secures all of your obligations, whenever and however arising, to us and/or any of our affiliates. Any default by you under this Franchise Agreement is a default under this security agreement. We have all of the rights of a secured party under the Uniform Commercial Code and you hereby appoint us (acting through any of our officers or employees) to be your attorney in fact with authority to execute for you any UCC-1 Financing Statement or other document necessary to create, perfect, or continue the perfection of any security interest granted in this Agreement. You further agree to pay all costs associated therewith. Except as otherwise provided in this Agreement, you agree that no lien will be created upon or security interest granted in the inventory or other assets without our prior written consent.

3.5 Gross Sales

The term "**Gross Sales**" as used in this Agreement shall mean and include the total of all amounts accrued as the result of the sale of any and all Products and services from or in connection with the Franchised Business to customers within your Territory, as computed in accordance with the Manual and as adjusted for cross-Territory deliveries, credits to your customers, returns of items which may be resold and warranty adjustments. All sales taxes paid in connection therewith and the proceeds from the sale of any furniture, fixtures and equipment used in the Franchised Business shall be excluded from "Gross Sales."

3.6 Other Payments

In addition to all other payments provided herein, you shall pay to us, our affiliates and designees, as applicable, promptly when due:

(a) All amounts advanced by us or that we have paid, or for which we have become obligated to pay on your behalf for any reason whatsoever, provided that nothing herein shall be deemed to constitute an undertaking to make any payments on your behalf; and

(b) The amount of all sales taxes, use taxes, personal property taxes and similar taxes, that shall be imposed upon you and required to be collected or paid by us: (i) on account of your net sales, or (ii) on account of the Fees or Initial Franchise Fees collected by us from you (but excluding ordinary income taxes). We, at our discretion, may collect the taxes in the same manner as the Fees are collected herein and promptly pay the tax collections to the appropriate governmental authority; provided, however, that unless we so elect, it shall be your responsibility to pay any sales, use or other taxes now or hereinafter imposed by any governmental authorities on the Fees or the Initial Franchise Fee. Without limitation of the foregoing, each payment to be made to us hereunder shall be made free and clear and without deduction for any present or future taxes, levies, imposts, duties or other charges of whatever nature, including any interest or penalties thereon, imposed by any governmental authority on or relating to the operation of the Franchised Business, the payment of monies, or the exercise of rights granted pursuant to this Agreement, except taxes imposed on or measured by our net income.

3.7 Applying and Withholding Payments and Our Right of Set-Off.

Despite any designation that you make, we may apply any of your payments to any of your past due indebtedness to us or our affiliates. We may set-off any amounts that you or your direct and indirect owners (whether of record, beneficially, or otherwise) ("**Owners**") owe us or our affiliates against any amounts that we or our affiliates might owe you or Owners, whether in connection with this Agreement or otherwise. You may not withhold payment of any amounts owed to us or our affiliates on the grounds of our or their alleged nonperformance of any of our or their obligations under this Agreement or any other agreement.

ARTICLE 4: OPERATING THE FRANCHISED BUSINESS

4.1 Opening Assistance

You agree to pay the Opening Marketing Package fee set forth in Section 8.1. We or our representative(s) will advise and assist you in coordinating the Warehouse's pre-opening activities and will be available to assist with its operations as reasonably needed in our opinion (such advice and assistance may be provided on-site or via telephone, e-mail or other electronic system, as determined by us in our sole discretion). You agree to carry out any advertising program designed by us for the Warehouse's initial opening, as prescribed or approved by us in advance.

4.2 Operation of the Franchised Business

You, or if you are a Legal Entity (as defined in Section 14.6), a Principal approved by us, agree to devote your full time, best efforts and constant personal attention to the day-to-day operation of the Franchised Business. You specifically agree to:

(a) Consistently refer to, comply with and follow all of the procedures and requirements of the Manual, including, without limitation:

(i) Maintaining at all times a minimum inventory in the amount specified by us in the Manual, including the types of inventory we require and not exceeding the maximum out-of-stock percentage specified by us in the Manual on the Products you sell (as specified by product category). Inventory requirements may change from time to time during the Term of this Agreement. You agree to immediately record in the Network all changes in inventory and to timely pay all suppliers. If you exceed the maximum out-of-stock inventory percentage, fail or refuse to maintain the required types or minimum amounts of inventory specified by us, or otherwise fail to satisfy our then-current inventory requirements, we will have the right and authority (but not the obligation), in addition to all other rights and remedies available to us, to immediately procure such inventory on your behalf and to charge the same to you, which charges, together with a reasonable fee for expenses incurred by us in connection with such procurement, will be payable by you immediately upon demand from us;

(ii) Diligently developing and maintaining a positive relationship with all Shops, Retail Customers and other existing and potential customers of the Franchised Business in the Territory and diligently promoting and making every reasonable effort to increase the sales volumes of the Franchised Business. As part of your obligations, you (or your Field Sales Representative) are required to: (a) make at least the minimum number of personal sales visits to each metro customer or potential metro customer (as defined in the Manual) in the Territory per year as we specify in the Manual; and (b) make at least the minimum number of sales visits to each non-metro customer or potential non-metro customer (as defined in the Manual) in your Territory each year as we specify in the Manual. Unless otherwise specified in the Manual: (i) visits to metro customers must be made in-person and (ii) visits to non-metro customers may be in-person or via approved mailers or other approved methods described in the Manuals.

In addition, you (or your Field Sales Representative) must make regular outbound calls to customers in the Territory (including prospective customers, new customers, existing and former customers, as further specified in the Manual). We may require you to conduct a minimum number of the required sales visits per week (or other specified period) and a minimum number of outbound calls per day (or other specified period) for each applicable year during the Term of this Agreement. You agree to comply with the timing, frequency, method, priority and other requirements for sales visits and calls set forth in the Manual, as modified from time to time and as communicated to you through the Network. You agree to log into the Network daily to receive this information. You and we agree that these sales visits and outbound calls are critical to the success of the Franchised Business, and your failure to comply with these required sales visits and outbound calls will be a material breach of this Agreement. If you fail to make required sales visits and outbound calls in accordance with this Section, in addition to any other right we have under this Agreement, we will have the right (but not the obligation) to perform such visits and/or outbound calls on your behalf, in person or by a direct mailing campaign to customers or potential customers in our sole discretion, and you must reimburse us for any expenses that we incur in doing so;

(iii) Following our instructions to market the Franchised Business in the Yellow Pages and/or online business directories as prescribed by us in the Manual, for which you will be solely responsible;

(iv) Maintaining consistently accurate records of orders, sales and inventories on the Network at all times with no exceptions or off-Network purchases or records;

(v) Following the Manual's procedures for obtaining, paying for and keeping telephone numbers for the Franchised Business (which telephone numbers will at all times belong to us during the Term of this Agreement and thereafter);

(vi) Participating fully in all warranty programs, including, without limitation, supplier warranty allowances, as specified by us in the Manual, and complying with the terms and conditions of such programs in order to maintain customer satisfaction;

(vii) Assisting and cooperating with us in the event that we and/or our affiliates make arrangements to acquire another distributor in the Territory and incorporating that business into the Franchised Business and refraining from acquiring any such business without our prior written approval;

(viii) Cooperating with and assisting us throughout the Term of this Agreement in accepting and adjusting to business methods and techniques which we believe will continue or enhance the success of the System, including, without limitation, use of the Internet and new technologies; and

(ix) Acquiring, installing and maintaining at all times, at your expense, such computer and telephone systems (including all required equipment, hardware and software) that we specify from time to time for use in the operation of the Franchised Business and follow the related procedures that we specify in the Manuals or otherwise in writing. The foregoing obligation shall include any enhancements, additions, substitutions or other modifications to such software, hardware and equipment as may be required from time to time. Among other things, we will require you to install and maintain the Network and other systems that permit us to access and retrieve electronically any information stored in your computer systems, including, without limitation, Customer Data and information concerning Gross Sales and inventory, at the times and in the manner that we may specify from time to time, and you must provide to us all passwords required to access the information on your computer systems. Without limitation of the foregoing, you must, at your expense, adopt, purchase or lease, install and use, and pay any ongoing fees for, any special software that we may develop or acquire for use in the System, including the Network. All information contained in and collected by any such computer program (including, but not limited to, Customer Data, information pertaining to Products and details and specifications concerning Products and such other information as we designate from time to time) shall be our sole and exclusive property. You understand and agree that we and our affiliates may use such information and data, together with any records and reports required by Article 9 or any other provision of this Agreement, for any purpose and in any form as we and our affiliates determine 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 our (or our affiliates') Products and services, Businesses, and/or other automotive businesses franchised and owned by us and our affiliates. Any and all existing and prospective customers in the Territory are owned solely by us and you are licensed to sell approved Products and services to such existing and prospective customers during the Term by us in accordance with this Agreement.

(b) Operate the Franchised Business and its vehicle(s) strictly in a clean, safe and orderly manner, offering only authorized high quality products and providing courteous, first-class service;

(c) Comply with all laws applicable to the operation of the Franchised Business, including, but not limited to, safety regulations; the Americans with Disabilities Act (ADA); the CAN-SPAM Act; the Telephone Consumer Protection Act (TCPA), the Telemarketing Sales Rule (TSP) and other federal and state anti-solicitation laws regulating phone calls, spamming and faxing; and 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);

(d) Maintain a good relationship with all of your suppliers, including meeting their requirements and all of the requirements of the Manual;

(e) Keep the Franchised Business open for business during the hours specified in the Manual unless you have received our prior written approval to the contrary;

(f) Advertise the Franchised Business and properly use the Marks and other designs, insignia, slogans, emblems, symbols and other identifying characteristics as authorized and/or required by the Manual;

(g) Prevent the use of the Franchised Business for any immoral or illegal purpose, or for any other purpose, business activity, use or function which is not expressly authorized by this Agreement or in the Manual; and

(h) Not order Products from or make payments to any unapproved supplier without our prior written consent.

4.3 Uniformity and Conformity

You agree that strict conformity by you with this Agreement, the System and the requirements and instructions of the Manual, including the standards, specifications, systems and procedures contained in this Agreement and in the Manual, is vitally important to the business of all 1-800-RADIATOR & A/C® operators, including you, because of the need for high efficiency and the benefits you and other 1-800-RADIATOR & A/C® operators will derive from uniformity in Products, identity, quality, appearance, facilities and service among all of the Businesses. Any material failure by you to adhere to the requirements contained in this Agreement or in the Manual will be considered a material breach of this Agreement.

4.4 Customers of the Franchised Business

You acknowledge and agree that the success of the Franchised Business and the System as a whole depends upon each Business developing and providing excellent relationships with potential and future customers that are owned by us. Accordingly, you agree to use your best efforts at all times to comply with the requirements contained in this Agreement and in the Manual. You acknowledge and agree that we have the right to randomly or regularly provide surveys to customers and/or prospective customers in the Territory, to engage mystery shopping services to ensure that the Franchised Business is providing quality service in compliance with the terms of this Agreement and the Manual and to contact customers directly from time to time to confirm outbound calls and/or visits and/or to verify that appropriate marketing information is provided to customers in a manner prescribed by us to protect the Marks and the System. At our request, you agree to cooperate with us in performing such surveys and to engage in any corrective measures required as a result thereof, at your expense.

4.5 Approved Suppliers; Designated Suppliers; Franchised Business Products

(a) You agree that you will use and follow the System set forth in the Manual regarding purchasing and will purchase all Products for sale by the Franchised Business only from suppliers that are at that time approved in writing by us as an approved 1-800-RADIATOR & A/C® supplier (each, an "**Approved Supplier**"). Approved Suppliers may include us and/or our affiliates. We may designate the manner or method through which you purchase products and services through Approved Suppliers. If you want to purchase any products from a supplier who is not an Approved Supplier, you must notify us of such supplier and instruct the proposed supplier to contact us and follow our procedures for becoming an Approved Supplier. You will be required to complete our standard Supplier Approval Form. We do not charge a fee for evaluating alternative suppliers, but we may limit the number of Approved Suppliers with whom you may deal, designate sources that you must use, and/or refuse any of your requests for any reason, including that we have already designated an exclusive source (which might be us or our affiliate) for a particular item or service, or if we believe that doing so is in the best interests of the 1-800-RADIATOR & A/C® network.

(b) You and we specifically agree that it is important that all Businesses offer the same or similar Products and services and to obtain price discounts through volume purchases. You agree to offer and sell from the Franchised Business the required brands and Products that we designate in the Manual and to maintain sufficient inventories as specified in the Manual. In order to maintain uniformity and conformity among all Businesses and/or obtain price discounts, you agree that we may require you to purchase from certain suppliers ("**Designated Suppliers**," which will also be listed as Approved Suppliers) minimum quantities of certain products specified in the Manual. You also agree to participate in all purchasing programs so long as they are also required for all other similarly situated Business operators. We and/or our affiliates may derive revenue based on your purchases and leases, including from charging you (at prices exceeding our and their costs) for services and products that we or our affiliates sell you and from promotional allowances, rebates, volume discounts, and other amounts paid to us and our affiliates by Approved Suppliers, Designated Suppliers, or suppliers that we recommend for some or all 1-800-RADIATOR & A/C® franchisees. We and our affiliates may use all amounts received from such suppliers (including Approved Suppliers and Designated Suppliers), whether or not based on your and other franchisees' prospective or actual dealings with them, without restriction for any purposes that we and our affiliates deem appropriate.

(c) You agree that you will not offer or sell any products or services by or through the Franchised Business under any trademark or service mark other than the Marks, and, without our prior written authorization or except as authorized in the Manual, will offer and sell only the Core Products and any Additional Products approved by us for sale through the Network on such additional terms and conditions and we may provide from time to time under separate agreement or otherwise.

(d) We may require you to purchase inventory or other Products or supplies from us and/or affiliates. All current payment terms will be listed in the Manual, and you must comply with those terms. You will order and pay for your inventory as described specifically in the Manual. Currently, we require you to order the Products directly from Approved Suppliers with direct delivery from the Approved Supplier at our negotiated prices. You pay us for all Products ordered through the System, and we then pay the Approved Supplier, as stated in the Manual. We may change this policy from time to time. If you buy from us and/or our affiliate, it may cost you more. You may also order Products for delivery directly to a customer (usually one part at a time), which may be shipped by another Business or by us. All rules governing such transactions will be set forth in the Manual or otherwise communicated to you from time to time and are subject to change. In all cases, you agree that all Products must be ordered through the Network.

(e) You agree to pay for any and all of the additional costs incurred by us and/or our affiliate in distribution to the Warehouse and/or directly to customers within the Territory, and to pay for your share of the costs for the website and ordering for Products sold within the Territory. We reserve the right to charge you initial and/or ongoing fees for: (i) any software that we develop or license for the Network; (ii) e-mail account setup and access; (iii) Website, social media site or telephone system development and/or hosting; and (iv) other maintenance or support services that we or our designee provide for the Network, your telephone system, the Website or any other website or social media site.

(f) You agree to participate in and fully comply with any warranty program(s) designated by us in the Manual and accept any warranty allowances negotiated by us for the Franchised Businesses. Your failure to honor any warranty will be deemed a material breach of this Agreement. In such event, in addition to all other remedies hereunder, we may satisfy the customer by honoring the warranty and otherwise making such payments we deem due to such customer and charge you for any and all costs associated with our resolution of a customer dissatisfaction or warranty issue on behalf of the Franchised Business.

(g) Except as otherwise set forth in this Agreement, we agree that you may determine the prices at which you offer and sell Products from the Franchised Business. We reserve the right, to the fullest extent permitted by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for the Products and services that you offer and sell from the Franchised Business. You agree that we may price Internet and Chain Account sales at our discretion. If you are unwilling or unable to deliver an Internet or Chain Account sale to a customer in your Territory in a timely manner and on such other terms and conditions as we provide, you agree that we, our affiliate, or another franchisee may do so, and you will not be entitled to any compensation for the sale.

4.6 Corporate and Chain Accounts

(a) You agree that we may designate in the Manual as a "**Chain Account**" any potential or actual customer of automotive parts and supplies that conducts business in more than one 1-800-RADIATOR & A/C® territory and with whom we have made arrangements regarding the terms of sale of such Products or services by either us or our franchisees, including you. If any such Chain Account does business in the Territory, you agree to use your best efforts to service such Chain Account customers according to the terms of such arrangements, including, without limitation, all of our conditions, standards, procedures, policies, warranty requirements and pricing for serving the Chain Account, which we may in our sole discretion amend from time to time. You must sign a Chain Account agreement should one be required by us. If you decline to accept a Chain Account, are unable to provide all of the products and services requested by the Chain Account or refuse to service it at prices and according to warranty and other standards we determine, then to protect the reputation of the System and preserve the Chain Account, we, our affiliate, another franchisee or a third party may service such Chain Account in the Territory without any compensation to you. If you refuse to service any order or comply with any standards and specifications, you may lose the right to service that Chain Account, as determined by us in our sole and absolute discretion.

(b) You recognize that various Chain Accounts may require billing and collection procedures that differ from those specified in this Agreement. You are required to comply with any of the billing and collection procedures specified by us for various Chain Accounts, whether they require participation through a centralized billing and collection process or impose some other requirements. We may require that all contracts, invoices and billings for products and services be submitted to a centralized billing service which we or the applicable Chain Account designates. If you receive any payment from any Chain Account which requires centralized billing, you must immediately remit such payments, properly endorsed, directly to the centralized billing service without any deduction. You agree to pay a fee in an amount we designate from time to time for any billing and collections services that we or our designee perform for each Chain Account that requires or requests centralized billing services during the Term of this Agreement. We reserve the right to charge a referral fee.

(c) You further recognize that some Chain Accounts, for whatever reason, may decide that they do not want to do business with you. If this happens, we, in our sole discretion, will cooperate with you, at your expense, to the extent we deem reasonably practicable, to resolve the Chain Account's concern. However, if the Chain Account continues to refuse to do business with you after we exercise what we believe, in our sole discretion, to be reasonable efforts to rectify the problem, then you agree that we, our affiliate, any other franchisee or third party that we designate, may provide services to that/those Chain Account(s). Neither we, our affiliates, any franchisee nor third party will be liable to you or obligated to pay to you any compensation for doing so, nor will we, our affiliate, franchisee or third party be considered in breach of any provision of this Agreement or any other agreement between you and us or our affiliate. You release us, our affiliates, franchisees and third parties providing services to the Chain Accounts, from liability or obligation to you for providing services to such Chain Accounts.

(d) For purposes of coordinating efforts and results of Chain Account programs, you agree to provide us with copies of all reports, forms and notices relating to performing services for Chain Accounts that we may specify from time to time. You also agree to coordinate with us any solicitations you conduct that may have potential for development as Chain Accounts.

(e) There is no assurance or guarantee as to the timing of collection or the ultimate success of collection from Chain Accounts. We have no obligation other than to exercise our standard procedures for collection of amounts due from Chain Accounts. The timing and collection ability of the receivables is affected by other persons and events beyond our control. Some accounts are more reputable and creditworthy than others. We do not warrant the timing, collectability or disbursement of any amounts owed by anyone.

4.7 Customer Ordering and Delivery Expenses

You agree to participate fully in and comply with the centralized Network of customer ordering, payment, delivery, reporting, and inventory control. We will license you during the Term of this Agreement the necessary software to allow you to participate in the Network. You agree to pay, as provided for in the Manual, your portion of certain order costs which generate additional costs to the Network, including, without limitation, delivery charges, credit card charges and commissions, and promotion and advertising costs. Without limiting the foregoing or any other provision of this Agreement: (a) you must use the delivery logistics and route/driver management software and hardware package(s), program(s), and platform(s) (collectively, the "Delivery Logistics Platform") that we designate (or, if we have not designated a Delivery Logistics Platform, and you choose (or we require you) to use a Delivery Logistics Platform, a Delivery Logistics Platform that we have approved) and pay all fees associated with the Delivery Logistics Platform; (b) you must use the delivery services provider(s) that we designate (or, if we have not designated a delivery services provider, and you choose (or we require you) to use a delivery services provider, a delivery services provider that we have approved) and pay all fees associated with such delivery services; and (c) we may require you to use a designated delivery services provider for some or all customer orders.

4.8 Telephone Numbers

You specifically agree that all telephone numbers, including toll-free and local numbers, used in the Franchised Business will belong to us and be maintained in the name and for the use designated by us. You agree to pay for all maintenance and other charges related to each telephone number used by the Franchised Business and authorize us to automatically debit such amounts from your account(s), according to the procedures stated in the Manual. You will allow us to designate each and every telephone number to be used by customers of the Franchised Business. Without our prior written approval, you will (a) not employ and/or publish any other telephone number for customer use in connection with the Franchised Business and (b) use only roll-overs or other forwarding functions authorized by us. You specifically understand and agree that we will have the exclusive use and control of all of these telephone numbers immediately upon expiration or earlier termination of this Agreement. You must sign and deliver to us our standard form of Conditional Assignment of Telephone Numbers and Listings and Internet Addresses attached as an exhibit to our franchise disclosure document.

4.9 Call Center

You acknowledge and recognize the importance of answering inbound customer calls and non-automated electronic response requests and providing service in an expeditious manner and at all times according to the procedures stated in the Manual regarding the answering of such customer calls and requests. We may require you to utilize the services of our designated or approved call center, which may be operated by us or our affiliate, and to pay the fees we designate from time to time for such services. The call center services, procedures and requirements will be described in the Manual. If the call center or system that you have utilized and we have approved does not result in expeditious customer service (as determined by us in our sole discretion), we may disapprove at any time your method of answering inbound calls and non-automated electronic response requests and designate the method you must use. In addition, if you are not answering inbound customer calls and non-automated electronic response requests in a timely fashion in our sole determination, we may require such calls and requests to be routed to a designated call center, including one operated by us or our affiliate, and to charge you for such services. We or our affiliate will have the right to discontinue such call center services at any time, upon thirty (30) days' prior written notice to you.

4.10 Non-competition; Covenants

You agree that the Businesses, including the Franchised Business, must compete against Similar Businesses (as defined below), which may have far greater financial resources and may be better established in the automotive parts and supplies industry. For purposes hereof, a "**Similar Business**" is any outlet, warehouse or other facility or business that provides services and/or products involving the wholesale or retail distribution of automotive parts, supplies and related products similar to those sold in a Business, provided that, for purposes of this Agreement, any other automotive business franchised by Driven Brands Holdings Inc. or its subsidiaries will not be deemed a Similar Business. You therefore specifically agree to the following undertakings as an integral part of the sale of this franchise to you:

(a) During the Term of this Agreement, you and each Principal will use his or her personal best efforts to assure compliance at all times with Sections 4.3, 4.4, 4.5, this Section 4.10 and Article 5 of this Agreement, including obtaining and delivering to us a written Agreement from each such person that he or she agrees to comply with this Section 4.10.

(b) During the Term of this Agreement, neither you nor any Principal will, directly or indirectly, engage in or have any interest whatsoever in or perform any services for any Similar Business without our prior express written consent.

(c) During the Term of this Agreement, neither you nor any Principal will divert or attempt to divert any existing or prospective business or customer of the Franchised Business, or of any other Business, to any Similar Business by direct or indirect inducement, advertising or otherwise do or perform, directly or indirectly, any other act which is injurious or prejudicial to the goodwill associated with the System or the value of the Marks.

(d) For a period of two (2) years following the expiration or earlier termination of this Agreement, neither you nor any Principal will, directly or indirectly, engage in or have any interest whatsoever in any Similar Business which is located (i) within the former Territory or (ii) within twenty-five (25) miles of any 1-800-RADIATOR & A/C® warehouse in the United States of America or Canada without our prior express written consent. You and each of your Principals expressly acknowledge that you possess skills and abilities of a general nature and have the opportunity for exploiting those skills in other ways, so that enforcement of the covenants made in this Section will not deprive any of you of your personal goodwill or ability to earn a living. If you (or any of your Principals) fail or refuse to abide by these covenants, and we obtain enforcement in a judicial or arbitration proceeding, the obligations under the breached covenant will continue in effect for a period of time ending two (2) years after the date of such order enforcing the covenant.

(e) You agree that any violation of this Section 4.10 would result in irreparable injury to us and the System and that we would be without an adequate remedy at law. You agree that in the event of a breach or threatened breach of any such covenant, we will not be required to prove actual or threatened damage from such breach or post a bond in order to obtain a temporary and/or permanent injunction and a decree for specific performance of the terms of this Section 4.10. In addition to injunctive relief, we shall be entitled to any other remedies which we may have under this Agreement, at law or in equity.

(f) The parties agree that each of these covenants will be construed as independent of each other and of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 4.10 is held unenforceable by a court or arbitrator having valid jurisdiction in a final decision between the parties hereto and from which no appeal has or may be taken, you expressly agree to be bound by the remaining portion of such covenant.

(g) You agree to obtain execution of covenants similar to those in Section 5.2 from any of your employees who have received or will have access to our confidential information. You further agree to obtain execution of covenants similar to those in Section 4.10 and Section 5.2 from any holder of a beneficial interest in you who is not a Principal, at our request. Such covenants shall be substantially in the form set forth in Attachment 5 to this Agreement, except that you shall not be required to obtain a covenant similar to Section 2.b under "Covenants Not to Compete" in Attachment 5 from your employees who are not Principals and who do not hold a beneficial interest in you.

4.11 Internet Website

(a) We have established and maintain an Internet website at the uniform resource locator www.1800radiator.com that provides information about the System and the Businesses (the "**Website**"). We may (but are not required to) include at the Website an interior page containing additional information about the Franchised Business. If we include your information on the Website, we have the right to require you to prepare all or a portion of the page, at your expense, using a template that we provide. All information is subject to our approval before posting.

(b) We will have sole discretion and control over the Website's design and content. We have the sole right to approve any linking to, or other use of, the Website. We have no obligation to maintain the Website indefinitely, and we may discontinue it at any time without liability to you. Furthermore, as we have no control over the stability or maintenance of the Internet generally, we are not responsible for damage or loss caused by errors of the Internet.

(c) We also may establish, maintain and or utilize one or more social media sites (e.g., www.twitter.com, www.facebook.com or such other social media sites) in connection with the franchised network. You may not establish or maintain any social media sites utilizing any user names, or otherwise, associated with the Marks, without our advance written consent. We may designate from time to time regional or territory-specific user names/handles that you must maintain. You must adhere to the social media policies that we establish from time to time, and must require your employees to do so as well.

(d) You agree that you will not advertise on the Internet using, or establish, create or operate an Internet site or website using a domain name or uniform resource locator containing, the Marks or the words "1-800-RADIATOR" or "1-800-RADIATOR & A/C" or any variation thereof, or establish or maintain any website for the Franchised Business, without our prior written approval. Any website we approve must comply with System standards, as set forth in the Manual or otherwise in writing, and we reserve the right to revoke our approval if any such website fails to continue to satisfy System standards. We or our affiliate are the sole owner of all right, title and interest in and to such domain names as we designate in the Manual from time to time. You will not be allowed to establish or operate any website for the Franchised Business without our prior written consent.

ARTICLE 5: THE MANUAL AND OTHER CONFIDENTIAL INFORMATION

5.1 The Manual

(a) You acknowledge and agree that the Manual may be provided to you in written form and/or in an electronic format as part of a computer program or other electronic process, including, without limitation, an Internet access procedure, and you agree to purchase whatever equipment and materials are reasonably necessary to employ the Manual in that format. Some sections of the Manual may be in written form while other sections of the Manual may be in an electronic format.

(b) You agree to comply strictly and completely with and continuously perform, fulfill, observe and follow all instructions, requirements, standards, specifications, systems and procedures contained in the Manual, including those dealing with the purchasing, storage, delivery, sales and related services in connection with automotive parts and supplies and the maintenance and repair of the vehicles used in the Franchised Business as well as other equipment and including those provisions of the Manual relating to employee dress and appearance, accounting, record retention and other business systems, forms and procedures.

(c) All references to the Manual in this Agreement are to the Manual as most recently revised as of the relevant date.

(d) You specifically agree that the Manual is an integral, necessary and material element of the System and that it will be necessary for us, in order to maintain the high quality of the System and maximize its competitive position, to revise and update the Manual from time to time. We have the right at any time and from time to time, in our reasonable business judgment, to revise, delete from and add to the materials contained in the Manual. You expressly agree to comply promptly with all changes to the Manual.

5.2 Confidentiality

You agree that we or our affiliate (a) own all rights in and to the System, including the information and materials described or contained in the Manual, our proprietary software, all data and other information generated by, or used or developed in, operating the Franchised Business, including Customer Data, customer lists and existing and prospective customers and (b) that the System, Manual, proprietary software and customer lists contain trade secrets and themselves constitute our trade secrets which have been or will be revealed to you in confidence. "**Customer Data**" means the names, contact information, financial information, customer order history, and other personal information of or relating to the Franchised Business's customers and prospective customers. You agree that you shall acquire no interest in our trade secrets other than the right to use them in developing and operating the Franchised Business during the Term of this Agreement and that you shall not to disclose, duplicate, license, sell or reveal any portion thereof to any other person, except those of your employees required by his or her work to be familiar with such information. You agree to keep and respect all confidential information received from us and to obtain from each Owner an agreement (satisfactory to us in form and substance and substantially in the form attached as Attachment 5 to this Agreement) to keep and respect all such confidences. You will be responsible for compliance by said individuals with such agreements.

You must comply with the System standards, our other directions, prevailing industry standards (including payment card industry data security standards), and all applicable laws, 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 your computer system or otherwise in your possession or control and, in any event, employ reasonable means to safeguard the confidentiality and security of Customer Data.

If there is a suspected or actual breach of security or unauthorized access involving the Customer Data (a "**Data Security Incident**"), you must notify us immediately after becoming aware of such actual or suspected occurrence 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.

We and our affiliates will, through your computer system or otherwise, have access to Customer Data. During and after the Term, we and our affiliates may make any and all disclosures and use the Customer Data in its and their business activities and in any manner that we or they deem 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 this Agreement contemplates.

5.3 Our Property

The Manual and all other confidential materials furnished to you hereunder will remain our property, and you must deliver all paper and electronic copies of the Manual to us immediately upon our request. You agree that all materials bearing one or more of the Marks are proprietary to us, and that we may purchase any such material from you upon expiration or earlier termination of this Agreement at your cost for such material(s). In addition, you agree that we are the sole owner of all proprietary information included in the System and its business operations, including those of the Franchised Business, including, without limitation, the existing and prospective customers within and outside of the Territory, all Customer Data, arrangements with suppliers and e-mail addresses.

ARTICLE 6: TRAINING

6.1 Initial Training

We will make available to you and your designated employees at a place or places designated by us the initial franchise operations training course. The initial franchise operations training course is tuition-free.

6.2 Training Required

You (or if you are a Legal Entity, one of your Principals approved by us) must attend and successfully complete our initial franchise operations training course to our reasonable satisfaction before the Franchised Business opens for business. We may waive attendance at and completion of all or any portion of the initial franchise operations training course and any continuing or additional training, in our sole and absolute discretion.

6.3 Continuing Training

You, and such other of your employees as we may designate, will personally attend and complete periodic refresher courses in 1-800-RADIATOR & A/C® operations and any mandatory training sessions held by us from time to time (in person or through distance learning training modules) for the purpose of introducing new services, Additional Products or procedures. Continuing training courses are tuition-free unless we are charged by third parties for the use of facilities or personnel or if our trainers incur any travel and living expenses in providing such training. If so, you agree to pay for your share of these charges.

6.4 Conferences

We may hold periodic national or regional conferences, including an annual conference, to discuss various business issues and operational and general business concerns affecting Businesses. Attendance at these conferences is mandatory for you and such other of your employees as we may designate. We may charge you a registration fee to cover the costs and expenses of such conference(s), regardless of whether you or your representative attends such conference(s).

6.5 Training Employees

You will be responsible for full compliance by the Franchised Business with the requirements taught at our operations training courses and will cause the Franchised Business's employees to be trained in those requirements which are relevant to the performance of their respective duties.

6.6 Expenses

All costs and expenses incurred by you and your personnel in connection with the initial franchise operations training, refresher or continuing training, and regional or national conferences, will be your responsibility. This includes, without limitation, the cost of travel, lodging, meals and other related and incidental expenses incurred by you and your personnel. We are not responsible for compensating any of the trainees from the Franchised Business in connection with such training programs and you must ensure that you comply with any applicable laws regarding compensating employees for attending and participating in such training programs.

ARTICLE 7: EQUIPMENT AND VEHICLES

7.1 Purchase, Repairs and Maintenance

You agree that you will, at your sole cost and expense, properly maintain and equip the Warehouse and any vehicles and other equipment used in the Franchised Business and will purchase and maintain at all times the required minimum inventory of the Products and will not exceed the maximum out-of-stock percentages (per product category), all as are specified from time to time by us in the Manual. You agree to stock all Product lines we require in your Warehouse, unless we otherwise provide our express written consent. You specifically agree (i) at our request to sublease additional warehouse space and to replace vehicles and other equipment as necessary or desirable at your cost and expense, (ii) to obtain at your cost and expense any new or additional equipment, and (iii) to satisfy our inventory requirements for the Products, all as may be reasonably required for new services, Additional Products or procedures and in accordance with the requirements of the Manual. You also agree to follow the requirements of the Manual in regard to the design, color and décor of the vehicles and Warehouse unless you have received our prior written approval. You agree that you will take all action we request promptly, within a reasonable time period after you receive our request.

7.2 Other Equipment and Devices

You agree to obtain and maintain for the Franchised Business all of the equipment required by the Manual, including, without limitation, the computer systems referenced in Section 4.2(a)(ix) of this Agreement. You acknowledge that the System and the Network employ an integrated method of handling customer orders, sales, inventory, and reporting, which requires full compliance and uniformity of operation. Accordingly, you agree that we may in the future designate additional or replacement equipment necessary to satisfy customer orders efficiently.

ARTICLE 8: MARKETING AND ADVERTISING

8.1 Opening Marketing Package

Prior to opening the Warehouse (or shortly before your acquisition of an existing Business, if you do not purchase a start-up Business) you must pay us Thirty Thousand Dollars ($30,000.00) for assistance we provide to you in opening and marketing the Franchised Business in the Territory (the "**Opening Marketing Package**") as further described in Section 4.1.

8.2 Ongoing Marketing, Promotion and Advertising Programs

The parties recognize the value of marketing, advertising and promotions to enhance the goodwill and public image of the System. At our discretion, we may develop marketing, promotion and advertising programs designed to promote and enhance the goodwill associated with the Marks, to promote the sale of any or all Core Products and Additional Products and to develop and maintain a favorable public image of the Businesses generally. You expressly agree that in all respects of such marketing, promotion and advertising (including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies), our decisions will be final and binding. You agree to participate, at your expense, in all such advertising and sales promotion programs, including, without limitation, promotional discounts, coupons and mailers required by us, in full and complete compliance with any terms and conditions as we may establish in the Manual or otherwise in writing.

8.3 Marketing Fees; Funding of Advertising and Promotion Programs

You agree to pay us a "**System Marketing Fee**" and a "**Local Marketing Fee**" based on Gross Sales of the Franchised Business as described below:

(a) System Marketing Fees. You must pay us one and one-half percent (1.5%) of Gross Sales as a "**System Marketing Fee**." We will deposit the System Marketing Fees into our general operating account but will account for them separately. We will use the System Marketing Fees to develop and implement advertising, marketing and promotion programs and materials designed to promote and enhance the goodwill associated with the Marks, to promote the sale of any or all Core Products and Additional Products and to develop and maintain a favorable public image of the Businesses generally. We will direct all programs financed by, or materials prepared, developed or created with, System Marketing Fees, with sole discretion over the creative concepts, materials and endorsements used and the geographic, market and media placement and allocation of the programs. For our services, we charge an administrative fee in an amount equal to fifteen percent (15%) of all System Marketing Fees collected. There is no assurance that you and other franchisees will receive equal benefit from the use of the System Marketing Fees. Usage may include compensation to our employees (or our affiliates' employees) for their assistance with marketing programs. We and our affiliate(s) will also pay System Marketing Fees on the same basis as franchisees for any Businesses that we or our affiliates own and operate in the continental United States. We may spend, in any fiscal year, an amount greater or less than the aggregate System Marketing Fees in that year. Except as expressly provided in this Section, we assume no direct or indirect liability or obligation to you with respect to maintaining, directing, administering or collecting System Marketing Fees. You acknowledge that we assume no fiduciary duty in administering System Marketing Fees.

(b) Local Marketing Fees. You must pay us an additional one-half percent (0.5%) of Gross Sales as a "**Local Marketing Fee**." We will use these funds for the purpose of assisting you in marketing the Franchised Business within the Territory. Such advertising and promotion will utilize the marketing, public relations programs, media, and advertising materials we have developed or approved, whether or not you choose to utilize or participate in any such programs that are optional. We may from time to time develop and administer advertising, marketing and sales promotion programs designed to enhance and promote the collective success of two (2) or more Businesses within a geographic region or market area, as determined by us in our sole discretion, and we may pool the Local Marketing Fees for such Businesses and use the funds for such purposes. We will determine the type, quantity, timing, placement and choice of media and market areas for such advertising, marketing and sales promotion programs in our sole and absolute discretion. We are not required to segregate such funds nor to provide any reports or accounting of the use of the Local Marketing Fees

8.4 Approval of Advertising

(a) You must use only advertising copy and other materials which are in strict compliance with our requirements, as set forth in the Manual or otherwise.

(b) If you wish to use other or modified materials, you must submit to us, in each instance and at least thirty (30) days prior to first use, the proposed advertising copy and materials for approval in advance of publication. You may use only advertising materials which have been approved in writing by us.

(c) In no event will your advertising contain any statement or material which may be considered (i) in bad taste or offensive to the public or to any group of persons or (ii) defamatory of any person or an attack on any competitor.

(d) You must follow the procedures for marketing in the Yellow Pages and/or online business directories, as prescribed by us in the Manual, and use the System's designated agent to obtain the most effective Yellow Pages and online directory marketing results.

ARTICLE 9: ACCOUNTING AND RECORD KEEPING

9.1 Records

(a) You agree to use the same fiscal year for the Franchised Business as required by the Manual (which is currently based on twelve (12) periods ("**Periods**") each year, with each quarter containing two (2) four (4)-week Periods and one (1) five (5)-week Period) in connection with the operation of the Franchised Business. You must maintain during the entire Term of this Agreement, and preserve for a minimum of seven (7) years from the date of preparation, one set only of full, complete and accurate books, records and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by us from time to time. You agree to obtain and use as set forth in the Manual any computer programs, book-keeping and record keeping forms and electronic equipment necessary to keep the Franchised Business in conformity with the rest of the System.

9.2 Reports

In addition to full participation in the Network and making all mandatory governmental filings, you agree to provide in the form and manner and on the time schedule we require, which may change from time to time, the reports and information required by us listed below and otherwise stated in the Manual:

(a) Profit and Loss Statements, Balance Sheets and Statement of Cash Flows and Inventory Reports for each quarter, which information may be unaudited but must be certified by you to be true and accurate and which must be received by us not later than fifteen (15) business days after the end of the accounting period;

(b) A copy of each Sales Tax Report filed by you with the any governmental agency, which must be sent to us concurrently with each filing;

(c) Annual Balance Sheet, Profit and Loss Statement and Statements of Cash Flow, which information may be unaudited but must be certified by you to be true and accurate and which must be received by us not later than ninety (90) calendar days after the end of each fiscal year;

(d) A copy of any amendments or corrections of any of the foregoing, which must be sent immediately to us following preparation; and

(e) Such additional information which may be specified in the Manual and/or required by us to verify the foregoing information.

TIME IS OF THE ESSENCE with respect to completion and submission of each such report or other document.

9.3 Online Banking Access; Monthly Reports

(a) For a period of nine (9) months from the date that you commence operations of the Franchised Business (the "**Initial Operating Period**") and/or during any subsequent period we designate in the event that you are in default under the terms of this Agreement or owe money to us and/or our affiliates, you agree to: (i) provide us with monthly Profit and Loss Statements and Statements of Cash Flows, which information may be unaudited but must be certified by you to be true and accurate and must be received by us not later than the fifth (5^{th}) day of each month for the preceding month; (ii) grant us online viewing access to review daily the Franchised Business' bank operating account (if your bank does not allow view-only access, then you must provide us with weekly statements showing the current balance in your operating account and all transactions, including deposits, withdrawals and checks, during such period); and (iii) participate in weekly conference calls with us or our representative for the purpose of reviewing your budget, variances, cash flow analysis, and any other items that we require.

(b) If you fail to timely pay any amounts owed to us or our affiliates during the Term, we may, in addition to all other rights and remedies that we have, require you to provide us with financial statements and visible online bank access as described in Section 9.3(a) above for a period of twelve (12) months from your receipt of our written notice. We may also require you to participate in weekly or monthly conference calls to review your budget, variances, cash flow analysis, and any other items that we require.

ARTICLE 10: AUDITS AND INSPECTIONS

10.1 Audit Rights

You agree that we will at all times have the following audit rights:

(a) Our representatives may on a reasonable basis review, inspect and copy any and all accounting records, tax records and other such documents and/or electronic records, and conduct audits of inventory as they determine, in their sole discretion as being necessary to audit your compliance with this Agreement and the Manual.

(b) If any such inspection or audit reveals that the Gross Sales reported in any report or statement are less than the actual Gross Sales calculated during such inspection, then you will immediately pay us the additional amount of fees owing by reason of the understatement of Gross Sales previously reported, together with interest as provided in Section 3.4. In the event that any report or statement by you understated Gross Sales by more than two percent (2%) of the actual Gross Sales calculated during our inspection, you will, in addition to paying for the additional fees, pay and reimburse us for any and all expenses incurred in connection with our inspection, including, but not limited to, reasonable accounting and legal fees. Such payments will be without prejudice to any other rights or remedies we may have under this Agreement or otherwise. In addition, we may at our sole discretion require a complete and full audit in accordance with generally accepted accounting principles and by a certified public accountant acceptable to us, at your expense.

10.2 Visitation; Inventory

We will have the right at any time during normal business hours, from time to time without notice, to have our representatives visit the Franchised Business for the purpose of inspecting the condition of the Warehouse and its operations and inventory of Products for compliance with our requirements contained in this Agreement and in the Manual, and for any other reasonable purpose connected with the operation of the Franchised Business. You agree that in each instance it is materially important that the Warehouse's on-hand inventory matches the inventory levels for the Warehouse on the Network at that time.

10.3 Books and Records

Without limiting the generality of Section 10.2, our representatives will have the right at all times during normal business hours to confer with the employees of the Franchised Business, and to inspect your inventory, books, records and tax returns, or such portions thereof as pertain to the operation of the Franchised Business. All of your inventory, books, records and tax returns will be kept and maintained at the Warehouse, at your primary office or such other place as may be agreed to from time to time in writing by the parties.

10.4 Ownership Records

You must maintain an accurate stock register or other list of the names, addresses and interests of all Owners. Upon ten (10) days written notice from us, you agree either to deliver to us a copy of such register and/or list of Owners, certified by your chief executive officer to be correct. During any audit or other inspection under this Section 10, you will allow our representatives to inspect and copy such register and/or list. For the avoidance of doubt, this Section 10.4 does not limit, in any manner, your obligations to us under Section 14.6(f).

ARTICLE 11: RELATIONSHIP OF PARTIES AND INDEMNIFICATION

11.1 Relationship

You are 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 and, where permitted by law to do so, you will file a business certificate to such effect with the proper recording authorities. This Agreement does not create a fiduciary relationship between the parties. Further, we and you are not and do not intend to be partners, associates, or joint employers in any way, and we shall not be construed to be jointly liable for any of your acts or omissions under any circumstances. Although we retain the right to establish and modify the System that you must follow, you retain the responsibility for the day-to-day management and operation of the Warehouse and implementing and maintaining standards at the Warehouse. To the extent that the Manual or our guidelines or standards contain employee-related policies or procedures that might apply to your employees, those policies and procedures are provided for informational purposes only and do not represent mandatory policies and procedures to be implemented by you. You must determine to what extent, if any, these policies and procedures may be applicable to your operations at the Warehouse. We and you recognize that we neither dictate nor control labor or employment matters for franchisees and that you, and not us, are solely responsible for dictating the terms and conditions of employment for your employees, including, but not limited to, training, wages, benefits, promotions, hirings and firings, vacations, safety, work schedules, and specific tasks. We have no relationship with your employees, and you have no relationship with our employees. You are not authorized to make any statement or commitment on behalf of us, or to create any obligation express or implied on behalf of us. You will not use the name 1-800-RADIATOR & A/C® or any similar words as part of the name of a corporation or other business entity directly or indirectly associated with you.

11.2 Indemnification

From and after the date of this Agreement, you and your Principals and other Owners, jointly and severally, shall indemnify us and our 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 "**Franchisor Indemnitees**") and hold the Franchisor 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 Franchised Business, including your failure to perform any covenant or agreement under this Agreement or any of your activities on or after the date of this Agreement, or any claims by any employee of yours arising out of or relating to his or her employment with you (collectively, "**Event**"), and regardless of whether it resulted from any strict or vicarious liability imposed by law on the Franchisor Indemnitees; provided, however, that this indemnity will not apply to any liability arising from a breach of this Agreement by any of the Franchisor Indemnitees or the gross negligence or willful acts of any of the Franchisor 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 you). "**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 our reputation and goodwill, and all other costs associated with any of the foregoing losses and expenses.

Promptly after the receipt by any Franchisor Indemnitee of notice of the commencement of any action against such Franchisor Indemnitee by a third party (such action, a "**Third-Party Claim**"), the Franchisor Indemnitee will, if a claim with respect thereto is to be made for indemnification pursuant to this Section 11.2 give a claim notice to you with respect to such Third-Party Claim. No delay or failure on the part of the Franchisor Indemnitee in so notifying you will limit any liability or obligation for indemnification pursuant to this Section 11.2, except to the extent of any material prejudice to you with respect to such claim caused by or arising out of such delay or failure. We will have the right to assume control of the defense of such Third-Party Claim, and you and Owners will be responsible for the costs incurred in connection with the defense of such Third-Party Claim. You, your Principals and your other Owners will furnish us with such information as you 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 us in the defense of such Third-Party Claim. The fees and expenses of counsel incurred by us will be considered Losses and Expenses for purposes of this Agreement. We may as we deem necessary and appropriate take such actions to take remedial or corrective action with respect thereof as may be, in our reasonable discretion, necessary for the protection of the Franchisor Indemnitees or the Businesses generally. We 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 you, your Principals and your other 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 Franchisor Indemnitees.

This Section 11.2 will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

11.3 Disclaimer of Liability

We agree that we will use reasonable business efforts to maintain the Network of customer ordering, payment and delivery at all times and to take immediate action to repair any material problems. However, you agree that in the event of a failure of the Network to perform its intended function for any purpose other than intentional misconduct on our part, you will not hold us responsible for any damages such failure may have in regard to the Franchised Business and disclaim any liability on our part for such failure. Such disclaimer includes, but is not limited to, direct, indirect, incidental, special, punitive and consequential damages.

ARTICLE 12: INSURANCE

12.1 Insurance

Before beginning construction or remodeling of the Warehouse, you will obtain and will maintain in full force and effect during the entire Term of this Agreement, at your sole cost and expense, an insurance policy or policies protecting you and us against any and all loss, liability or occurrence, arising out of or in connection with the construction, condition, operation, use or occupancy of the Franchised Business and the Warehouse premises. We and our affiliate must be named as an additional insured in all such policies, workers' compensation excepted.

12.2 Policies

In all events, the insurance policy or policies must include at least the following:

(a) Comprehensive general liability insurance, including products liability coverage with minimum coverage of One Million Dollars ($1,000,000.00) per occurrence and Two Million Dollars ($2,000,000.00) in the aggregate. Coverage will be primary and non-contributory to any other insurance available to us.

(b) Property insurance covering the perils of fire and extended coverage, vandalism and malicious mischief with coverage to be at replacement cost.

(c) Liability for owned, non-owned and hired vehicles with minimum coverage of One Million Dollars ($1,000,000.00) per occurrence and Two Million Dollars ($2,000,000.00) in the aggregate.

(d) Business interruption/loss of income insurance for a minimum of six (6) months.

(e) Umbrella liability insurance policy providing a minimum of Two Million Dollars ($2,000,000.00) coverage in excess of the above limits.

(f) Course of construction insurance at replacement cost.

(g) Workers' compensation insurance as required by applicable state law.

Your obligation to maintain this insurance will not be limited in any way by reason of any insurance maintained by us. You will be liable for the payment of any deductible amount under your insurance policies maintained. Your insurance deductible or self-insured retention will not exceed any amount we may specify in the Manual or otherwise in writing unless otherwise approved by us and such amount will be evidenced on the certificate of insurance. Such policies must include a waiver of subrogation in our favor.

12.3 Qualified Insurance Carrier

All insurance policies required by this Agreement must be written by a responsible insurance company or companies satisfactory to us and in accordance with the minimum limits set forth in Section 12.2 above, which may be changed from time to time by us at our discretion to reflect changed conditions. Each insurance company must be rated no less than A VII by A.M. Best Company, Inc. You must maintain such additional insurance coverage and increased limits that we may reasonably consider advisable for a Business in the area where the Franchised Business is located.

12.4 Certificates

Upon obtaining the insurance required by this Agreement and on each policy renewal date thereafter, you will deliver to us for our approval certificates of insurance showing compliance with the requirements of Section 12.1. Such certificates must state that the policy or policies will not be canceled or altered without at least thirty (30) days' prior written notice to us. It is your express obligation under this Agreement to provide all renewal notifications, including evidence that we and our affiliate continue to be included as additional insureds on each policy, each time a policy expires and/or is renewed. At our sole discretion, we shall have the right to review your insurance policies. You agree to produce copies of such policies in full within five (5) business days after our written request. Maintenance of such insurance and the performance by you of your obligations under this Article 12 will not relieve you under the indemnity provisions of this Agreement or limit such liability.

12.5 Failure to Insure

If you, for any reason, fail to obtain and maintain the insurance coverage required by this Section, we will have the right and authority to obtain immediately such insurance coverage and to charge the cost thereof plus a ten percent (10%) processing fee to you, which charges will be paid immediately upon notice and will be subject to charges for late payments in the manner set forth in Section 3.4 hereof.

ARTICLE 13: DEBTS AND TAXES

13.1 Debts and Obligations

You acknowledge and agree that the System involves the maintenance of very good relationships with its suppliers. Accordingly, you must pay promptly when due all debts and other obligations incurred directly or indirectly in connection with your Franchised Business, including, without limitation, all suppliers of Products, supplies, other materials and services for the Franchised Business. You may in good faith and in accordance with applicable law dispute claims relating to these debts and obligations.

13.2 Taxes

You must pay promptly when due all sales taxes and other taxes and assessments that may be assessed against the Franchised Business' land, building and other improvements, equipment, fixtures, signs, furnishings, vehicles and other property, and all liens and encumbrances of every kind and character incurred by or on behalf of you in conducting the Franchised Business. You may protest or contest any amounts paying the alleged amounts owed and seek refund or reimbursement in accordance with applicable law. If required, you agree to obtain resale tax certificates from your wholesale customers.

ARTICLE 14: SALE AND ASSIGNMENT, RESTRICTIONS

14.1 Definition of Principals

For purposes of this Article 14, the term "**Principals**" includes each individual Owner signing this Agreement as a "Principal" and the spouse, minor children, and any trust for the benefit of such Principal.

14.2 Authorized Agent

If you are a Legal Entity, you and the Principals appoint the following person with full authority (the "**Authorized Agent**") to act on behalf of you and the Principals in regard to performing, administering or amending this Agreement: ______________________________. We may deal completely with the Authorized Agent in such regard unless and until our actual receipt of written notice from you and the Principals of the appointment of a successor to the Authorized Agent.

14.3 Personal Contract

You agree that a material part of the consideration for our entering into this Agreement is the personal confidence reposed in you and the Principals. No person will succeed to any of your rights under this Agreement by virtue of any voluntary or involuntary proceeding in bankruptcy, receivership, attachment, execution, assignment for the benefit of creditors, other legal process or transfer not expressly authorized by us.

14.4 Consent Mandatory

Except as expressly provided for herein, any attempt by you to transfer any of your rights or interest under this Agreement and any attempt by any Owner to transfer his or her interest in you will constitute a material breach of this Agreement, and in such event, we will have the right to terminate this Agreement upon written notice to you. We will not be bound by any attempted transfer in any manner whatsoever, by law or otherwise, of any of your rights or interests under this Agreement except as permitted by this Article 14.

14.5 Personal Guarantees

Unless we have given our written consent to the contrary, each of the Principals signing this Agreement hereby personally guarantees, jointly and severally, the full payment and performance of your obligations under this Agreement and will sign and deliver to us a copy of our then-current form of guaranty (the "Guaranty"), the current form of which is attached as Attachment 3 hereto. In addition, any individual that becomes an Owner at any time after the date of this Agreement, whether pursuant to applicable provisions of this Article 14 or otherwise, will, upon our request, and as a condition of becoming an Owner, execute the Guaranty.

14.6 Form of Legal Entity

(a) If you have been organized under applicable law as a legal entity such as a corporation, partnership or limited liability company (a "**Legal Entity**") or if your interests in this Agreement are to be transferred to a Legal Entity, such Legal Entity must be expressly approved in advance and in writing by us and you must comply with this Section and any other condition which we may require, including a limitation on the number of direct and indirect owners of the Legal Entity. We will not charge a transfer fee for forming such a Legal Entity.

(b) Unless we provide our prior written consent to the contrary, the Legal Entity must satisfy the following conditions and such other conditions as we may require under the circumstances:

(i) The Legal Entity must be closely held with the single purpose of operating Businesses.

(ii) The Principal(s) (as defined above) collectively will own and control not less than fifty-one percent (51%) of the voting rights of the Legal Entity or otherwise satisfy us that the Principals have operational control of the Legal Entity.

(iii) There will not be more than ten (10) direct and indirect owners of the Legal Entity in addition to the Principals.

(iv) The name of the legal entity may not utilize all or any portion of the Marks.

(c) You will notify us of any proposed issuance or transfer of a direct or indirect ownership interest in the Legal Entity, and we will have thirty (30) days after its receipt of such notice to disapprove such intended issuance or transfer. Such disapproval must be reasonable. Without limitation, disapproval shall be deemed to be reasonable if it is based on the transferee's being involved with other parties in competition with the Business or having a known history, reputation or character which is adverse to the interests of the Business. A failure by us to respond timely to such notice will be deemed disapproval of the proposed transfer. Each such notice from you must identify the proposed transferor and transferee and provide a complete and accurate description of the proposed transferee sufficiently detailed to allow us to make a reasoned decision of approval or disapproval.

(d) Notwithstanding anything to the contrary contained in this Section 14.6, a transfer of any direct or indirect ownership interest in the Legal Entity which involves only a transfer between or among the Principals, entities wholly owned and controlled by the Principals or any of them, or entities controlled by any Principal for the benefit of members of his or her immediate family, shall not require our prior written approval so long as the other requirements of this Section 14.6 are satisfied and we receive prior written notice of such transfer together with complete details regarding the ownership and legal structure of the transferee(s). We will not unreasonably withhold our approval of any transfer so long as the Principals maintain operational control over you.

(e) Upon our request, you agree to provide us with copies of the Legal Entity's organizational documents and any other Legal Entity documents, books, or records, including certificates of good standing from the state of the Legal Entity's formation. Such organizational documents will contain the restrictions set forth in Sections 14.6(b) and (c) above and this Section 14.6(e). You will cause to be printed on each certificate or other document of ownership of the Legal Entity a legend referencing the restrictions contained herein, which will read substantially as follows:

> "The transfer of any direct or indirect ownership interest in this company is subject to the terms and conditions of a Franchise Agreement with the 1-800-RADIATOR & A/C® franchisor. Reference is made to such Franchise Agreement and to the restrictive provisions contained in the organization documents of this company."

(f) You agree and represent that, if you are a Legal Entity, Attachment 6 hereto completely and accurately describes all Owners and their ownership interests in you and your officers and principal executives. Subject to our rights and your obligations under this Section 14, you and Owners agree to sign and deliver to us promptly a revised Attachment 6 to reflect any changes in the ownership information that Attachment 6 now includes. For the avoidance of doubt, this Section 14.6(f) does not limit, in any manner, your obligations to us under Section 10.4.

14.7 Written Consent

(a) Except as otherwise expressly set forth in this Article 14, neither your rights and interests under this Agreement nor any direct or indirect ownership interests in you (if you are a Legal Entity) may be sold, assigned, encumbered or otherwise transferred (all of which are hereinafter included within the term "**transfer**") in whole or in part in any manner whatsoever without our prior express written consent. We will not unreasonably withhold our consent to a transfer. In considering a request for transfer, we will consider, among other things, the qualifications, apparent ability and credit standing of the proposed transferee as if he or she were a prospective direct purchaser of a franchise from us. In addition, but without limitation, we will require as a condition precedent to the granting of our consent that:

(i) There must be no existing default in the performance or observance of any of your obligations under this Agreement or any other agreement with us or any affiliate and the Warehouse will be in condition and appearance satisfactory to us and in accordance with our System standards at that time;

(ii) You must settle all outstanding accounts with us and our affiliate(s) and all of your suppliers;

(iii) You must pay us a transfer fee equal to Twenty Thousand Dollars ($20,000.00);

(iv) The proposed transferee or other person(s) designated by us must prior to the transfer personally attend and satisfactorily complete our tuition-free training program;

(v) The proposed transferee must execute our then-current form of franchise agreement for a term equal to the remaining term of this Agreement. The proposed transferee will be required to pay us our then-current initial franchise fee, and must pay all other amounts due under such franchise agreement, including, without limitation, the Opening Marketing Package fee for re-introducing the transferred Franchised Business to the public;

(vi) All telephone numbers and phones must be the property of us pursuant to the terms of this Agreement and the Manual;

(vii) The transfer documents must contain a non-competition agreement similar to that set forth in this Agreement in Article 4; and

(viii) Such other requirements as we may in our discretion deem reasonably necessary, including a general release of any claims against us or our affiliates.

(b) Neither this Agreement, any of the rights conferred on you hereunder nor any ownership interests in the purchasing franchisee may be retained by you as the transferring franchisee as security for the payment of any obligation that may arise by reason of any such transfer.

14.8 Death and Disability

(a) Except as provided for herein to the contrary, the death or disability of an Owner shall have the legal results of applicable law. In the event of the death or legal incapacity of one of the Principals, the decedent's estate or you must immediately notify us of such death and within thirty (30) days after such notice further notify us of a proposed successor to the decedent's interests (the "**Successor**"). If we approve the Successor, he or she will replace the decedent as a Principal hereunder.

(b) In the event we do not approve the Successor, we will so notify you, and you or the decedent's estate will use your best efforts within the three (3) months from the date of such written notice from us to sell the interests in this Agreement and the Franchised Business to a bona fide purchaser in accordance with and subject to all of the provisions of this Article 14. If by the end of such three (3)-month period, you have not consummated a transfer of such interest or stock in a transaction that meets the requirements of this Article 14, we will have the option to purchase all of such interest in the Franchised Business or in the ownership of the Legal Entity at the fair market value thereof as determined in good faith by an independent appraiser selected as set forth in Section 14.8(c) below.

(c) The determination of fair market value or other terms of purchase shall be made through the American Arbitration Association and its applicable rules and pursuant to Section 17.7 below, with the costs thereof to be borne equally by you and us. Either party may initiate such action by filing with the American Arbitration Association.

(d) If we in our discretion decide that the death or disability of an individual, a Principal or a Successor will result in unsatisfactory operation of the Franchised Business, we may take over operation of the Franchised Business temporarily, in which event we will be reimbursed for all of our costs and reasonably compensated for our efforts.

14.9 Right of First Refusal

(a) Notwithstanding anything contained in this Agreement to the contrary, you must give written notice to us of any planned, attempted transfer or offer to transfer by you in any manner whatsoever of any interest in or under this Agreement or of any transfer of the controlling ownership interest in you. We are hereby granted the right of first refusal in regard to any such offer or transfer to purchase such interest on the same terms and conditions (or on terms and conditions determined by us which will result in the same net financial benefits to you as transferor). In exercising our right of first refusal, we may pay the transferor cash at closing in the same amount as the principal amount of any promissory note(s) otherwise required by the transferee or in the amount of the fair market value of any other non-cash purchase price, and if stock is provided for, may substitute our stock or the stock of an affiliated corporation in an equivalent value to the stock contained in the offer of first refusal. Any determination of fair market value, equivalent value or net financial benefits made by us in good faith shall be deemed an acceptance of the offer. Until we have accepted or rejected the offer of first refusal from you, you will neither consider nor accept any other offer and will keep confidential all of the terms of such transfer.

(b) The first refusal offer to us must be in writing and must include complete details of all of the terms, conditions and provisions of the proposed transfer, including copies of all agreements which may be assumed by or assigned to the transferee. After receipt of all of such information, we will have thirty (30) days after actual receipt of such offer within which to accept or reject it. Our failure to accept within said thirty (30) days will constitute a rejection. If rejected, you may consummate the transfer to a third party if all other provisions of this Agreement are satisfied, but the transfer must be consummated within six (6) months and only upon the terms, conditions and provisions previously offered to us.

(c) After any rejection by us, you must in all events submit a fully executed copy of all final transfer documents to us at least three (3) days in advance of any proposed consummation or closing date for our review and comparison with the first refusal offer previously submitted to it. Any variation will require an offer of first refusal to us on the varying terms following the same procedures set forth above. Our right of first refusal will be unrestricted and absolute, and we will in all cases have at least thirty (30) days to consider and act on each offer or any change in the terms and conditions of offer.

(d) Nothing contained in this Section 14.9 will in any way be deemed to limit our discretion in considering, approving or disapproving any request to transfer any interest under this Agreement.

14.10 Sale; Assumption

We shall have the right to transfer or assign this Agreement and all or part of our rights and obligations herein to any person or legal entity without your consent, and upon such transfer or assignment, the transferee or assignee shall be solely responsible for all our obligations arising hereunder subsequent to the transfer or assignment and you shall hereby release us from any and all responsibility and liability hereunder. Without limitation of the foregoing, we may sell our assets to a third party; may offer our securities privately or publicly; may merge with or, acquire other corporations, or may be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring.

ARTICLE 15: TRADEMARKS

15.1 Ownership

You agree that we have the sole and exclusive right (except for rights granted under existing and future franchise agreements) to use the Marks in connection with the products and services to which they are or may be applied by us. You represent, warrant and agree that neither during the Term of this Agreement nor after its expiration or other termination will you directly or indirectly contest or aid in contesting the validity, ownership or use of the Marks by us or any affiliate, or take any action whatsoever in derogation of the rights claimed therein by us or any affiliate.

15.2 Nonexclusive License

The license granted under this Agreement to use the Marks is nonexclusive except as otherwise specified to the contrary herein, and we, in our sole and absolute discretion, may grant other licenses in, to and under the Marks in addition to those licensees already granted, both within and outside the Territory, and to develop and license other names and marks on any such terms and conditions as we deem appropriate.

15.3 Other Uses

Subject to the limitations set forth in Section 1.3(a), you expressly agree that we have the exclusive, unrestricted right to engage directly and indirectly, at wholesale, retail and otherwise, within the Territory and elsewhere, in (a) the production, distribution and sale of automotive and other products under the Marks licensed hereunder or other marks; and (b) the use, in connection with such production, distribution and sale, of any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or used from time to time by us.

15.4 Goodwill

Nothing contained in this Agreement will be construed to vest in you any right, title or interest in or to the Marks, the goodwill now or hereafter associated therewith or any right in the design or any Warehouse building, other than the rights and license expressly granted herein of the term hereof. Any and all goodwill associated with or identified by the Marks will inure directly and exclusively to our benefit, including, without limitation, any goodwill resulting from operation and promotion of the Franchised Business.

15.5 Use of Marks

You will not use the Marks in connection with any statement or material which may, in our judgment, be in bad taste or inconsistent with the 1-800-RADIATOR & A/C® public image, or tend to bring disparagement, ridicule or scorn upon us, the Marks or the goodwill associated therewith. Whether doing business as a proprietorship or Legal Entity, you will not adopt, use or register (by filing a certificate or articles of incorporation, a fictitious business name statement, or otherwise) any unauthorized trade name or business name, style or design which includes, or is similar to, any of the 1-800-RADIATOR & A/C® identifying characteristics.

15.6 Changes in Marks; Protection

We will have the right at any time and from time to time upon notice to you to make additions to, deletions from, and changes in the Marks, or any of them, all of which additions, deletions and changes will be as effective as if they were incorporated in this Agreement. All such additions, deletions and changes will be made in the reasonable exercise of our business judgment and with a view toward the overall best interest of the System. We will protect and preserve the integrity and validity of the Marks by taking the actions (if any) deemed by us in our discretion to be appropriate in the event of any apparent infringement of the Marks.

15.7 Infringements

You will notify us promptly of any claims or charges of trademark infringement against us or you, as well as any information you may have of any suspected infringement of the Marks. You will take no action with regard to such matters without our prior written approval and will cooperate in a manner expressly approved by us. We agree to indemnify and hold you harmless from any infringement claim against you based on your authorized use of the Marks so long as you have timely notified us of such claim and you and your Owners and affiliates are in compliance with this Agreement and with all other agreements entered into with us or any of our affiliates. At our sole discretion, we or our affiliate are entitled to prosecute, defend and/or settle any such proceeding arising out of your use of any Mark pursuant to this Agreement and, if we or our affiliate undertake to prosecute, defend and/or settle any such matter, we have no obligation to indemnify or reimburse you or your Principals for any fees or disbursements of any legal counsel you retain.

ARTICLE 16: EXPIRATION AND TERMINATION

16.1 Events of Default

(a) We will have the right to terminate this Agreement immediately upon written notice to you if any of the following events occur:

(i) in the event of any breach or default under Section 4.2(c) (failure to comply with applicable laws), Section 5.2 (confidentiality), Section 14.4 (unauthorized transfer) or Section 14.9 (right of first refusal);

(ii) if a petition in bankruptcy, an arrangement for the benefit of creditors or a petition for reorganization is filed by or against you, or if you make any assignment for the benefit of creditors, or if a receiver or trustee is appointed for the Franchised Business, unless remedied to our satisfaction within twenty (20) days;

(iii) if we discover that you have made any material misrepresentation or knowingly omitted any material fact in the information furnished by you in connection with the grant of this franchise;

(iv) if you default under any promissory note or financing agreement with us or our affiliate and do not cure such default within ten (10) days after receiving notice from us or our affiliate;

(v) if you or any Principal are convicted of any felony or any crime involving moral turpitude or other serious crime or offense or you or any Principal or employee of the Franchise Business commits any act that is likely to adversely affect the reputation of your Franchised Business, other Businesses, or the goodwill associated with the Marks;

(vi) you fail to make the required number of sales visits or outbound sales calls as prescribed by the Manual and do not cure such default within ten (10) days after receiving notice from us;

(vii) you fail to answer inbound customer calls or respond to non-automated electronic response requests in a timely manner as required by the Manual or otherwise communicated to you and do not cure such default within ten (10) days after receiving notice from us;

(viii) if we discover that you have intentionally or repeatedly violated Section 1.4 of this Agreement (Solicitation) or otherwise sold products and/or services in a territory that is not the Territory (such as the territory of another 1-800-RADIATOR & A/C® franchisee);

(ix) you fail to maintain the minimum inventory levels of products we designate from time to time and do not cure such default within ten (10) days after receiving notice from us; or

(x) you abandon or fail to actively operate the Franchised Business for three (3) or more consecutive days, unless the Franchised Business has been closed for a purpose we have approved in writing.

(b) If you default in any other requirement of this Agreement, we will have the right to terminate this Agreement immediately following thirty (30) days' written notice to you (except in the case of a default in payment to us, in which case only ten (10) days' written notice is required). If a non-monetary default cannot by its nature reasonably be cured within such thirty (30)-day period, and so long as you are diligently taking all action reasonably necessary to effect such cure, the cure period will be extended to a reasonable amount of time to effect such cure. A default in any other 1-800-RADIATOR & A/C® franchise agreement in which you or a Principal also has an interest or in any other agreement related to the operation of the Franchised Business, with us, our affiliates or a third party (including, without limitation, any lease or supply agreement) will be considered a default under this Agreement, which if not cured within the time period specified in such agreement may, in our discretion and upon written notice from us, result in termination of this Agreement.

(c) We may terminate this Agreement upon written notice to you without allowance for any curative period if a default is repeated within any twelve (12)-month time period.

(d) Any material default by you under this Agreement or any other agreement between you and us or our affiliates and you shall be deemed to be a material default of each and every said agreement. In the event of termination, for any cause, of this Agreement or any other agreement between the parties, we may, at our option, terminate any or all said agreements.

(e) The provisions of this Section 16.1 are subject to the provisions of any local statutes or regulations which may prohibit us from terminating this Agreement without good cause or without giving you additional prior written notice of termination and opportunity to cure any default.

16.2 Requirements on Termination

Upon the expiration or earlier termination of this Agreement for any reason, you must:

(a) pay in full all amounts owed to us, our affiliates and all suppliers and vendors, including, without limitation and within five (5) days from the date of our written demand for payment, all damages, costs and expenses, including reasonable attorneys' fees, incurred by us as a result of any default by you;

(b) immediately discontinue the use of the telephone numbers and phones used in the Franchised Business, making sure that the same are transferred as directed by us, and discontinue any further use of the Marks and the System, including all 1-800-RADIATOR & A/C® proprietary information, including software, Customer Data and customer lists;

(c) unless we consent to the contrary, remove the Marks from the Warehouse building and its signs, fixtures, furnishings and vehicles, eliminate entirely all 1-800-RADIATOR & A/C® trade dress and alter and paint the Warehouse building and other improvements a design and color which is basically different from the 1-800-RADIATOR & A/C® image and design so that there will no longer be any indication to the public that the Warehouse was a 1-800-RADIATOR & A/C® Franchised Business. If you fail to make or cause to be made any such change within thirty (30) days after written notice, we will have the right to enter upon the Warehouse and/or Franchised Business premises, without being deemed guilty of trespass or any other tort, and make or cause to be made such changes and you will reimburse us for all of our reasonable expenses immediately following demand;

(d) not thereafter use any identifying characteristic that is in any way associated with us or similar to those associated with us, or operate or do business under any name or in any manner that might tend to give the public the impression that you are or were a franchisee or otherwise associated with us;

(e) immediately deliver to us and cease using all Manuals, records, Customer Data and customer lists, files, instructions; correspondence; all materials relating to operating the Franchised Business, including, without limitation, brochures, agreements, invoices, signs, books and training films; and any and all other materials relating to the operation of the Franchised Business in your possession, and all copies thereof (all of which are acknowledged to be our property), except your copy of this Agreement and any correspondence between the parties and any other documents which you reasonably need for compliance with any provision of law;

(f) immediately sell to us to the extent we request all usable or sellable inventory items at the Warehouse, at your cost, which we will pay within ninety (90) days thereafter; and

(g) avoid any further usage of the telephone numbers used in the Franchised Business and take such action as we may require in regard to such telephone numbers as well as in regard to your e-mail address(es), white and yellow page telephone references and advertisements, all trade and similar name registrations and business licenses relating to the Franchised Business and cancel any interest which you may have in the same. You hereby grant us your full power of attorney to act on your behalf in taking all actions necessary to effect such requirements. You also agree to pay timely and in full the costs of the telephone and other arrangements.

16.3 Trademark Infringement

If you refuse to comply with a written notice of termination sent by us and a court later upholds such termination of this Agreement, any operation of the Franchised Business by you from and after the date of termination stated in such notice will constitute trademark infringement by you and you will be liable to us for damages resulting from such infringement in addition to any royalties paid or payable hereunder, including, without limitation, your profits.

16.4 Our Right to Provide Interim Management

If we have given you notice that you are in default, then we or our authorized representative may (but are not obligated to) assume interim management of the Franchised Business during the pendency of any cure period or in lieu of immediately terminating this Agreement. If we elect to assume interim management of the Franchised Business (i) our election will not relieve you of your obligations under this Agreement; (ii) neither we nor our representative will be liable for any debts, losses, costs or expenses incurred in the operation of the Franchised Business during any such interim management period; (iii) we or our representative will have the right to charge a reasonable fee for our management services; and (iv) you agree to, and hereby do, indemnify and hold the Franchisor Indemnitees harmless against any and all Losses and Expenses paid in settlement and otherwise incurred in connection with the interim management of the Franchised Business, other than those arising solely from any Franchisor Indemnitee's gross negligence or willful misconduct.

ARTICLE 17: MISCELLANEOUS

17.1 No Effect

The waiver by us of any breach or default, or series of breaches or defaults, of any term, covenant or condition herein or of any same or similar term, covenant or condition in any other agreement between us and any franchisee will not be deemed a waiver of any subsequent or continuing breach or default of the same or any other terms, covenants or conditions contained in this Agreement, or in any other agreement between us and any franchisee.

17.2 Right and Remedies

All of our rights and remedies will be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement; our rights and remedies will be continuing and not exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration or earlier termination of this Agreement will not discharge or release you from any liability or obligation then accrued or any liability or obligation continuing beyond or arising out of the expiration or earlier termination of this Agreement.

17.3 Consents

Whenever the consent of a party is sought or required hereunder, such consent will not be unreasonably withheld.

17.4 Partial Invalidity

If any part of this Agreement is for any reason declared invalid, unenforceable or impaired in any way, the validity of the remaining portions will not be affected thereby, and such remaining portions will remain in full force and effect as if this Agreement had been executed with such invalid portion eliminated. It is hereby declared the intention of the parties that they would have executed the remaining portion of this Agreement without including therein any such portions which might be declared invalid; provided, however, that in the event any part hereof relating to the payment of fees to us, or the preservation of the Marks, trade secrets or secret formulae licensed or disclosed hereunder is for any reason declared invalid or unenforceable, then we will have the option of terminating this Agreement upon written notice to you.

17.5 Attorneys' Fees

If we become a party to any legal proceedings concerning this Agreement, the Franchised Business, or the Warehouse by reason of any act or omission committed by you or your authorized representatives, you shall be liable to us for the reasonable attorneys' fees and court costs incurred by us in the legal proceedings. If either party commences a legal action against the other party arising out of or in connection with this Agreement, each party will bear its own attorneys' fees and costs.

17.6 Governing Law

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to its conflict of law rules, except for the provisions in Section 4.10 which shall be governed by the laws of the state in which the primary Warehouse we designate is located (as set forth in Attachment 1), and except that any law regulating the offer or sale of franchises, business opportunities or similar interests or governing the relationship between you and us will not apply unless its jurisdictional requirements are met independently without reference to this Section.

17.7 Dispute Resolution

(a) Arbitration. Except as set forth in Section 17.7(b), any unresolved dispute between the parties arising out of this Agreement shall be submitted to binding arbitration conducted before the American Arbitration Association. The arbitration will be conducted in accordance with the Federal Rules of Civil Procedure. Such arbitration shall be held in Solano County, California, and judgment upon the decision of the arbitrator may be entered in any court having jurisdiction over the matter.

(b) Injunctive Relief. Notwithstanding Section 17.7(a) or (c) of this Agreement, you recognize that the Franchised Business is one of a large number of Businesses identified by the Marks and similarly situated and selling to the public similar products, and the failure on the part of a single franchisee to comply with the terms of its Agreement could cause irreparable damage to us and/or to some or all of our other franchisees. Therefore, it is mutually agreed that in the event of a breach or threatened breach of any of the terms of this Agreement by you or us, the non-breaching party will forthwith be entitled to an injunction restraining such breach or to a decree of specific performance from a court of competent jurisdiction, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief; provided, however, that we and you must contemporaneously submit the dispute first to mediation under Section 17.7(c) and then for arbitration on the merits as provided in Section 17.7(a) if such dispute cannot be resolved through mediation. The foregoing equitable remedies are in addition to, and not in lieu of, all other remedies or rights that the parties might otherwise have by virtue of any breach of this Agreement by the other party.

(c) Mediation. Notwithstanding anything to the contrary in Section 17.7(a) of this Agreement, before either party may initiate any arbitration proceeding pursuant to Section 17.7(a) of this Agreement, the parties pledge to attempt first to resolve the controversy or claim arising out of or relating to this Agreement ("**Dispute**") pursuant to the mediation conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association unless the parties agree on alternative rules and a mediator within fifteen (15) days after either party first gives notice of mediation. Mediation shall be conducted in Solano County, California, and shall be conducted and completed within forty-five (45) days following the date either party first gives notice of mediation unless otherwise agreed to in writing by the parties. The fees and expenses of the mediator shall be shared equally by the parties. The mediator shall be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter. Mediation is a compromise negotiation and shall constitute privileged communications under California and other applicable laws. The entire mediation process shall be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties shall not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible shall not be excluded from discovery or admission as a result of its use in the mediation. Notwithstanding anything to the contrary set forth in this Agreement, any party that fails to reasonably cooperate in scheduling and completing a mediation within forty-five (45) days after giving or receiving notice thereof shall be precluded from recovering costs, expenses and/or prevailing party attorneys' fees in any subsequent arbitration or other legal proceeding.

(d) Limitation of Adjudicative Proceedings. You and we irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of us against the other and our respective parents, affiliates, officers, directors and employees, whether or not there are other parties in such action or proceeding. Any and all claims and actions arising out of or relating to this Agreement, your relationship with us, or your operation of the Franchised Business, brought by any party hereto against the other, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred. You and we hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other and agree that in the event of a dispute between us, we each shall be limited to the recovery of any actual damages either of us sustain.

(e) Private Disputes. Any dispute between the parties arising out of this Agreement, and any mediation, arbitration or litigation proceeding, will be conducted and resolved on an individual basis only and not on a class-wide, multiple plaintiff or similar basis. Any such proceeding will not be consolidated with any other proceeding involving any other person, except for disputes involving affiliates of the parties.

17.8 Notices

All notices and other communications required or permitted to be given hereunder will be deemed given when delivered in person, sent by facsimile to such person's facsimile number (or other electronic communication system, including e-mail), sent by an established overnight delivery service or mailed by registered or certified mail addressed to the recipient at the address set forth below, unless that party will have given such written notice of change of address to the sending party, or unless our records show a change in address for the Franchised Business and/or the Warehouse, in which event such other communicated or known address may be used. If mailed, such notice shall be deemed to have been received three (3) days after mailing, and if sent by overnight delivery, such notice shall be deemed to have been received the day following sending.

us: 1-800-Radiator Franchisor SPV LLC
4401 Park Road
Benicia, CA 94510
ATTN: General Manager
FAX: 707-747-7401

you: ________________________________
____
____
ATTN: __________________________
FAX: ___________________________

17.9 Terms and Headings

All terms used in this Agreement regardless of the number and gender in which they are used, will be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement may require, the same as if such words had been written in this Agreement themselves. The headings inserted in this Agreement are for reference purposes only and will not affect the construction of this Agreement or limit the generality of any of its provisions. Bold face terms are for ease of reference only.

17.10 Compliance with Laws

You will at your own cost and expense promptly comply with all laws, ordinances, orders, rules, regulations, and requirements of all federal, state and municipal governments and appropriate departments, commissions, boards and offices thereof, including, but not limited to, those laws applicable to the operation of the Franchised Business as set forth in Section 4.2(c).

17.11 Entire Agreement

This Agreement and the documents referred to herein constitute the entire agreement between the parties and supersede and cancels any and all prior and contemporaneous agreements, understandings, representations, inducements and statements, oral or written, of the parties in connection with the subject matter hereof. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representation that we made in the most recent franchise disclosure document (including its exhibits and amendments) that we delivered to you or your representative.

17.12 Amendment or Modification

Except as expressly authorized herein, no amendment or modification of this Agreement will be binding unless executed in writing by both us and you.

17.13 Variance

We have the right to vary standards or specifications for any franchisee based up on that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which we deem to be of importance to the successful operation of any particular Business. We will not be required to disclose or grant to you a like or similar variance hereunder.

17.14 Our Business Judgment

We have the right, in our sole judgment, to operate, develop and change the System in any manner that is not specifically prohibited by this Agreement. Whenever we have reserved in this Agreement a right to take or withhold an action, or to grant or decline to grant you a right to take or omit an action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on the information readily available to us and our judgment of what is in our and/or our franchise network's best interests at the time our decision is made, regardless of whether we could have made other reasonable or even arguably preferable alternative decisions or whether our decision or the action we take promotes our financial or other individual interest.

17.15 Counterparts

This Agreement may be executed in one (1) or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same instrument. Facsimile signatures will have the same force and effect as original signatures.

17.16 No Recourse

You acknowledge and agree that except as provided under an express statutory liability for such conduct, none of our 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 our obligations or liabilities relating to or arising from this Agreement, (b) any claim against us based on, in respect of, or by reason of, the relationship between you and us, or (c) any claim against us based on any of our 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.

17.17 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.

YOU EXPRESSLY ACKNOWLEDGE THAT:

(a) YOU HAVE ENTERED INTO THIS AGREEMENT AS A RESULT OF YOUR OWN INDEPENDENT INVESTIGATION, AND AFTER CONSULTATION WITH AN ATTORNEY OR OTHER ADVISOR(S) OF YOUR CHOICE, AND IN ANY EVENT NOT AS A RESULT OF ANY

REPRESENTATIONS BY US, OUR REPRESENTATIVES EXCEPT AS CONTAINED HEREIN AND IN OUR FRANCHISE DISCLOSURE DOCUMENT PREVIOUSLY DELIVERED TO YOU.

(b) THE SUCCESS OF THE FRANCHISED BUSINESS WILL BE LARGELY DEPENDENT UPON YOUR ABILITIES AND EFFORTS, AND WE HAVE MADE NO WARRANTY OR GUARANTEE TO YOU THAT THE FRANCHISED BUSINESS WILL BE SUCCESSFUL OR PROFITABLE.

(c) YOU HAVE NOT RECEIVED AND ARE NOT RELYING UPON ANY FINANCIAL PROJECTIONS OR SIMILAR INFORMATION OR FINANCIAL PERFORMANCE REPRESENTATIONS MADE BY US OR ANYONE ON OUR BEHALF OTHER THAN WRITTEN HISTORICAL SALES AND ITEM 19 OF THE FRANCHISE DISCLOSURE DOCUMENT.

17.18 Survival

Any obligation of you or any Principal or guarantor that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest herein, including, without limitation, those obligations under Sections 4.10(d), (e) and (f), 5.2, 5.3, 11.2, 16.2, 17.5 and 17.7, will be deemed to survive such termination, expiration or transfer.

17.19 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

[*Signature Page to Follow*]

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

<table>
<tr><td>“Franchisor”:</td><td>“Franchisee”:</td></tr>
<tr><td>1-800-Radiator Franchisor SPV LLC</td><td>______________________________</td></tr>
<tr><td>By: ______________________</td><td>By: ______________________</td></tr>
<tr><td>Name: ______________________</td><td>Name: ______________________</td></tr>
<tr><td>Title: ______________________</td><td>Title: ______________________</td></tr>
<tr><td></td><td>“Principals”:

____

____

______________________________</td></tr>
</table>

[Signature Page to 1-800-RADIATOR & A/C® *Franchise Agreement]*

ATTACHMENT 1

THE TERRITORY AND PRIMARY WAREHOUSE LOCATION

The Territory shall be the geographical area described below and if the parties so agree, as set forth on the map attached hereto and signed by all of the parties that are signatories to this Agreement. If the U.S. Postal Service shall change zip code boundaries or add new zip codes, those changes shall have no effect on the geographical area attached here. The geographical boundaries on this map are the permanent boundaries for the Term of this Agreement:

The primary Warehouse location is: ____

ATTACHMENT 2

Start-Up Warehouse Equipment and Supplies

Item	Quantity

Note: You must pay for all utilities hook ups, including one high speed DSL with splitter (which we will arrange for) and an alarm system. If no DSL is available in your area, your hook up will be an alternate high-speed system, such as wireless, cable or T-1. You must pay any applicable sales taxes on these items. If you decide to have a larger Warehouse, you must pay for all additional items.

ATTACHMENT 3

Guaranty and Assumption of Obligations

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS (the "**Guaranty**") is given this _____ day of _________________, 20 __ (the "**Effective Date**")

By (list each guarantor):
____
____
____
____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the "**Agreement**"), dated as of the Effective Date, by 1-800-Radiator Franchisor SPV LLC, a Delaware limited liability company ("**Franchisor**"), each of the undersigned personally and unconditionally (a) guarantees to Franchisor and Franchisor's successors and assigns, for the term of the Agreement (including, but not limited to, extensions) and afterward as provided in the Agreement, that _____________________________ ("**Franchisee**") will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including, but not limited to, 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, but not limited to, 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, but not limited to, the provisions of Article 14 and Sections 4.10, 5.2, 11.2, 16.2-16.4, and 17.6-17.7.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon Franchisor's pursuit of any remedies against Franchisee or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including, but not limited to, the acceptance of any partial payment or performance or the compromise or release of any claims (including, but not limited to, 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, but not limited to, extensions), for so long as any performance is or might be owed under the Agreement by Franchisee or its direct or indirect owners, and for so long as Franchisor has any cause of action against Franchisee or its direct or indirect owners; 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 interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation that any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty, for the express purpose that none of the undersigned shall be deemed a "creditor" of Franchisee under any applicable bankruptcy law with respect to Franchisee's obligations to Franchisor; (ii) all rights to require

Franchisor to proceed against Franchisee for any payment required under the Agreement, proceed against or exhaust any security from Franchisee, take any action to assist any of the undersigned in seeking reimbursement or subrogation in connection with this Guaranty or pursue, enforce or exhaust any remedy, including any legal or equitable relief, against Franchisee; (iii) any benefit of, any right to participate in, any security now or hereafter held by Franchisor; and (iv) acceptance and notice of acceptance by Franchisor 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. Franchisor shall have no present or future duty or obligation to the undersigned under this Guaranty, and each of the undersigned waives any right to claim or assert any such duty or obligation, to discover or disclose to the undersigned any information, financial or otherwise, concerning Franchisee, any other guarantor, or any collateral securing any obligations of Franchisee to Franchisor. Without affecting the obligations of the undersigned under this Guaranty, Franchisor may, without notice to the undersigned, extend, modify, supplement, waive strict compliance with, or release all or any provisions of the Agreement or any indebtedness or obligation of Franchisee, or settle, adjust, release, or compromise any claims against Franchisee or any other guarantor, make advances for the purpose of performing any obligations of Franchisee under the Agreement, assign the Agreement or the right to receive any sum payable under the Agreement, and the undersigned each hereby jointly and severally waive notice of same. The undersigned expressly acknowledge that the obligations hereunder survive the expiration or termination of the Agreement.

If Franchisor is required to enforce this Guaranty in a judicial or arbitration proceeding, and prevails in such proceeding, Franchisor shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', 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 Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs.

Each of the undersigned agrees that all actions arising under this Guaranty must be commenced in the state or federal court of general jurisdiction in Solano County, California, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of, or venue in, those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Guaranty and any arbitration orders and awards in the courts of the state or states in which he or she is domiciled. This Guaranty will be governed by and interpreted and construed under the laws of the State of California, without regard to choice of law principles.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature as of the Effective Date.

Signatures Of Each Guarantor	**Percentage Of Ownership In Franchisee**
______________________________	______________________%
______________________________	______________________%
______________________________	______________________%

ATTACHMENT 4

LEASE ADDENDUM

1. Landlord acknowledges that Tenant is a franchisee of 1-800-Radiator Franchisor SPV LLC, a Delaware limited liability company ("**Franchisor**"), and that the warehouse (the "**Warehouse**") located at _________________ (the "**Premises**") is operated under the 1-800-RADIATOR & A/C® franchise system, pursuant to a franchise agreement ("**Franchise Agreement**") between Tenant and Franchisor. Landlord consents to Tenant's use at the Premises of such marks and signs, décor items, color schemes and related components of the 1-800 RADIATOR & A/C® system as Franchisor may prescribe for the Warehouse. During the term of the Franchise Agreement, the Premises may be used only for the operation of the Warehouse.

2. Landlord agrees to furnish to Franchisor copies of any and all default notices sent to Tenant pertaining to the Lease and the Premises at the same time that such notices are sent to Tenant. If Tenant has failed to cure such default at the expiration of the applicable cure period, Landlord shall give Franchisor further written notice of such failure ("**Franchisor Notice**"). Following Franchisor's receipt of the Franchisor Notice, Franchisor shall have the right (but not the obligation) to cure Tenant's default before Landlord shall exercise any of Landlord's remedies arising as a consequence of Tenant's default. Any such cure shall be effected within fifteen (15) days following Franchisor's receipt of the Franchisor Notice. Such cure by Franchisor shall not be deemed to be an election to assume the terms, covenants, obligations and conditions of the Lease.

3. If Franchisor cures Tenant's default, or if Franchisor notifies Landlord that the Franchise Agreement has been terminated (which termination shall constitute a non-curable default pursuant to the Lease upon Landlord's receipt of Franchisor's notice thereof), Landlord agrees, upon Franchisor's written request, to assign to Franchisor any and all rights that Landlord may have under the Lease to remove and evict Tenant from the Premises and shall cooperate with Franchisor in order to pursue such action to a conclusion.

4. If Franchisor cures Tenant's default or notifies Landlord of the termination of the Franchise Agreement, Franchisor shall have the right and option, upon written notice to Landlord, to do the following:

a. Undertake to perform the terms, covenants, obligations and conditions of the Lease on behalf of the Tenant (notwithstanding any removal or eviction of Tenant) for a period not to exceed six (6) months from the first (1st) date of any cure by Franchisor; or

b. At any time within or at the conclusion of such six (6)-month period, assume the terms, covenants, obligations and conditions of the Lease for the remainder of the term, together with any applicable renewal options. In such event, Landlord and Franchisor shall enter into an agreement to document such assumption. Franchisor is not a party to the Lease and shall have no liability under the Lease unless and until said Lease is assigned to, and assumed by, Franchisor as herein provided.

5. If, during the six (6)-month period set forth in Section 4.a. above or at any time after the assignment contemplated in Section 4.b., Franchisor shall notify Landlord that the franchise for the Warehouse is being granted to another 1-800-RADIATOR & A/C® franchisee, Landlord shall permit the assignment of the Lease to said franchisee, without any further consent

of Landlord being required as a condition thereto and without the payment of any fee or other cost requirement. Thereafter, Franchisor shall be released from any and all further liabilities under the Lease. The parties agree to execute any commercially reasonable documents in furtherance of this section.

6. Tenant will not assign the Lease or renew or extend the term thereof without the prior written consent of Franchisor, nor shall Landlord and Tenant amend or otherwise modify the Lease in any manner that could materially affect any of the foregoing requirements without the prior written consent of Franchisor.

7. Franchisor shall have the right to enter the Premises to make any modification or alteration necessary to protect the 1-800-RADIATOR & A/C® system and marks or to cure any default under the Franchise Agreement or under the Lease, without being guilty of trespass or any other crime or tort. Landlord shall not be responsible for any expenses or damages arising from any such action by Franchisor. Tenant hereby releases, acquits and discharges Franchisor and Landlord, their respective subsidiaries, affiliates, successors and assigns and the officers, directors, shareholders, partners, employees, agents and representatives of each of them, from any and all claims, demands, accounts, actions and causes of action, known or unknown, vested or contingent, which any of them may have, ever had, now has, or may hereafter have by reason of any event, transaction or circumstance arising out of or relating to the exercise of Franchisor's rights pursuant to the Addendum.

8. All notices sent pursuant to this Addendum shall be sent in the manner set forth in the Lease, and delivery of such notices shall be effective as of the times provided for in the Lease. For purposes of notice under the Lease, Franchisor's mailing address shall be 4401 Park Road, Benicia, California 94510, Attn: General Manager, which address may be changed by written notice to Landlord in the manner provided in the Lease.

Landlord:

By: ___________________________

Its: ___________________________

Tenant:

By: ___________________________

Its: ___________________________

ATTACHMENT 5

CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE

This Agreement is made and entered into this ____ day of __________, 20__, between ____________________ ("**Franchisee**," "**we**," "**us**," or "**our**") and ______________________ ("**you**" or "**your**").

RECITALS

1-800-Radiator Franchisor SPV LLC, a Delaware limited liability company ("**Franchisor**") grants franchises for the establishment and operation of businesses that order and distribute radiators, condensers, air conditioning compressors, fan assemblies, fuel pumps, hoses, exhaust-related products and services, heavy duty hard parts and services and other automotive parts and related services through warehouse outlets under the name 1-800-RADIATOR® and 1-800-RADIATOR & A/C® and other names (the "**Marks**") using a system (the "**System**") which consists in part of an electronic network for maintaining close inventory management and a specialized computerized customer ordering, sales and delivery and reporting database; Internet marketing; telemarketing; advertising, signs and other materials; specially designed software; equipment layout plans; product ordering and sales techniques; and presentation and other business techniques, systems and procedures and an Operations Manual (the "**Manual**," as it may be revised from time to time by Franchisor) (the "**Business**").

We and Franchisor have entered into a franchise agreement ("**Franchise Agreement**") under which we have been granted the right to operate a Business using the System and the Marks in the following geographic area (the "**Territory**"): __________________________________ ____ (the "**Franchised Business**").

The System and the Marks provide economic advantages to us, Franchisor and Franchisor's other franchisees, and we have therefore agreed to obtain from certain of our employees and direct and indirect owners written agreements protecting those Businesses operating under the System against unfair competition.

You acknowledge that you will have access to the confidential information associated with the System and the Businesses operating under the System ("**Confidential Information**") in connection with your employment by or association with us.

You further acknowledge that your access to such Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by you herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, that you and we agree as follows:

<u>Confidentiality Agreement</u>

You agree that Franchisor or its affiliate (a) owns all rights in and to the System, including the information and materials described or contained in the Manual, the proprietary software, and all data and other information generated by, or used or developed in, operating the Franchised

Business, including Customer Data, customer lists and existing and prospective customers, and (b) that the System, Manual, proprietary software and customer lists contain trade secrets and themselves constitute Franchisor's trade secrets which have been or will be revealed to you in confidence. "**Customer Data**" means the names, contact information, financial information, customer order history, and other personal information of or relating to the Franchised Business's customers and prospective customers. You agree not to disclose, duplicate, license, sell or reveal any portion thereof to any other person, except those of our employees required by his or her work to be familiar with such information. You agree to keep in confidence and respect all Confidential Information received from us or Franchisor.

Covenants Not to Compete

You agree that the Businesses, including our Franchised Business, must compete against Similar Businesses (as defined below), which may have far greater financial resources and may be better established in the automotive parts and supplies industry. For purposes hereof, a "**Similar Business**" is any outlet, warehouse or business that provides services and/or products involving the wholesale or retail distribution of automotive parts, supplies and related products similar to those sold in a Business, provided that, for purposes of this Agreement, any other automotive business franchised by Driven Brands Holdings Inc. or its subsidiaries will not be deemed a Similar Business. In order to protect our and Franchisor's legitimate business interests, including, without limitation, the goodwill associated with the System and the Marks and the confidentiality and value of the Confidential Information, and in consideration for the disclosure to you of the Confidential Information, you further agree and covenant as follows:

1. During the term of your employment by or association with us, you agree and covenant that you will not: (a) directly or indirectly, engage in or have any interest whatsoever in or perform any services for any Similar Business, or (b) divert or attempt to divert any business or customer of our Franchised Business, or of any other Business, to any Similar Business by direct or indirect inducement, advertising or otherwise do or perform, directly or indirectly, any other act which is injurious or prejudicial to the goodwill associated with the System or the value of the Marks.

2. For a continuous uninterrupted period of one (1) year following the earlier of (i) the expiration, termination or transfer of all of our interest in the Franchise Agreement, or (ii) the termination of your association with or employment by us, you agree and covenant that you will not:

a. Divert or attempt to divert any business or customer of our Franchised Business, or of any other Business, to any Similar Business by direct or indirect inducement, advertising or otherwise do or perform, directly or indirectly, any other act which is injurious or prejudicial to the goodwill associated with the System or the value of the Marks.

b. Directly or indirectly, engage in or have any interest whatsoever in any Similar Business which is located (i) within the Territory, or (ii) within twenty-five (25) miles of any 1-800-RADIATOR & A/C® warehouse in the United States of America or Canada.

Miscellaneous

1. You agree that in the event of a breach of this Agreement, we and Franchisor would be irreparably injured and without an adequate remedy at law. Therefore, in the event of

such a breach, or threatened or attempted breach, we shall be entitled to enforce the provisions of this Agreement. In addition, you agree that Franchisor shall be a third party beneficiary of this Agreement, with the independent right to enforce your obligations hereunder. If you breach, or attempt or threaten to breach, this Agreement, we and Franchisor shall be entitled, in addition to any other remedies which we or Franchisor may have, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

2. You agree to pay all expenses (including court costs and reasonable attorneys' fees) incurred by us or Franchisor in enforcing this Agreement.

3. Any failure by us or Franchisor to object to or take action with respect to any breach of any provision of this Agreement by you shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by you.

4. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE IN WHICH OUR BUSINESS IS LOCATED.**

5. You agree that each of the covenants contained herein contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of us, Franchisor and those other Businesses operating under the System. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

6. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

7. All notices and other communications required or permitted to be given hereunder will be deemed given when delivered in person, sent by facsimile to such person's facsimile number (or other electronic communication system, including e-mail), sent by an established overnight delivery service or mailed by registered or certified mail addressed to the recipient at the address set forth below unless the recipient has given the sending party written notice of change of address, or unless the sending party's records show a change in address for the recipient, in which event such other communicated or known address may be used. If mailed, such notice shall be deemed to have been received three (3) days after mailing, and if sent by overnight delivery, such notice shall be deemed to have been received the day following sending.

Franchisee: __________________________
____
____
ATTN: ____________________
FAX: ____________________

You: ______________________________
____
____
ATTN: ______________________
FAX: ________________________

8. Your and our obligations under this Agreement may not be assigned without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISEE:

____

By: ______________________________________
Name: ___________________________________
Title: ___________________________________

YOU:

____

By: ______________________________________
Name: ___________________________________
Title: ___________________________________

ATTACHMENT 6

FRANCHISEE OWNERSHIP INFORMATION
(if applicable)

1. Franchisee's Legal Entity Type (e.g., corporation, limited liability company, general or limited partnership): ____

2. Franchisee's State/Commonwealth of Formation/Organization/Incorporation: ___
____

3. Franchisee's Date of Formation/Organization/Incorporation: _________________

4. Franchisee's ownership structure is as follows:

Owner	Ownership Interest in Franchisee
Name:______________________________________ Address:____________________________________	% of Total Shares/Units:__________
Name:______________________________________ Address:____________________________________	% of Total Shares/Units:__________
Name:______________________________________ Address:____________________________________	% of Total Shares/Units:__________
Name:______________________________________ Address:____________________________________	% of Total Shares/Units:__________

5. Franchisee's officers and principal executives are as follows:

Name: ________________________________	Title: ________________________________
Name: ________________________________	Title: ________________________________
Name: ________________________________	Title: ________________________________

EXHIBIT “C”

Financial Statements

DRIVEN SYSTEMS LLC

Consolidated Financial Statements and Report of Independent Auditors

Driven Systems LLC and Subsidiaries

For the years ended
December 30, 2023 and December 31, 2022 and
for the years ended December 31, 2022,
December 25, 2021, and December 26, 2020

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Report of Independent Auditors

To the Management and Board of Directors of 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 sheets as of December 30, 2023 and December 31, 2022, and the related consolidated statements of operations, of members' equity and of cash flows for the years 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 30, 2023 and December 31, 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 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 consolidated 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 consolidated financial statements are available to be issued.

pwc

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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
April 26, 2024

DRIVEN SYSTEMS LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands)	December 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 1,000	$ 1,000
Accounts and notes receivable, net	4,817	7,028
Total current assets	5,817	8,028
Notes receivable, net	736	454
Intangible assets, net	482,680	488,626
Goodwill	19,390	19,390
Total assets	$ 508,623	$ 516,498
Liabilities and members' equity		
Current liabilities:		
Deferred franchise revenue	$ 27,762	$ 25,682
Total liabilities	27,762	25,682
Members' equity	480,861	490,816
Total members' equity	480,861	490,816
Total liabilities and members' equity	$ 508,623	$ 516,498

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

DRIVEN SYSTEMS LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended	
(in thousands)	December 30, 2023	December 31, 2022
Revenue:		
Franchise fee revenue	$ 245,135	$ 211,935
Other revenue	44,581	49,382
Total revenue	289,716	261,317
Costs and expenses:		
Operating expenses	84,039	75,834
Loss on sale of business	1,620	
Amortization	8,989	8,925
Total costs and expenses	94,648	84,759
Net income	$ 195,068	$ 176,558

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 25, 2021	$	509,206
Net income		176,558
Deemed distribution to Parent		(194,948)
Balance as of December 31, 2022	$	490,816
Net income		195,068
Maaco contribution		4,838
Deemed distribution to Parent		(209,861)
Balance as of December 30, 2023	$	480,861

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

DRIVEN SYSTEMS LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended	
(in thousands)	**December 30, 2023**	**December 31, 2022**
Net income	$ 195,068	$ 176,558
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	8,356	8,925
Loss on sale of business	1,620	3,144
Other	808	—
Changes in assets and liabilities:		
Accounts and notes receivable, net	1,930	2,352
Deferred franchise revenue	2,080	3,969
Cash provided by operating activities	209,862	194,948
Cash flows from financing activities:		
Deemed distribution to parent	(209,862)	(194,948)
Cash used in financing activities	(209,862)	(194,948)
Net change in cash	—	—
Cash, beginning of period	1,000	1,000
Cash, end of period	$ 1,000	$ 1,000

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, 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"). The assets and liabilities of Drive N Style Franchisor SPV, LLC were sold on July 17, 2023.

As of December 30, 2023, 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, 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 30, 2023, the Securitization Entities and its subsidiaries encompassed 3,880 units worldwide, with 83% located within the United States and the remainder located in Canada. Approximately 77% 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. 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 and fiscal quarters ending on the 13th Saturday of each quarter (or 14th Saturday when applicable with respect to the fourth fiscal quarter). Our fiscal year ending December 30, 2023 consisted of 52 weeks, and our fiscal year ending December 31, 2022 reflected the results of operations for 53 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.

The year ended December 30, 2023 includes an adjustment to the Consolidated Balance Sheet and Statement of Members' Equity for items that originated in prior years. The adjustment increased intangible assets, net and members' equity by $4.9 million and $4.9 million, respectively. The Company evaluated the materiality of the adjustments on prior period financial statements and recorded the adjustments in the current period and concluded the effect of the adjustments were immaterial to both the current and prior financial statements.

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, 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 of trademarks. Identifiable intangible assets with finite lives (franchise agreements and license agreements) 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.

Management tests goodwill for impairment on the first day of the fourth quarter every year or more frequently if events or changes in circumstances indicate the asset might be impaired. 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

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. 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.

Note 3 - Accounts and Notes Receivable, net

Accounts and notes receivable, net consisted of the following:

(in thousands)	December 30, 2023	December 31, 2022
Accounts receivable	$ 7,673	$ 12,835
Notes receivable	927	645
Accounts and notes receivables, gross	8,600	13,480
Less:		
Allowance for doubtful accounts	(3,047)	(5,998)
Accounts and notes receivables, net	$ 5,553	$ 7,482
Accounts and notes receivable long-term	$ 736	$ 454
Accounts and notes receivable current	4,817	7,028
Accounts and notes receivables, net	$ 5,553	$ 7,482

Note 4 - Intangible Assets

Intangible assets consisted of the following:

(in thousands)	December 30, 2023		
	Gross carrying value	Accumulated amortization	Net Carrying Value
Definite-lived intangible assets			
Franchise Agreements	$ 196,363	$ 58,863	137,500
License Agreements	10,700	5,458	5,242
	207,063	64,321	142,742
Indefinite-lived intangible assets			
Trademarks	339,938	—	339,938
Total intangible assets	$ 547,001	$ 64,321	$ 482,680

(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

The year ended December 30, 2023 indefinite-lived trademarks gross carrying value includes an adjustment for items that originated in prior years. Refer to Note 2 for additional information.

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 30, 2023 and December 31, 2022.

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

(in thousands)		
2024	$	8,859
2025		8,859
2026		8,859
2027		8,091
2028		7,759
Thereafter		100,315
Total amortization	$	142,742

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 $210 million and $195 million, for the years ended December 30, 2023 and December 31, 2022, 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 $40 million and $36 million for the years ended December 30, 2023 and December 31, 2022 respectively. These fees are included in operating expenses on the consolidated statements of operations.

Driven Brands Funding, LLC (the "Issuer") holds approximately $2 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 $44 million and $40 million, and for the years ended December 30, 2023 and December 31, 2022, 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 April 26, 2024, 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.

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

	For the years ended		
(in thousands)	**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.

THE FOLLOWING FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THE CONTENT OR FORM

Consolidated Financial Statements
(Unaudited)

Driven Systems LLC and Subsidiaries

For the three months ended
March 30, 2024 and April 1, 2023

DRIVEN SYSTEMS LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands)	March 30, 2024	December 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 1,000	$ 1,000
Accounts and notes receivable, net	7,896	4,817
Total current assets	8,896	5,817
Notes receivable, net	721	736
Intangible assets, net	480,460	482,680
Goodwill	19,390	19,390
Total assets	$ 509,467	$ 508,623
Liabilities and members' equity		
Current liabilities:		
Deferred franchise revenue	$ 28,867	$ 27,762
Total liabilities	28,867	27,762
Members' equity	480,600	480,681
Total members' equity	480,600	480,681
Total liabilities and members' equity	$ 509,467	$ 508,443

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

	Three months ended	
(in thousands)	**March 30, 2024**	**April 1, 2023**
Revenue:		
Franchise fee revenue	$ 53,105	$ 50,871
Other revenue	6,878	12,942
Total revenue	59,983	63,813
Costs and expenses:		
Operating expenses	16,848	19,650
Amortization	2,220	2,247
Total costs and expenses	19,068	21,897
Net income	$ 40,915	$ 41,916

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

in thousands		
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
Balance as of December 30, 2023	$	480,861
Net income		40,915
Deemed distribution to Parent		(41,176)
Balance as of March 30, 2024	$	480,600

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

(in thousands)	Three months ended March 30, 2024	Three months ended April 1, 2023
Net income	$ 40,915	$ 41,916
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	2,220	2,247
Changes in assets and liabilities:		
Accounts and notes receivable, net	(3,064)	(2,347)
Deferred franchise revenue	1,105	664
Cash provided by operating activities	41,176	42,480
Cash flows from financing activities:		
Distributions to parent	(41,176)	(42,480)
Cash used in financing activities	(41,176)	(42,480)
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 Auditor

Driven Brands, Inc. and Subsidiaries

For the years ended
December 30, 2023 and December 31, 2022 and
for the years ended December 31, 2022,
December 25, 2021, and December 26, 2020

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Report of Independent Auditors

To the Management and Board of Directors of 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 sheets as of December 30, 2023 and December 31, 2022, and the related consolidated statements of income, of comprehensive income, of shareholders' equity and of cash flows for the years 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 30, 2023 and December 31, 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 consolidated 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 consolidated financial statements are available to be issued.

PricewaterhouseCoopers LLP, 214 North Tryon Street, Suite 4200, Charlotte, North Carolina 28202
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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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
April 26, 2024

DRIVEN BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands)	December 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 150,581	$ 158,799
Restricted cash	657	657
Accounts and notes receivable, net	146,295	167,249
Inventory	63,612	54,696
Prepaid and other assets	25,031	26,878
Related party receivable	328,953	258,476
Income tax receivable	3,680	1,698
Advertising fund assets, restricted	45,627	36,421
Total current assets	764,436	704,874
Related party receivable	128,144	128,144
Property and equipment, net	361,330	303,893
Operating lease right-of-use assets	397,211	335,760
Deferred commissions	6,312	7,121
Intangibles, net	703,573	727,646
Goodwill	1,238,504	1,225,457
Deferred tax asset	2,576	1,827
Other assets	55,248	28,414
Total assets	$ 3,657,334	$ 3,463,136
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 51,280	$ 41,348
Income taxes payable	42,446	4,834
Accrued expenses and other liabilities	146,104	184,561
Current portion of long-term debt	26,426	27,605
Advertising fund liabilities	23,392	36,726
Total current liabilities	289,648	295,074
Long-term debt, net	2,177,283	2,213,218
Operating lease liabilities	371,404	313,644
Deferred tax liabilities	141,909	139,568
Deferred revenue	30,507	29,310
Accrued expenses and other long-term liabilities	3,749	5,947
Total liabilities	3,014,500	2,996,761
Shareholders' equity:		
Class A common stock, $.01 par value, authorized 60,000,000 voting shares; 56,560,217 shares issued and outstanding at December 30, 2023 and December 31, 2022	565	565
Class B common stock, $.01 par value, authorized 12,461,152 non-voting shares; 0 shares issued and outstanding at December 30, 2023 and December 31, 2022	—	—
Additional paid-in-capital	291,426	274,922
Retained earnings	364,781	209,246
Accumulated other comprehensive loss	(14,321)	(18,728)
Total shareholders' equity attributable to Driven Brands Holdings Inc.	642,451	466,005
Non-controlling interests	383	370
Total shareholders' equity	642,834	466,375
Total liabilities and shareholders' equity	$ 3,657,334	$ 3,463,136

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

DRIVEN BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Fiscal year ended	
(in thousands, except per share amounts)	December 30, 2023	December 31, 2022
Revenue:		
Franchise royalties and fees	$ 190,367	$ 171,734
Company-operated store sales	1,130,996	933,906
Advertising contributions	98,850	87,750
Supply and other revenue	286,072	247,084
Total revenue	1,706,285	1,440,474
Operating expenses:		
Company-operated store expenses	697,317	553,650
Advertising expenses	97,290	87,986
Supply and other expenses	154,586	140,107
Selling, general and administrative expenses	357,192	325,462
Acquisition costs	7,589	9,657
Store opening costs	4,885	2,809
Depreciation and amortization	75,933	55,892
Asset impairment charges	4,542	107
Total operating expenses	1,399,334	1,175,670
Operating income	306,951	264,804
Other (income) expense, net		
Interest expense, net	108,002	88,124
Loss (gain) on foreign currency transactions, net	(1,997)	5,511
Total other expenses, net	106,005	93,635
Income before taxes	200,946	171,169
Income tax expense	45,411	17,538
Net income	155,535	153,631
Net income attributable to Driven Brands, Inc.	$ 155,535	$ 153,631

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

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

(in thousands)	Fiscal year ended December 30, 2023		Fiscal year ended December 31, 2022	
Net income	$	155,535	$	153,631
Other comprehensive gain (loss):				
Foreign currency translation adjustment		1,062		(15,275)
Gain/(Loss) on swap, net		3,345		(1,866)
Other comprehensive gain (loss), net		4,407		(17,141)
Total comprehensive income		159,942		136,490
Comprehensive gain (loss) attributable to non-controlling interests		13	$	(36)
Comprehensive income attributable to Driven Brands, Inc.	$	159,929	$	136,526

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 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
At-Pac divestiture	—	—	—	—		—
Balance as of December 31, 2022	$ 565	$ 274,922	$ 209,246	$ (18,728)	$ 370	$ 466,375
Net income	—	—	155,535	—	—	155,535
Other comprehensive income	—	—	—	4,407	13	4,420
Equity-based compensation expense	—	15,300	—	—	—	15,300
Contributions	—	1,204	—	—	—	1,204
Balance as of December 30, 2023	$ 565	$ 291,426	$ 364,781	$ (14,321)	$ 383	$ 642,834

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

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

	Year Ended	
(in thousands)	December 30, 2023	December 31, 2022
Net income	$ 155,535	$ 153,631
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	75,933	55,892
Equity-based compensation expense	15,300	20,583
Loss (gain) on foreign denominated transactions	(4,581)	10,287
Loss (gain) on foreign currency derivative	2,584	(4,776)
Gain on sale of fixed assets	(3,787)	(13,918)
Bad debt expense	1,838	5,746
Asset impairment costs	4,542	107
Amortization of deferred financing costs and bond discounts	8,558	7,058
Provision for deferred income taxes	373	2,467
Other, net	16,723	1,104
Changes in assets and liabilities:		
Accounts and notes receivable, net	6,064	(49,043)
Inventory	(9,515)	(16,836)
Prepaid and other assets	3,014	(9,333)
Related party receivable	(69,840)	126,011
Advertising fund assets and liabilities, restricted	(16,861)	13,495
Other assets	(41,677)	(22,907)
Deferred commissions	418	3,407
Deferred revenue	1,937	1,925
Accounts payable	10,402	(31,122)
Accrued expenses and other liabilities	(27,272)	(51,271)
Income tax receivable	35,497	352
Cash provided by operating activities	165,185	202,859
Cash flows from investing activities:		
Capital expenditures	(158,225)	(103,239)
Cash used in business acquisitions, net of cash acquired	(36,727)	(405,011)
Proceeds from sale-leaseback transactions	39,168	16,107
Proceeds from sale or disposal of businesses and fixed assets	8,234	19,918
Cash used in investing activities	(147,550)	(472,225)
Cash flows from financing activities:		
Payment of debt issuance cost	—	(7,172)
Proceeds from the issuance of long-term debt	—	365,000
Repayment of long-term debt	(22,971)	(20,159)
Repayment of principal portion of finance lease liability	(3,844)	(2,561)
Contribution from (distribution to) parent	(3,118)	6,834
Stock option exercises	—	340
Other, net	227	(19)

Cash provided by financing activities	(29,706)	342,263
Effect of exchange rate changes on cash	9,519	(2,489)
Net change in cash, cash equivalents, restricted cash, and cash included in advertising fund assets, restricted	(2,552)	70,408
Cash and cash equivalents, beginning of period	158,799	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	192,327	121,919
Cash and cash equivalents, end of period	150,581	158,799
Cash included in advertising fund assets, restricted, end of period	38,537	32,871
Restricted cash, end of period	657	657
Cash, cash equivalents, restricted cash, and cash included in advertising fund assets, restricted, end of period	$ 189,775	$ 192,327

Supplemental cash flow disclosures - non-cash items:		
Capital expenditures included in accrued expenses and other liabilities	$ 2,127	$ 4,942
Deferred consideration included in accrued expenses and other liabilities	2,630	$ 27,303
Supplemental cash flow disclosures - cash paid for:		
Interest	$ 108,119	$ 88,655
Income taxes	—	$ 13,202

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 30, 2023, the Driven Franchise Brands and AGN encompass 3,880 units worldwide, with 83% located within the United States and the remainder located primarily in Canada. Approximately 77% 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"). The assets and liabilities of Drive N Style Franchisor SPV, LLC were sold on July 17, 2023.

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. 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. Our fiscal year ending December 30, 2023 reflects the results of operations for the 52-week and December 31, 2022 reflects the results of operations for the 53-week year ended .

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 30, 2023 and December 31, 2022, the Company maintained balances in various cash accounts in excess of federally insured limits.

Restricted Cash

The Company had total restricted cash of $39 million and $34 million at December 30, 2023 and December 31, 2022, 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 30, 2023 and December 31, 2022.

Allowance for Credit Losses

Expected credit losses for uncollectible receivable balances consider both current conditions and reasonable and supportable forecasts of future conditions. Current conditions considered include predefined 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.

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. During the year ended December 30, 2023, we recorded cloud computing amortization of $2 million. 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.

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. Management tests goodwill for impairment on the first day of the fourth quarter every year or more frequently if events or changes in circumstances indicate the asset might be impaired.

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. On October 1, 2023, the first day of the fourth quarter, the Company performed its annual impairment assessment of goodwill and indefinite-lived intangibles and has determined there was no impairment in the years ended December 30, 2023 and December 31, 2022.

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	2 to 3 years
Franchise agreements	3 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 30, 2023 or 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 30, 2023 are summarized as follows:

(in thousands)	Level 1	Significant other observable inputs (Level 2)	Total
Derivative assets, recorded in other assets	—	285	285
Derivative liabilities, recorded in accrued expenses and other liabilities	—	233	233

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 liabilities, recorded in accrued expenses and other liabilities	—	2,148	2,148
Derivative liabilities, recorded in long-term accrued expenses and other liabilities	—	165	165

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 30, 2023		December 31, 2022	
(in thousands)	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Long-term debt	$ 2,231,959	$ 2,067,579	$ 2,277,675	$ 1,998,250

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 30, 2023	December 31, 2022
Accounts receivable	$ 157,653	$ 185,569
Notes receivable	3,816	4,335
Total gross receivables	161,469	189,904
Less allowance for doubtful accounts	(11,604)	(19,504)
Less current portion of accounts and notes receivable	(146,295)	(167,249)
Notes receivable, long term	$ 3,570	$ 3,151

The changes in the allowance for accounts and notes receivable for the year ended December 30, 2023 and December 31, 2022 were as follows:

(in thousands)		
Balance as of December 25, 2021	$	18,421
Bad debt expense		5,745
Write-off of uncollectible receivables		(4,662)
Balance at December 31, 2022	$	19,504
Bad debt expense, net of recoveries		1,837
Write-off of uncollectible receivables		(9,737)
Balance at December 30, 2023	$	11,604

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 six acquisitions in the Maintenance business unit during the year ended December 30, 2023, representing six sites. The aggregate cash consideration for these acquisitions, net of cash acquired and liabilities assumed, was approximately $9 million.

The Company completed two acquisitions in the Paint, Collision & Glass business unit during the year ended December 30, 2023, representing two sites. The aggregate cash consideration for these acquisitions, net of cash acquired and liabilities assumed, was approximately $6 million.

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. The provisional amounts for assets acquired and liabilities assumed for the 2023 acquisitions are as follows:

2023 Maintenance Business unit

(in thousands)		**Maintenance**
Assets:		
Operating lease right-of-use assets	$	3,693
Property and equipment, net		3,855
Assets acquired		**7,548**
Liabilities:		
Accrued expenses and other liabilities		275
Operating lease liabilities		3,394
Total liabilities assumed		**3,669**
Cash consideration, net of cash acquired		8,108
Deferred consideration		490
Total consideration, net of cash acquired	**$**	**8,598**
Goodwill	**$**	**4,719**

2023 Paint, Collision & Glass Business unit

(in thousands)		Paint, Collision & Glass
Assets:		
Inventory	$	35
Property and equipment, net		667
Assets acquired		**702**
Cash consideration, net of cash acquired		4,947
Deferred consideration		695
Total consideration, net of cash acquired	**$**	**5,642**
Goodwill	**$**	**4,940**

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 business units and intangible assets that do not qualify for separate recognition. Goodwill, which was allocated to the Maintenance and Paint, Collision & Glass business units, is substantially all deductible for income tax purposes.

2022 Acquisitions

The Company completed 6 acquisitions in the Maintenance business unit 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 business unit 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.

2022 Paint, Collision & Glass Business unit

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 Business unit

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 business units and intangible assets that do not qualify for separate recognition. Goodwill, which was allocated to the Maintenance and Paint, Collision & Glass business units, is substantially all deductible for income tax purposes.

Purchase accounting allocations are complete for all 2022 acquisitions as of December 30, 2023.

Deferred Consideration and Transaction Costs

Deferred consideration is typically paid six months to one-year after the acquisition closing date once all conditions under the purchase agreement have been satisfied. Included in the total consideration amounts above for the acquisitions in 2023 was $1 million of consideration not paid on the closing date. The Company had $3 million and $27 million of deferred consideration related to acquisitions at December 30, 2023 and December 31, 2022, respectively. The Company paid $24 million and less than $1 million of deferred consideration related to prior acquisitions during the years ended December 30, 2023 and December 31, 2022, respectively. Deferred consideration is recorded within investing activities at the time of payment.

The Company incurred less than $1 million and $3 million of transaction costs during the years ended December 30, 2023 and December 31, 2022 respectively.

Note 5 —Property and Equipment

Property and equipment at December 30, 2023 and December 31, 2022 consisted of the following:

(in thousands)	December 30, 2023	December 31, 2022
Buildings	$ 35,468	$ 20,967
Land	16,633	2,864
Furniture and fixtures	32,449	23,464
Computer equipment and software	75,788	35,607
Shop equipment	34,921	30,053
Leasehold improvements	239,533	201,416
Finance lease right-of-use assets	16,567	36,246
Vehicles	8,448	7,527
Construction in progress	54,416	59,669
Total property and equipment	514,223	417,813
Less: accumulated depreciation	(152,893)	(113,920)
Total property and equipment, net	$ 361,330	$ 303,893

Depreciation expense was $51 million and $33 million for the years ended December 30, 2023 and December 31, 2022, respectively.

Note 6 —Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the years ended December 30, 2023 and December 31, 2022 are as follows:

(in thousands)	Total
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
Acquisitions	9,659
Sale of business unit	(587)
Purchase price adjustments	2,324
Foreign exchange	1,651
Balance at December 30, 2023	$ 1,238,504

Intangible assets for the years ended December 30, 2023 and December 31, 2022 are as follows:

(in thousands)	Balance at December 30, 2023		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite-Lived Amortizable			
Franchise agreements	$ 221,996	$ (69,643)	$ 152,353
License agreements	11,998	(5,949)	6,049
Membership agreements	11,600	(6,173)	5,427
Customer relationships	129,730	(25,627)	104,103
Developed technology	25,923	(22,046)	3,877
Trademarks & other	14,244	(13,968)	276
Total definite lived amortizable	415,491	(143,406)	272,085
Indefinite-Lived			
Trademarks	431,488	—	431,488
Total	$ 846,979	$ (143,406)	$ 703,573

	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

Amortization expense was $25 million and $23 million for the years ended December 30, 2023 and December 31, 2022, respectively.

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

(in thousands)	
2024	$ 24,042
2025	22,535
2026	22,056
2027	20,079
2028	18,942
Thereafter	164,431
Total amortization	$ 272,085

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 30, 2023 and December 31, 2022 were $6 million and $7 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 30, 2023 and December 31, 2022, 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 $31 million and $29 million as of December 30, 2023 and December 31, 2022, respectively, which are presented within deferred revenue on the consolidated balance sheets. The Company recognized $4 million in revenue relating to contract liabilities during the year ended December 30, 2023 and December 31, 2022, respectively.

Note 8—Long-term Debt

Our long-term debt obligations consist of the following:

(in thousands)	December 30, 2023	December 31, 2022
Series 2018-1 Securitization Senior Notes, Class A-2	$ 259,188	$ 261,938
Series 2019-1 Securitization Senior Notes, Class A-2	285,000	288,000
Series 2019-2 Securitization Senior Notes, Class A-2	263,313	266,063
Series 2020-1 Securitization Senior Notes, Class A-2	168,875	170,625
Series 2020-2 Securitization Senior Notes, Class A-2	436,500	441,000
Series 2021-1 Securitization Senior Notes, Class A-2	439,875	444,375
Series 2022-1 Securitization Senior Notes, Class A-2	360,438	364,088
Other debt [(1)]	18,770	41,586
Total debt	2,231,959	2,277,675
Less: debt issuance costs	(28,250)	(36,852)
Less: current portion of long-term debt	(26,426)	(27,605)
Total long-term debt, net	$ 2,177,283	$ 2,213,218

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

2018-1 Securitization Senior Notes

In April 2018, Driven Brands Funding, LLC (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 are guaranteed by Driven Brands Funding, LLC and Driven Brands Canada Funding Corporation (together, the "Co-Issuers") of the Senior Notes, Funding Holdco, Franchisor Holdco, SPV Product Sales Holder, Radiator Product Sales Holder, the other U.S. SPV Franchising Entities, Take 5 Properties, FUSA Properties and any Future Securitization Entities organized in the United States or any State thereof (collectively, 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 2023, the Company exercised the second of three one-year extension options.. 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, Driven Brands Funding, LLC and Driven Brands Canada Funding Corporation (together, 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.

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 U.S. Securitization Entities collectively U.S. Funding Holdco and various subsidiaries of the U.S. Co-Issuer. 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)		
2024	$	26,426
2025		279,691
2026		554,003
2027		524,325
2028		841,945
Thereafter		5,569
Total future repayments	$	2,231,959

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 Issuer of the Securitization entities, and are pledged to secure the Notes and indebtedness under the'Credit Agreement (together the "Indebtedness"). The restrictions placed on the 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 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 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 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 30, 2023, the Issuers 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 30, 2023. 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 30, 2023.

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 five to 25 years, with most having one or more renewal options ranging from one 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 30, 2023	December 31, 2022
Right-of-use assets			
Finance leases	Property and equipment, net	$ 16,534	$ 36,213
Operating leases	Operating lease right-of-use assets	397,211	335,760
Total right-of-use assets		$ 413,745	$ 371,973
Current lease liabilities			
Finance leases	Current portion of long-term debt	$ 3,387	$ 3,317
Operating leases	Accrued expenses and other liabilities	44,603	33,689
Total current lease liabilities		$ 47,990	$ 37,006
Long-term lease liabilities			
Finance leases	Long-term debt	$ 13,775	$ 35,390
Operating leases	Operating lease liabilities	371,404	313,644
Total long-term lease liabilities		$ 385,179	$ 349,034

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

(in thousands)	December 30, 2023	December 31, 2022
Finance lease expense:		
Amortization of right-of-use assets	$ 1,446	$ 2,928
Interest on lease liabilities	845	1,715
Operating lease expense	67,403	59,550
Short-term lease expense	145	430
Variable lease expense	1,615	1,522
Total lease expense, net	$ 71,454	$ 66,145

The Company also subleases certain facilities to franchisees and recognized $5 million and $5 million and in sublease revenue during the years ended December 30, 2023 and December 31, 2022, respectively, as a component of supply and other revenue on the consolidated statements of income.

For the year ended December 30, 2023, the Company sold 25 maintenance properties in various locations throughout the U. S. for a total of $39 million, resulting in a net gain of less than $4 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 $25 million and $25 million, respectively, related to these lease arrangements.

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.

	December 30, 2023	December 31, 2022
Weighted average remaining lease terms (years)		
Operating	10.10	15.58
Financing	10.50	12.04
Weighted average remaining lease terms (years)		
Operating	5.91 %	5.27 %
Financing	4.42 %	5.02 %

Supplemental cash flow information related to the Company's lease arrangements were as follows:

(in thousands)	December 30, 2023	December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used in operating leases	$ 60,991	$ 56,678
Operating cash flows used in finance leases	845	1,715
Financing cash flows used in finance leases	993	1,641
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 103,193	$ 59,772
Finance leases	—	10,906

As of December 30, 2023, future minimum lease payments under noncancellable leases were as follows:

(in thousands)	Finance	Operating	Income from subleases
2024	$ 3,585	$ 72,650	$ 5,499
2025	3,269	68,296	4,822
2026	2,933	62,051	4,392
2027	2,329	55,153	3,988
2028	1,661	47,459	2,823
Thereafter	4,644	264,781	5,485
Total undiscounted cash flows	18,421	570,390	$ 27,009
Less: Present value discount	1,259	154,383	
Less: Current lease liabilities	3,387	44,603	
Long-term lease liabilities	$ 13,775	$ 371,404	

Note 10—Income Taxes

The components of our income tax expense were as follows:

	Year Ended	
(in thousands)	**December 30, 2023**	**December 31, 2022**
Current:		
Federal	$ 38,916	$ 7,568
State	6,706	5,158
Foreign	(680)	600
Deferred:		
Federal	(10,273)	12,984
State	11,502	(13,067)
Foreign	(760)	4,295
Total income tax expense	$ 45,411	$ 17,538

Deferred tax assets (liabilities) are comprised of the following:

(in thousands)	**December 30, 2023**	**December 31, 2022**
Deferred tax asset		
Accrued liabilities	$ 1,572	$ 6,159
Accounts receivable allowance	3,289	5,046
Net operating loss carryforwards	2,960	9,054
Lease liabilities	101,835	82,669
Interest expense limitation	27,249	8,537
Deferred revenue	7,283	6,693
Other deferrred assets	5,632	5,091
Total deferred tax asset	149,820	123,249
Less valuation allowance	(1,112)	(1,216)
Net deferred tax asset	148,708	122,033
Deferred tax liabilities		
Goodwill and intangible assets	166,614	156,429
Right of use lease assets	97,577	80,156
Fixed asset basis differences	21,150	17,317
Unrealized foreign exchange differences	(371)	(920)
Other deferred liabilities	3,071	6,793
Total deferred liabilities	288,041	259,775
Net deferred liabilities	$ 139,333	$ 137,742

The Company's effective tax rate for the year ended December 30, 2023, differs from the federal statutory rate primarily due to state tax expense, non-deductible stock compensation, and favorable tax credits and transfer pricing adjustments. 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.

As of December 30, 2023, Driven Brands had a liability for uncertain tax positions of approximately $373 thousand. During 2023, the Company reduced the liability for uncertain tax positions by over $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 30, 2023 or December 31, 2022. 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 2021 are on-going. The Company is generally subject to income tax examinations for years 2017 through 2022 and believes appropriate provisions for all outstanding matters have been made for all jurisdictions and open years.

As of December 30, 2023, the Company has no pre-tax federal operating loss carry forwards. State tax effected net operating loss carryforwards are $3 million. As of December 30, 2023, the Company has no net operating loss carryforwards in Canada. As of December 30, 2023, the Company had $502 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 30, 2023, the determination of the amount of such unrecognized deferred tax liability is not practicable.

Note 11—Related-Party Transactions

The Company has an Related party receivable of $457 million at December 30, 2023 with the Driven Holdings LCC, its parent company, of which $329 million and $128 million is classified as current and noncurrent, respectively, on the Consolidated Balance Sheet. The Company had an Related party 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 funds advanced were obtained from the issuance of Series 2021-1 Securitization Senior Notes and existing cash.

The Company made payments for facilities maintenance services in the aggregate amount of approximately $7 million and $6 million during the years ended December 30, 2023 and December 31, 2022 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 $4 million, $2 million 2023 and 2022, 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 balance and the deferred compensation plan liability balance were $1 million as of December 31, 2022. During the year ended December 30, 2023, the company liquidated the rabbi trust assets. As of December 30, 2023, the deferred compensation plan liability balance was $2 million. 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.

In October 2023, the Company converted 2,963,829 performance-based restricted stock awards to time-based awards that vest in full on April 30, 2025, subject to a continuous service requirement through the vesting date.

There was approximately $31 million of unrecognized compensation expense related to the time-based restricted stock awards at December 30, 2023, which is expected to be recognized over a weighted-average vesting period of 1.3 years.

There was approximately $3 million of unrecognized compensation expense related to the performance-based restricted stock awards at December 30, 2023. For the years ended December 30, 2023 and December 31, 2022 , no compensation cost was recognized for the performance-based restricted stock awards given the performance criteria was not met or probable. Certain former employees continued to hold performance-based awards after the IPO.

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
Modifications	2,963,829	11.15	(2,963,829)	15.94
Forfeited/Cancelled	(53,865)	12.74	(251,895)	12.86
Vested	(96,542)	12.97	—	—
Outstanding as of December 30, 2023	3,103,091	$ 11.31	800,025	$ 16.22

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 30, 2023	December 31, 2022
Annual dividend yield	—%	—%
Expected term (years)	2.6-2.8	2.7-3.0
Risk-free interest rate	3.65-4.51%	2.32-3.05%
Expected volatility	37.9-38.8%	40.9-43.9%
Correlation to the index peer group	60.2-60.3%	50.7-59.5%

There was approximately $13 million of total unrecognized compensation cost related to the unvested RSUs at December 30, 2023, which is expected to be recognized over a weighted-average vesting period of 2.1 years. In addition, there was approximately $4 million of total unrecognized compensation cost related to the unvested PSUs, which are expected to be recognized over a weighted-average vesting period of 1.9 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
Granted	716,904	20.29	647,359	30.54
Forfeited/Cancelled	(126,822)	27.87	(283,131)	31.06
Performance achievement	—	—	13,808	24.69
Vested	(105,149)	27.31	(82,848)	24.69
Outstanding as of December 30, 2023	806,536	21.07	844,948	31.24

Stock Options

The Company also established and granted stock options, which vest provided that the employee remains in continuous service on the vesting date. The stock options were granted at the stock price of the Company on the grant date and permit the holder to exercise them for 10 years from the grant date.

In October 2023, the Company converted 2,438,643 performance-based options to time-based awards that vest in full on April 30, 2025, subject to a continuous service requirement through the vesting date. The remaining stock options generally vest on the fourth anniversary of the grant date or ratably over a five years vesting period, but such vesting could accelerate for certain options based on certain conditions under the award.

The following are the Ultimate Parent's stock options granted in conjunction with or after the IPO:

	Time Based Stock Options Outstanding		Weighted Average Exercise Price	Performance Based Stock Options Outstanding		Weighted Average Exercise Price
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
Modified	2,438,643		4.15	(2,438,643)		—
Forfeited/Cancelled	(448,028)		16.01	(553,038)		7.14
Exercised	(270,376)		22.00	—		—
Outstanding as of December 30, 2023	5,313,568	$	17.64	287,255	$	7.53
Exercisable as of December 30, 2023	634,594	$	21.91	—	$	—

There was approximately $20 million of total unrecognized compensation cost related to the unvested stock options at December 30, 2023, which is expected to be recognized over a weighted-average vesting period of 2.0 years.

There was less than $1 million of unrecognized compensation expense related to the performance-based stock options at December 30, 2023. For the years ended December 30, 2023, December 31, 2022 and December 25, 2021, no compensation cost was recognized for the performance-based stock options given the performance criteria was not met or probable. Certain former employees continued to hold performance-based options after the IPO.

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 2023 and 2021:

	For the Year Ended	
	December 30, 2023	December 25, 2021
Annual dividend yield	—%	—%
Weighted-average expected life (years)	6.5	7.0
Risk-free interest rate	4.82%	1.3%
Expected volatility	49.8%	40.1%

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 30, 2023 , 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 30, 2023, 82,546 shares of common stock were purchased under the ESPP as of December 30, 2023. 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 $15 million and $21 million in 2023 and 2022 respectively.

Note 14 - Subsequent Events

The Company evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through April 26, 2024, 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.

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

	Fiscal year ended		
(in thousands, except per share amounts)	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

	Year Ended		
(in thousands)	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 deferred 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.

THE FOLLOWING FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THE CONTENT OR FORM

Consolidated Financial Statements
(Unaudited)

Driven Brands, Inc. and Subsidiaries

For the three months ended
March 30, 2024 and April 1, 2023

DRIVEN BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands)	March 30, 2024	December 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 172,229	$ 150,581
Restricted cash	657	657
Accounts and notes receivable, net	159,990	146,295
Inventory	66,305	63,612
Prepaid and other assets	25,872	25,031
Related party receivable	342,266	328,953
Income tax receivable	—	3,680
Advertising fund assets, restricted	52,711	45,627
Total current assets	820,030	764,436
Related party receivable	128,144	128,144
Property and equipment, net	376,215	361,330
Operating lease right-of-use assets	400,352	397,211
Deferred commissions	6,643	6,312
Intangibles, net	695,038	703,573
Goodwill	1,226,699	1,238,504
Deferred tax asset	2,368	2,576
Other assets	87,173	55,248
Total assets	$ 3,742,662	$ 3,657,334
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 67,603	$ 51,280
Income taxes payable	50,860	42,446
Accrued expenses and other liabilities	154,456	146,104
Current portion of long-term debt	26,825	26,426
Advertising fund liabilities	33,208	23,392
Total current liabilities	332,952	289,648
Long-term debt, net	2,172,500	2,177,283
Operating lease liabilities	376,787	371,404
Deferred tax liabilities	142,562	141,909
Deferred revenue	32,159	30,507
Accrued expenses and other long-term liabilities	3,318	3,749
Total liabilities	3,060,278	3,014,500
Shareholders' equity:		
Class A common stock, $.01 par value, authorized 60,000,000 voting shares; 56,560,217 shares issued and outstanding at March 30, 2024 and December 30, 2023	565	565
Additional paid-in-capital	303,287	291,426
Retained earnings	395,556	364,781
Accumulated other comprehensive loss	(17,407)	(14,321)
Total shareholders' equity attributable to Driven Brands Holdings Inc.	682,001	642,451
Non-controlling interests	383	383
Total shareholders' equity	682,384	642,834
Total liabilities and shareholders' equity	$ 3,742,662	$ 3,657,334

DRIVEN BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)	Three months ended March 30, 2024	Three months ended April 1, 2023
Revenue:		
Franchise royalties and fees	$ 45,045	$ 43,515
Company-operated store sales	284,229	273,620
Advertising contributions	24,070	21,677
Supply and other revenue	74,160	66,675
Total revenue	427,504	405,487
Operating expenses:		
Company-operated store expenses	168,728	171,286
Advertising expenses	24,070	21,677
Supply and other expenses	35,228	35,987
Selling, general and administrative expenses	96,362	93,638
Acquisition costs	1,700	876
Store opening costs	1,263	948
Depreciation and amortization	18,114	16,186
Asset impairment charges	57	115
Total operating expenses	345,522	340,713
Operating income	81,982	64,774
Other (income) expense, net		
Interest expense, net	28,986	26,853
Loss (gain) on foreign currency transactions, net	3,801	(1,097)
Total other expenses, net	32,787	25,756
Income before taxes	49,195	39,018
Income tax expense	18,420	10,308
Net income	30,775	28,710
Net income attributable to Driven Brands, Inc.	$ 30,775	$ 28,710

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 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
Contributions	—	8,280	—	—	—	8,280
Balance as of April 1, 2023	$ 565	$ 285,766	$ 237,956	$ (15,995)	$ 370	$ 508,662

	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 30, 2023	$ 565	$ 291,426	$ 364,781	$ (14,321)	$ 383	$ 642,834
Net income	—	—	30,775	—	—	30,775
Other comprehensive (loss)	—	—	—	(3,086)	—	(3,086)
Equity-based compensation expense	—	11,861	—	—	—	11,861
Balance as of March 30, 2024	$ 565	$ 303,287	$ 395,556	$ (17,407)	$ 383	$ 682,384

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

	Three months ended	
(in thousands)	March 30, 2024	April 1, 2023
Net income	$ 30,775	$ 28,710
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,114	16,186
Equity-based compensation expense	11,861	2,564
Loss (gain) on foreign denominated transactions	5,586	(1,096)
Gain on foreign currency derivative	(1,785)	—
(Gain) loss on sale of fixed assets	(6,310)	1,419
Bad debt expense	2,063	36
Asset impairment costs	57	114
Amortization of cloud computing	1,345	—
Amortization of deferred financing costs and bond discounts	2,048	1,922
Provision for deferred income taxes	3,906	3,950
Other, net	5,893	5,349
Changes in assets and liabilities:		
Accounts and notes receivable, net	(16,314)	(50,915)
Inventory	(3,994)	(2,553)
Prepaid and other assets	(1,937)	(7,724)
Related party receivable	(84,523)	25,754
Advertising fund assets and liabilities, restricted	7,650	906
Other assets	(31,615)	(9,209)
Deferred commissions	(331)	455
Deferred revenue	1,659	161
Accounts payable	15,172	22,451
Accrued expenses and other liabilities	70,940	20,764
Income tax payable	8,564	(7,500)
Cash provided by operating activities	38,824	51,744
Cash flows from investing activities:		
Capital expenditures	(24,464)	(45,591)
Cash used in business acquisitions, net of cash acquired	(1,160)	(16,885)
Proceeds from sale-leaseback transactions	4,550	1,298
Proceeds from sale or disposal of businesses and fixed assets	18,249	—
Cash used in investing activities	(2,825)	(61,178)
Cash flows from financing activities:		
Repayment of long-term debt	(7,616)	(5,752)
Repayment of principal portion of finance lease liability	(867)	(753)
Contribution from parent	—	8,280

Other, net	—	(4)
Cash (used in) provided by financing activities	(8,483)	1,771
Effect of exchange rate changes on cash	(943)	108
Net change in cash, cash equivalents, restricted cash, and cash included in advertising fund assets, restricted	26,573	(7,555)
Cash and cash equivalents, beginning of period	150,581	158,804
Cash included in advertising fund assets, restricted, beginning of period	38,537	32,871
Restricted cash, beginning of period	657	657
Cash, cash equivalents, restricted cash, and cash included in advertising fund assets, restricted, beginning of period	189,775	192,332
Cash and cash equivalents, end of period	172,229	148,994
Cash included in advertising fund assets, restricted, end of period	43,462	35,126
Restricted cash, end of period	657	657
Cash, cash equivalents, restricted cash, and cash included in advertising fund assets, restricted, end of period	$ 216,348	$ 184,777

EXHIBIT “D”

List of State Administrators and 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

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 94105-2980
(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 (Phone)

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”

List of Current Franchisees

LIST OF FRANCHISEES AS OF DECEMBER 30, 2023

Warehouse	Franchisee	Address	City	State	Zip	Phone #
634	Mike Presson	317 Snow Drive	Birmingham	AL	35209	334/590-7738
279	Mike Presson	1018 Stanton Road, Suite D	Daphne	AL	36526	901/494-4594
695	Scott Jones	3054 Leeman Ferry Road, Suite M	Huntsville	AL	35801	469/744-2318
686	Scott Jones	743 Oliver Road	Montgomery	AL	36117	334/312-1454
612	Kent Oliver	520 S. Lincoln Street	Lowell	AR	72745	479/270-8097
452	Joe Mcilveene	1500 East Washington Avenue	North Little Rock	AR	72114	501/412-1791
602	Brian Gruner	225 S. Hibbert Street, Suite 102	Mesa	AZ	85210	913/486-6737
601	Brian Gruner	405 N 75th Avenue, Building 2, Ste.142	Phoenix	AZ	85043	913/486-6737
669	Brian Gruner	2401 W. Phelps Road, Suite E	Phoenix	AZ	85023	682/225-2246
670	Brian Gruner	235 E Pima, Suite 102	Phoenix	AZ	85004	602/661-8553
604	Brian Gruner	4175 S. Fremont Avenue 106	Tucson	AZ	85714	913/486-6737
195	Gursh Mann	2611 W. Woodland Drive	Anaheim	CA	92801	714/458-3294
152	Tanya & Ken Gacs	300 Kentucky Street	Bakersfield	CA	93305	661/398-9200
90	Mike Hausman	3924 Starlite Drive D	Ceres	CA	95307	209/769-7123
697	Mark Dragoo & Kim Dragoo	2910 Hwy 32, Suite 1900	Chico	CA	95973	530/605-5873
705	Kawaljot Pannu & Harbarinder Pannu	3027 Teagarden Street	San Leandro	CA	94577	510/895-7905
53	Jeff Hatter	1336 Industrial Avenue	Escondido	CA	92029	760/801-1746
698	Tian “Linda” Yu Liu	2020 N. Texas Street	Fairfield	CA	94533	707/580-5828
549	Mike Richards	96 S. West Avenue	Fresno	CA	93706	559/907-2088
496	Manjit Arora	627 Justin Avenue	Glendale	CA	91201	909/544-1362
51	Don Shimasaki	4505 West Rosecrans Avenue	Hawthorne	CA	90250	323/528-4396
293	Mike Hausmann	365 S. Hwy 59	Merced	CA	95341	209/769-7123
98	Felix Pina	41083 Sandalwood Circle F	Murietta	CA	92562	951/522-3552
85	Siavash and Natalie Salimitari	402 W 35th Street, Unit E	National City	CA	91950	619/666-8399
579	Mark And Kim Dragoo	3777 Meadow View Drive, Ste. 400	Redding	CA	96002	614/204-4668
641	Gursh Mann	2111 Iowa Avenue, Ste. C	Riverside	CA	92507	714/458-3294

Warehouse	Franchisee	Address	City	State	Zip	Phone #
640	Jeff Mullins Mike Gausman	540 Brunken Avenue, Suite C	Salinas	CA	93901	831/210-9575
420	Jeff Mullins Mike Gausman Chuck Kennedy	911 Tanklage Road	San Carlos	CA	94070	408/567-8052
186	Jeff Hatter	7894 Ronson Road, Suite A	San Diego	CA	92111	760/801-1746
707	Rod Alavi	3027 Teagarden Street	San Leandro	CA	94577	415/609-2385
95	Jeff Mullins Mike Gausman	888 Aldo Avenue	Santa Clara	CA	95054	707/580-5890
548	Jeff Mullins Mike Gausman	2666 West Lane, Suite 700	Stockton	CA	95205	707/580-5890
50	Manjit Arora	1657 W. Arrow Route	Upland	CA	91786	909/821-9101
654	Gursh Mann	5757 Olivas Park Drive, Suite N	Ventura	CA	93003	805/612-4139
448	Tanya and Ken Gacs	1036 N. Marcin Street	Visalia	CA	93291	559/734-4004
617	Brian Gruner	5885 Stapleton Drive North	Denver	CO	80216	913/486-6737
696	Brian Gruner	5750 East 58th Avenue	Commerce City	CO	80222	303/515-7948
510	Brian Drost	1556 Barnum Ave. Bldg. D, Ste. 2	Bridgeport	CT	06610	973/779-7119
511	Brian Drost	120 Tolland Street	East Hartford	CT	06108	973/779-7119
512	Brian Drost	41 Stevens Street	Waterbury	CT	06704	973/779-7119
619	Justin Smith	263 Quigly Boulevard, Suite 5	New Castle	DE	19720	410/808-4813
453	Brian Gruner	114 Taylor Avenue	Daytona Beach	FL	32114	913/486-6737
674	Brian Gruner	8820 NW 24th Terrace	Doral	FL	33172	786/305-6048
194	Kevin Jensen	4010 Warehouse Road, Unit B	Ft. Myers	FL	33916	785/230-4585
450	Tonya Barton	6731 Stuart Avenue, Suite 3	Jacksonville	FL	32254	904/318-5757
480	Brian Gruner	825 Sawdust Trail	Kissimmee	FL	34744	913/486-6737
586	Brian Gruner	2033 Edenfield Place, Unit 1	Lakeland	FL	33801	913/486-6737
675	Brian Gruner	1991 NW 29th Street	Oakland Park	FL	33311	754/305-6048
481	Brian Gruner	1133 North Magnolia Avenue	Ocala	FL	34475	913/486-6737
459	Brian Gruner	3122 Shader Road, Unit C	Orlando	FL	32808	913/486-6737
584	Brian Gruner	10741 Endeavor Way, Unit B	Pinellas Park	FL	33777	913/486-6737
173	Allison Pukadenny Lay	8256 Kristel Circle	Port Richey	FL	34668	727/992-5558
630	Jerry Dewberry	1470 Northgate Boulevard	Sarasota	FL	34234	417/414-1299

Warehouse	Franchisee	Address	City	State	Zip	Phone #
253	Terry Graves	4329 W. Pensacola Street, Unit 1C	Tallahassee	FL	32304	850/545-3777
585	Brian Gruner	5422 Boran Place	Tampa	FL	33610	913/486-6737
565	Brian Gruner	650 Atlanta S. Parkway, Ste. 108	Atlanta	GA	30349	913/486-6737
567	Brian Gruner	735 Park N. Boulevard, Suite 106	Clarkston	GA	30021	770/436-3180
564	Brian Gruner	1665 Lakes Parkway, Suite 106	Lawrenceville	GA	30043	913/486-6737
566	Brian Gruner	215 Hembree Park Drive, Suite 160	Roswell	GA	30076	678/548-5877
563	Brian Gruner	1835 S. Cobb Ind. Boulevard, Ste. 106	Smyrna	GA	30082	913/486-6737
679	Gary Hayles	208 Valley Drive	Blue Grass	IA	52726	309/737-8511
576	Pavan Bhargava	221 W. 37th Street, Suite L	Garden City	ID	83714	503/989-7674
550	Talal Abouchleih	500 S. 2nd Street	Belleville	IL	62220	618/830-6961
649	Tyson Garrett	3730 West 38th Street	Chicago	IL	60632	N/A
100	Sam Chaddha Sean Kahn	2732 Wisconsin Avenue	Downers Grove	IL	60515	630/877-9160
621	Jeff Del Greco	407 Washington Boulevard, Suite F	Mundelein	IL	60060	262/649-7037
540	Chris and Eric Reith	550 Lunt Avenue	Schaumburg	IL	60193	847/368-2030
650	Tyson Garrett	6314 Oakton Street	Skokie	IL	60053	773/650-2480
216	Craig Day	2424 Kotter Avenue, Suite A	Evansville	IN	47715	812/430-3935
558	Rick Sheffer Matt Sheffer	1936 S. Lynhurst Street, Suite G	Indianapolis	IN	46241	317/345-2149
64	Brian Gruner	2820 Roe Lane, Suite A	Kansas City	KS	66103	913/486-6737
61	Nick Kennedy	2355 S. Edwards, Suite C	Wichita	KS	67213	316/640-2695
406	Justin Smither and Aaron Stephenson	908 Delaware Avenue	Lexington	KY	40505	502/432-1450
256	Justin Smither and Aaron Stephenson	5548 Shepherdsville Road	Louisville	KY	40228	502/608-1331
685	Quinlan Motley	2658 Rome Street	Baton Rouge	LA	70814	225/936-7197
678	Earl Marcantel	220 Street Nazaire Road, Unit B	Broussard	LA	70518	337/330-4918
713	Tyson Garrett	5612 Jensen Street, Suite F	Harahan	LA	70123	901/494-4594
500	Kevin Tucker	1302 Ockley Drive	Shreveport	LA	71108	903/238-4436
644	Daniel Schmitz	139 Washington Street, Route 20	Auburn	MA	01501	860/608-9494
645	Daniel Schmitz	51 Morgan Drive, Unit 5	Norwood	MA	02062	860/608-9494

Warehouse	Franchisee	Address	City	State	Zip	Phone #
710	Daniel Schmitz	325 New Boston Street, Unit 17	Woburn	MA	01801	617/283-9031
141	Justin Smith and Ron Smith	3200 Washington Boulevard	Baltimore	MD	21230	240/476-2184
486	Terry Nantier	9108 East Hampton Drive	Capitol Heights	MD	20743	703/906-2369
142	Justin Smith	9105B Gaither Road	Gaithersburg	MD	20877	240/388-6746
577	Justin and Ron Smith	920 Eldridge Drive, Unit F	Hagerstown	MD	21740	240/388-6746
694	Kanaiyo “Ken” Thakkar and Raj Thakkar	111 Olive Street	Salisbury	MD	21801	301/509-6207
711	Daniel Schmitz	20 Thomas Drive	Westbrook	ME	04092	617/283-9031
411	Mike Moore	7935 Webster Road, Suite 1	Freeland	MI	48623	989/695-9700
410	Mike Moore	2976 Larch Road	Harrison	MI	48625	989/539-5471
162	Marvin Beasley	3190 Old Farm Lane	Walled Lake	MI	48390	248/408-9788
708	Stuart Bridges	28451 Highland Road	Romulus	MI	48174	734-946-0555
431	Trevor Anonsen	810 9th Street S.E.	Minneapolis	MN	55414	612/331-1221
703	Brian Way	1746 Chase Drive	Fenton	MO	63026	314/267-6425
682	Brian Gruner	3106 E. Truman Road	Kansas City	MO	64127	816/231-6673
702	Brian Way	107 Weldon Pkwy	Maryland Heights	MO	63043	314/504-5429
681	Brian Gruner	3517 Enterprise Way, Unit C	Kansas City	MO	64129	913/687-7462
271	Mike Presson	6516 Woolmarket Road	Biloxi	MS	39532	901/494-4594
319	Tom Adams	5000 Highway 80 E., Suite 5A	Pearl	MS	39208	601/961-5959
536	Mike Mason	1219 South Gloster Street	Tupelo	MS	38801	662/397-3127
62-01	Vana Origer	5601 Interstate Avenue	Billings	MT	59101	406/697-9009
706	Javier Angulo	128 Bingham Road, Suite 250	Asheville	NC	28806	704/519-5341
435	Donald Hamilton	531 B Pitts School Road NW	Concord	NC	28027	336/239-2119
145	Daniel Mcrae	602 Industrial Avenue	Greensboro	NC	27406	217/819-2005
479	Daniel Mcrae	2407 Paula Street, Suite 100	Raleigh	NC	27608	336/601-4871
455	Daniel Mcrae	1810 Castle Street	Wilmington	NC	28403	614/795-3249
403	Daniel Mcrae	4226 Williamson Road	Wilson	NC	27893	252/406-6951

Warehouse	Franchisee	Address	City	State	Zip	Phone #
215	Donald Hamilton	2550 Empire Dr., Unit 114	Winston Salem	NC	27103	336/239-2119
217	Brian Gruner	4101 Progressive, Unit 2	Lincoln	NE	68504	913/486-6737
63	Brian Gruner	6315 Railroad Avenue	Omaha	NE	68107	913/486-6737
509	Brian Drost	284 Old Deal Road, Unit 106	Eatontown	NJ	07724	973/779-7119
693	Daniel Schmitz	112 East Avenue Space 7	Hackettstown	NJ	07840	908/850-9730
515	Brian Drost	235 Orient Avenue, Suite B	Jersey City	NJ	07305	973/779-7119
508	Brian Drost	501 Prospect Street, Unit 106B	Lakewood	NJ	08701	973/779-7119
505	Brian Drost	416 East Elizabeth Avenue	Linden	NJ	07036	973/779-7119
501	Brian Drost	136 Rte. 46 East	Lodi	NJ	07644	973/779-7119
503	Brian Drost	1100 Somerset, Building C	New Brunswick	NJ	08903	973/779-7119
519	Brian Beers	608 Ryan Avenue, Unit R1	Westville	NJ	08093	215/847-3773
437	Pavan Bhargava	3245 East Patrick Lane, Suite B	Las Vegas	NV	89120	702/883-4298
472	Dominic Dibari	101 Cleveland Avenue	Bay Shore	NY	11706	516/810-7266
507	Brian Drost	777 East 93rd Street	Brooklyn	NY	11236	973/779-7119
661	Joseph Grimmer	25 Dingens Street	Buffalo	NY	14206	716/777-1339
363	Mike Middleton	85 Corporate Park Drive	Central Square	NY	13036	315/708-6799
506	Brian Drost	1825 130th Street	College Point	NY	11356	973/779-7119
278	Vito Cirioni	516 South 5th Avenue	Mt. Vernon	NY	10550	914/589-6864
502	Brian Drost	505 Airport Executive Park	Nanuet	NY	10954	973/779-7119
362	Brett Lawrence	383 Child Street	Rochester	NY	14606	585/749-4139
631	Daniel Mcrae	8711 Reading Road, Suite 1	Cincinnati	OH	45215	217/819-2005
680	Stuart Bridges	4170 Perimeter Drive	Columbus	OH	43228	614/771-8118
518	Peter Wise	25975 Emery Road, Unit G	Warrensville Heights	OH	44128	216/406-4913
646	Larry Devault	207 Industrial Boulevard	Moore	OK	73160	405/919-7130
118	Larry Devault Carole Devault	4055 NW 3rd Street, Bldg. B	Oklahoma City	OK	73107	405/209-1245
401	Brian Gruner	3637 S. 73rd East Avenue	Tulsa	OK	74145	913/486-6737
582	Carl Sorgenfrie	1208 Beall Lane	Central Point	OR	97502	949/378-6448

Warehouse	Franchisee	Address	City	State	Zip	Phone #
581	Carl Sorgenfrie	900 Mckinley Street, Unit D	Eugene	OR	97402	949/378-6448
553	Pavan Bhargava	3473 NW Yeon Avenue	Portland	OR	97210	503/989-7674
583	Carl Sorgenfrie	2618 Cherry Avenue NE	Salem	OR	97301	949/378-6448
294	Bob Johns	234 South Potter Street	Bellefonte	PA	16823	814/571-9433
597	Justin Smith	1000 Itaska Street	Bethlehem	PA	18015	443/506-9113
143	Justin Smith	1501 South 19th Street	Harrisburg	PA	17104	717/608-5583
127	Andrew Fay	6250 Baltimore Avenue, Ste. 14	Landsdowne	PA	19050	610/368-5326
222	Tony Alimenti	13430 Damar Drive Rear	Philadelphia	PA	19116	215/969-8838
659	Jeff Druzak	705 Mansfield Avenue	Pittsburgh	PA	15205	412/303-8193
357	Greg Leedy	135 Juniata Street	Reading	PA	19611	717/304-6149
299	Paco Ibrahim Nardone	Calle Diana Lote 30 Warehouse 5	Guaynabo	PR	968	787/506-3909
699	Paco Nardone	Avenida Lomas Verdes IC 17	Bayamon	PR	699	787/749-0420
656	Daniel Schmitz	203 Concord Street, Unit 445	Pawtucket	RI	02860	401/578-5946
492	Ken Holloway	149 Mcleod Road	Columbia	SC	29203	704/519-5341
177	Ken Holloway	3647 Centre Circle	Fort Mill	SC	29715	704/519-5341
561	Brian Gruner	14 Victor Street	Greenville	SC	29609	913/486-6737
684	Phillip Collins	1211 3rd Avenue South	Myrtle Beach	SC	29577	843/446-1945
562	Brian Gruner	115 Belton Drive, Suite A	Spartanburg	SC	29301	913/486-6737
542	Chris Roy	3402 North Hawthorne Street	Chattanooga	TN	37406	423/902-1211
637	Jeff White	155 Jones Boulevard, Unit B	La Vergne	TN	37086	615/753-9703
618	JR Kingsley	1995 Thomas Road	Memphis	TN	38134	205/296-6954
220	Jeff White	301 Glenrose Avenue	Nashville	TN	37210	615/347-2767
668	Paul Gerstner	100 North Jefferson Street	Abilene	TX	79603	940/322-7100
305	Darrell Henson	323 N. Nelson Street	Amarillo	TX	79107	806/382-3057
97	Rick Sheffer	357 Exchange Drive	Arlington	TX	76011	817/247-5248
447	Kevin Tucker	9419 Neils Thompson Drive	Austin	TX	78758	903/238-4436
295	Kyle Stratton	660 Fannin Street	Beaumont	TX	77701	409/351-4332

Warehouse	Franchisee	Address	City	State	Zip	Phone #
587	Joann Rodriguez Edgar Rodriguez	3610 Saturn Road	Corpus Christi	TX	78413	832/228-3736
111	Tyson Garrett	2626 Northaven Road	Dallas	TX	75229	682/521-5691
359	Kevin Tucker	624 East Centre Park Boulevard	Desoto	TX	75115	903/238-4436
676	Guy Gros	6179 Alameda Avenue	El Paso	TX	79905	915/629-8759
465	Tyson Garrett	2639 Market Street	Garland	TX	75041	682/521-5691
153	Barry and Matt Fritzer	9370 South Point Drive	Houston	TX	77054	713/882-5999
628	Harry Gates Eric Nessler Nick Bernitsas	18209 Chisholm Trail, Ste. 103	Houston	TX	77060	281/272-8080
575	Barry Matt Fritzer	2121 Brittmore Road 3600	Houston	TX	77043	713/882-5999
369	Darrell Henson	8600 Ash Avenue, 5C	Lubbock	TX	79404	806/382-3057
421	Joann Rodriguez Edgar Rodriguez	1307 Maco Drive	Pharr	TX	78577	832/228-3736
117	Bill Magruder	5005 West Avenue, Building 1	San Antonio	TX	78213	210/373-6767
498	Kevin Tucker	3418 SSW Loop 323	Tyler	TX	75701	903/238-4436
229	Paul Gerstner	406B Jalich Drive	Wichita Falls	TX	76301	940/322-7100
689	Rick Sheffer	1316 Ranchers Legacy Trail	Fort Worth	TX	76126	817/265-8042
458	Pavan Bhargava	215 East 700 South, Suite 7	Clearfield	UT	84015	702/210-9348
457	Pavan Bhargava	998 North 1580 West	Orem	UT	84057	702/210-9348
456	Pavan Bhargava	2342 Presidents Drive, Suite D	West Valley City	UT	84120	702/210-9348
211	James Woods	2100 Aluminum Avenue, Suite 112	Hampton	VA	23661	757/217-6258
139	Greg Lynett	8523 Phoenix Drive	Manassas	VA	20110	703/393-0002
259	Kevin Schlosser	4911 West Clay Street	Richmond	VA	23230	804/514-2886
474	Donald Hamilton	2813 Mary Linda Avenue NE	Roanoke	VA	24012	540/330-3527
106	Terry Nantier	5407 Port Royal Road, Ste. E	Springfield	VA	22151	703/906-2369
150	James Woods	5321 Cleveland Street, Suite 203	Virginia Beach	VA	23462	757/217-6258
268	Doug Neal	1 Solutions Way, Suite 102	Waysboro	VA	22980	540/910-2008
653	Dan and Hoa DeBusk	9826 7th Avenue SE	Everett	WA	98208	425/493-0809
79	Dan Debusk Hoa	2523 Pacific Hwy E, Suite E	Fife	WA	98424	253/250-1929

Warehouse	Franchisee	Address	City	State	Zip	Phone #
439-01	Vana Origer	111 N. Vista Road, Unit 3D	Spokane	WA	99212	208/661-4593
625	Pavan Bhargava	3110 NE Minnehaha Street, Ste. D	Vancouver	WA	98663	917/922-6723
334	Joel Weber	310 South 3rd Avenue	Yakima	WA	98902	509/952-9375
365	Jeff Delgreco	3695 N. 126th Street, Unit F	Brookfield	WI	53005	262/649-7037
434	Tom Schmitzer	135 N. Lake Street	Neenah	WI	54956	920/997-1684
178	Jeff Delgreco	1510 S. Sylvania Avenue, Ste. 214	Sturtevant	WI	53177	262/649-7037
433	Tom Schmitzer	4355 Duraform Lane, Ste. 1	Windsor	WI	53598	608/277-1800
652	Tim Matheny	147 Tonya Avenue	Parkersburg	WV	26101	304/588-3532

FRANCHISED AGREEMENTS SIGNED BUT OUTLET NOT YET OPENED

Warehouse	Franchisee	City	State	Phone #
712	1-800 Radiator of Dallas Fort Worth, LLC	Chicago	IL	Unknown
709	Stuart Bridges Enterprises, LLC	Perimeter	OH	Unknown

EXHIBIT “F”

List of Former Franchisees

2023 FORMER FRANCHISEES

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

Termination/Ceased Operations for Other Reasons

Warehouse	Franchisee	City	State	Phone #
624	Drive Auto Parts, Inc.	Clinton Township	MI	313-819-5000
636	Drive Auto Parts, Inc.	Romulus	MI	313-819-5000
677	Kelser, Inc.	Charlotte	NC	704-519-5341
535	Wild Radiators, Inc.	Albany	NY	Unknown

Transferred/Sold

Warehouse	Franchisee	City	State	Phone #
154	Mike Allendorf	Concord	CA	510-714-4959
077	Diane McKay	Fairfield	CA	707-580-5828
089	1 Global Tech Market, Inc.	San Leandro	CA	415-609-2385
277	Presson Holdings of LA, Inc.	Harahan	LA	901-494-4594
060	Loyal Automotive, Inc.	Woburn	MA	617-283-9031
490	Loyal Automotive, Inc.	Falmouth	ME	617-283-9031
658	Abouchleih Enterprises LLC	Fenton	MO	618-277-7850
356	Cool-Parts, LLC	Maryland Heights	MO	314-504-5429
062	Douglas E. Origer	Billings	MT	None
223	Tyler Houston, LLC	Asheville	NC	704-519-5341
439	Douglas E. Origer	Spokane	WA	None

EXHIBIT “G”

Table of Contents of Manual

Franchise Policy Manual Contents

EXHIBIT “H”

Conditional Assignment of Telephone Numbers and Internet Addresses

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS AND INTERNET ADDRESSES

THIS CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS AND INTERNET ADDRESSES (this "**Assignment**") is effective as of _______________, 20__, between 1-800-RADIATOR FRANCHISOR SPV LLC, a Delaware limited liability company with its principal place of business at 4401 Park Road, Benicia, California 94510 ("**we**," "**us**" or "**our**") and ____, whose current place of business is ____ ("**you**" or "**your**"). You and we are sometimes referred to collectively as the "**parties**" or individually as a "**party**."

BACKGROUND INFORMATION:

We have simultaneously entered into the certain Franchise Agreement (the "**Franchise Agreement**") dated as of _____________, 20___ with you, pursuant to which you plan to own and operate a 1-800-RADIATOR & A/C® Warehouse (the "**Warehouse**"). The Warehouses use certain proprietary knowledge, procedures, formats, systems, forms, printed materials, applications, methods, specifications, standards and techniques authorized or developed by us (collectively, the "**System**"). We identify Warehouses and various components of the System by certain trademarks, trade names, service marks, trade dress and other commercial symbols (collectively, the "**Marks**"). In order to protect our interest in the System and the Marks, we will have the right to control the telephone numbers and listings and internet addresses of the Warehouse if the Franchise Agreement is terminated.

OPERATIVE TERMS:

You and we agree as follows:

1. Background Information: The background information is true and correct. This Assignment will be interpreted by reference to the background information. Terms not otherwise defined in this Assignment will have the meanings as defined in the Franchise Agreement.

2. Conditional Assignment: FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor: (a) those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the "**Telephone Numbers and Listings**"); and (b) those certain Internet website addresses ("**URLs**") associated with Franchisor's trade and service marks and used from time to time in connection with the operation of the Warehouse at the address provided above. This Assignment is for collateral purposes only and, except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as "**Telephone Company**") and/or Franchisee's Internet service provider ("**ISP**") to effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement (without extension) for any reason, Franchisor shall have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers and Listings and the URLs, and, in such event, Franchisee shall have no further right, title or interest in the Telephone Numbers and Listings and the URLs, and shall remain liable to the Telephone Company and the ISP for all past due fees owing to the Telephone Company and the ISP on or before the effective date of the assignment hereunder.

3. Power of Attorney: Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor shall have the sole right to and interest in the Telephone Numbers and Listings and the URLs, and Franchisee irrevocably appoints Franchisor as Franchisee's true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct the Telephone Company and the ISP to assign same to Franchisor, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee shall immediately notify the Telephone Company and the ISP to assign the Telephone Numbers and Listings and the URLs to Franchisor. If Franchisee fails to promptly direct the Telephone Company and the ISP to assign the Telephone Numbers and Listings and the URLs to Franchisor, Franchisor shall direct the Telephone Company and the ISP to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Telephone Company and the ISP may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Telephone Numbers and Listings and the URLs upon such termination or expiration and that such assignment shall be made automatically and effective immediately upon Telephone Company's and ISP's receipt of such notice from Franchisor or Franchisee. The parties further agree that if the Telephone Company or the ISP requires that the parties execute the Telephone Company's or the ISP's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

4. Indemnification: You will indemnify and hold us and our affiliates, stockholders, directors, officers and representatives (collectively, the "**Indemnified Parties**") harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses that any of the Indemnified Parties incur as a result of any claim brought against any of the Indemnified Parties or any action which any of the Indemnified Parties are named as a party or which any of the Indemnified Parties may suffer, sustain or incur by reason of, or arising out of, your breach of any of the terms of any agreement or contract or the nonpayment of any debt you have with the Telephone Company and/or ISP.

5. Binding Effect: This Assignment is binding upon and inures to the benefit of the parties and their respective successors-in-interest, heirs, and successors and assigns.

6. Assignment to Control: This Assignment will govern and control over any conflicting provision in any agreement or contract which you may have with the Telephone Company and/or ISP.

7. Attorneys' Fees, Etc.: In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment or the enforcement thereof, the prevailing party will be entitled to reimbursement of its attorneys' fees, costs and expenses from the non-prevailing party. The term "**attorneys' fees**" means any and all charges levied by an attorney for his or her services including time charges and other reasonable fees including paralegal fees and legal assistant fees and includes fees earned in settlement, at trial, appeal or in bankruptcy proceedings and/or in arbitration proceedings.

8. Severability: If any of the provisions of this Assignment or any section or subsection of this Assignment are held invalid for any reason, the remainder of this Assignment or any such

section or subsection will not be affected, and will remain in full force and effect in accordance with its terms.

9. Governing Law and Forum: This Assignment is governed by California law. The parties will not institute any action against any of the other parties to this Assignment except in the state or federal courts of general jurisdiction in Solano County, California, and they irrevocably submit to the jurisdiction of such courts and waive any objection they may have to either the jurisdiction or venue of such court.

YOU:	**US:**
______________________________	**1-800-RADIATOR FRANCHISOR SPV LLC**
By:______________________________	By:______________________________
Print Name:______________________	Print Name:______________________
Title:____________________________	Title:____________________________
Date:____________________________	Date:____________________________
By:______________________________	
Print Name:______________________	
Date:____________________________	
By:______________________________	
Print Name:______________________	
Date:____________________________	

EXHIBIT “I”

Promissory Note,
Security Agreement and UCC-1
Financing Statement

PROMISSORY NOTE

U.S. $___________

Date: ____________, 20___
(the "**Effective Date**")
Executed at _____________

FOR VALUE RECEIVED, __________________________, a _____________________, whose principal business address is ___________________________(the "**Franchisee**") promises to pay to the order of _____________________________, a(n) ____________________(the "**Lender**"), at its offices at ___________________________ (or at such other place or places as the Lender or the holder of this Note may designate in writing, from time to time), the principal sum of __________________________ Dollars (U.S. $___________) (the "**Loan**"), or such lesser sum outstanding at the time when payment is due under this Note, in lawful money of the United States of America, together with interest accruing thereon from the date of this Note at the rate and time later provided, on the balance from time to time remaining unpaid. The Loan represented by this Note is subject to the terms and conditions of a 1-800-RADIATOR & A/C® Franchise Agreement dated _______________, 20___ (the "**Franchise Agreement**") between the Franchisee and 1-800-RADIATOR FRANCHISOR SPV LLC, a Delaware limited liability company (the "**Franchisor**"). All capitalized terms not defined herein shall have the same meaning as contained in the Franchise Agreement.

1. Interest Rates and Payments. Interest will accrue on the unpaid principal balance at the rate of __________ percent (___%) per annum. Monthly payments of principal plus accrued and unpaid interest in the amount of $______ will be due and payable on the 1st day of each month commencing _______, 20___ until fully paid. All payments received by the Lender will be applied first to accrued and unpaid interest and then to the then outstanding principal balance.

2. Security. This Note is secured by that certain Security Agreement of even date herewith, executed by the Franchisee in favor of the Lender (the "**Security Agreement**").

3. Definition of Event of Default. For purposes of this Note, an "**Event of Default**" is:

3.1 Failure by the Franchisee to pay any sums when due to the Lender or the Franchisor or its affiliates, under this Note, the Franchise Agreement or any other agreements between the Franchisee and the Lender or the Franchisor or its affiliates and failure to cure such default within 10 days after receiving notice thereof;

3.2 Any breach of the provisions of the Franchise Agreement, or any other agreement between the Franchisee and the Lender, the Franchisor or its affiliates not cured within the applicable cure period;

3.3 Any representation or warranty made by the Franchisee in this Note, the Security Agreement, any financial statement or any statement or representation made in any other report or other document delivered in connection with this Note, the Security Agreement or the Franchise Agreement proves to have been incorrect or misleading in any material respect when made;

3.4 The Franchisee makes an assignment for the benefit of creditors, offers a composition or extension to creditors, or makes or sends notice of an intended bulk sale of any of the Collateral as defined in the Security Agreement;

3.5 The Franchisee: (i) files a petition in bankruptcy, (ii) is adjudicated insolvent or bankrupt, petitions or applies to any tribunal for any receiver of or any trustee for itself, any of the Collateral as defined in the Security Agreement, or any substantial part of its property, (iii) commences any proceeding relating to itself under any reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or any such proceeding is commenced against the Franchisee, including, but not limited to, the filing of an involuntary petition against the Franchisee under the United States Bankruptcy Code, (iv) by any act indicates its consent to, approval of, or acquiescence in, any such proceeding or the appointment of any receiver of or any trustee for the Franchisee or any substantial part of its property, or (v) admits in writing its inability to pay its debts as they become due;

3.6 The Franchisee, or any other affiliate of the Franchisee, shall challenge or contest, in any action, suit or proceeding, the validity or enforceability of this Note, the Security Agreement, or any related documents, the legality or the enforceability of any of the Loan or the perfection or priority of any Lien granted to the Lender; or

3.7 There shall be any material adverse change in the financial condition of the Franchisee or any other event shall occur that, as determined by the Lender, materially impairs the ability of the Franchisee to pay the Loan.

4. Default Interest Rate. At any time or times during which an Event of Default then exists or upon the maturity of this Note, the interest rate under this Note will be equal to the lesser of: (i) 18% per annum; or (ii) the maximum rate of interest permitted by applicable law (the "**Default Interest Rate**"), and shall be due and payable ON DEMAND.

5. Acceleration of Maturity. In the event of the continuation of any default in the payment of any interest or principal under this Note for a period of 10 days after notice is received from the Lender or upon the occurrence of any other Event of Default, the Lender or the holder of this Note may elect to declare and may declare the entire unpaid principal amount outstanding under this Note, together with interest accrued thereon, immediately due and payable and/or may increase the interest rate under this Note up to the Default Interest Rate.

6. Waivers. The Franchisee, its successors and assigns, and all other endorsers and guarantors of this Note waive any defense by reason of any extension of time for reason of nonpayment. The Franchisee, its successors and assigns, and all endorsers and guarantors of this Note waive demand, presentment, notice of non-payment, dishonor and protest.

7. Attorneys' Fees. In case suit is brought for the collection of this Note, or if it is necessary to place the same in the hands of an attorney for collection, the Franchisee and all endorsers and guarantors of this Note agree to pay reasonable attorneys' fees for making such collection, including all fees and costs incident to any appellate, post-judgment, and bankruptcy proceedings that may result, whether the holder of this Note is obligated thereof or not.

8. Maximum Interest. Despite any other provision of this Note, in no event will the amount of interest due or payable under this Note exceed the maximum contract rate of interest allowed by applicable law, as amended from time to time. If any payment is made by the Franchisee or received by the Lender that exceeds the maximum contract rate of interest, such excess sum will be credited as a payment of principal, unless the Franchisee notifies the Lender that it elects to have the excess sum returned.

9. Payment of Indebtedness. All payments received from the Franchisee may be applied to outstanding principal or accrued interest as the Franchisor designates.

10. Negotiability. This Note is fully negotiable by the Lender.

11. Consideration. The Franchisee acknowledges and agrees that this Note has been signed and delivered to the Lender in exchange for valuable consideration. The valuable consideration relates to amounts that are due and owing to the Lender, without any defense or setoff.

12. Jurisdiction and Venue. The Franchisee agrees all actions arising under this Note must be commenced in the state or federal court of general jurisdiction in Solano County, California, and the Franchisee irrevocably submits to the jurisdiction of those courts and waives any objection it might have to either the jurisdiction or venue in those courts. Notwithstanding the foregoing, the Franchisee agrees that the Lender may enforce this Note and any orders and awards in the federal or state courts of the state in which the Franchisee is domiciled.

13. Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of California, without regard to choice of law principles.

14. Consent to Changes. All parties liable for the payment of this Note consent and agree that the granting to the Franchisee or any other party of any extension of time for the payment of any sums due under this Note, or for the performance of any covenant or stipulation in this Note or in any document securing the Loan or the release of the Franchisee or any other party, or the agreement of the Lender not to sue the Franchisee or any other party, or the discharge of the Franchisee or any other party, or the taking or releasing of other or additional security, will not in any way release or affect the liability of the Franchisee and/or of the endorsers or guarantors of this Note, all rights against such parties being expressly reserved.

15. Amendment. This Note may not be amended or modified, nor will any waiver of any provisions of this Note be effective, except by an instrument in writing signed by the holder of this Note. The Franchisee has signed this Note as principal and not as surety or accommodation party.

16. Prepayment. This Note may be prepaid, in whole or in part, at any time without penalty provided that any partial payment shall be applied against the principal amount outstanding in inverse order of maturity and shall not postpone the due date of any subsequent payment unless the Lender shall otherwise agree in writing in its sole discretion.

17. Nonassumability. This Note is not assumable without the Lender's prior written consent. Such assumption may be granted at the Lender's sole discretion and may be denied without regard to a showing of an impairment of the Lender's security or an evaluation of the creditworthiness of the proposed assuming party and regardless of whether the Franchisor consents to a transfer of the Franchise Agreement.

18. WAIVER OF JURY TRIAL. THE FRANCHISEE, BY SIGNING THIS NOTE, AND THE LENDER, BY ACCEPTANCE OF THIS NOTE, MUTUALLY AND WILLINGLY WAIVE THE RIGHT TO A TRIAL BY JURY OF ANY AND ALL CLAIMS MADE BETWEEN THEM WHETHER NOW EXISTING OR ARISING IN THE FUTURE, INCLUDING ANY AND ALL CLAIMS, DEFENSES, COUNTERCLAIMS, CROSSCLAIMS, THIRD PARTY CLAIMS AND INTERVENOR'S CLAIMS WHETHER ARISING FROM OR RELATED TO THE NEGOTIATION, SIGNING AND PERFORMANCE OF THE TRANSACTIONS TO WHICH THIS NOTE RELATES.

"FRANCHISEE"

____

By: __________________________________
Name: ________________________________
Title: _________________________________

SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made and entered into as of ________________, 20__ (this "**Agreement**"), by and among ____, a(n) _________________________ ("**Secured Party**"), and ______________________________, a(n) _____________________, whose principal business address is ____________________________ ______________________________ ("**Debtor**").

A. Debtor is purchasing a 1-800-RADIATOR & A/C® franchise (the "**<u>Warehouse</u>**") and entering into that certain Franchise Agreement dated __________________________ (the "**<u>Franchise Agreement</u>**"), by and between Debtor and 1-800-RADIATOR FRANCHISOR SPV LLC, a Delaware limited liability company (the "**<u>Franchisor</u>**").

B. To secure payment of the fees and any and all other amounts owed to Secured Party under the Franchise Agreement and any and all other agreements between Secured Party (or any of its affiliates) and Debtor (or any of its owners or affiliates), Debtor wishes to grant to Secured Party a continuing security interest in the Collateral (as defined below).

ACCORDINGLY, for good and valuable consideration, the adequacy, sufficiency, and actual receipt of which are hereby mutually acknowledged by the parties, the parties hereby agree as follows:

1. <u>Security Interest</u>. In order to secure (i) complete and timely payment of Debtor's financial obligations arising under or in respect of the Franchise Agreement, this Agreement, and any and all other agreements between Secured Party (or any of its affiliates) and Debtor (or any of its owners or affiliates), including but not limited to any extensions, modifications, substitutions, increases or renewals thereof, (ii) complete and timely payment of all amounts advanced or incurred by Secured Party to preserve, protect, defend, and enforce its rights under this Agreement, the Franchise Agreement, and/or with respect to the Collateral, and (iii) complete and timely payment of all fees, costs and expenses incurred by Secured Party in connection therewith (collectively, the "**<u>Obligations</u>**"), Debtor hereby pledges, grants, and assigns to Secured Party a continuing, general, valid, and unavoidable security interest in and lien on, all of Debtor's right, title, and interest in and to all of the following property, wherever located, however held, whether now owned or hereafter acquired or arising (collectively, the "**<u>Collateral</u>**"):

(a) all accounts;

(b) all certificated securities;

(c) all chattel paper;

(d) all computer hardware and software and all rights with respect thereto, including, any and all licenses, options, warranties, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications, and any substitutions, replacements, additions or model conversions of any of the foregoing;

(e) all contract rights;

(f) all deposit accounts;

(g) all documents;

(h) all electronic chattel paper;

(i) all equipment;

(j) all financial assets;

(k) all fixtures;

(l) all general intangibles, including payment intangibles and software;

(m) all goods (including, without limitation, all equipment, furniture, fixtures and inventory), and all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor;

(n) all instruments;

(o) all intellectual property;

(p) all inventory;

(q) all investment property;

(r) all money (of every jurisdiction whatsoever);

(s) all letter-of-credit rights;

(t) all payment intangibles;

(u) all security entitlements;

(v) all supporting obligations;

(w) all uncertificated securities;

(x) (I) all commercial tort claims; (II) the right to payment of, for, or on account of all commercial tort claims; and

(y) to the extent not included in the foregoing, all other personal property of any kind or description wherever located or however held;

together with all books, records, writings, data bases, information and other property relating to, used or useful in connection with, or evidencing, embodying, incorporating or referring to any of the foregoing, and all proceeds, products, offspring, rents, issues, profits and returns of and from any of the foregoing; provided that to the extent that the provisions of any lease or license of computer hardware and software or intellectual property expressly prohibit (and such prohibition is enforceable under applicable law) any assignment thereof, and the grant of a security interest therein, Secured Party will not enforce its security interest in any of the Debtor's rights under such lease or license (other than in respect of the proceeds thereof) for so long as such prohibition continues, it being understood that upon request of Secured Party, the Debtor will in good faith use reasonable efforts to obtain consent for the creation of a security interest in favor of Secured Party (and to Secured Party's enforcement of such security interest) in such rights under such lease or license. For purposes of this Agreement, the terms used in this Section 1 shall have the meanings ascribed to them in Article 9 of the Uniform Commercial Code.

2. Representations; Warranties. Debtor represents and warrants to Secured Party as follows: Debtor has good and valid title to the Collateral, free from any right or claim of any security interest, lien, claim or encumbrance (collectively, a "**Lien**"), except for purchase money security interests incurred in the ordinary course of business and the permitted Liens listed in Exhibit A. Debtor has full corporate power and authority to enter into, execute, and deliver this Agreement and to perform its obligations under this Agreement, and to incur and perform the Obligations, all of which have been duly authorized by all necessary corporate action. This Agreement constitutes the valid and legally binding obligation of Debtor, enforceable against it in accordance with its terms. Bankruptcy proceedings have not been commenced by or against Debtor under any federal bankruptcy law or other federal or state law.

3. Insurance. Debtor shall at all times bear the entire risk of any loss, theft, damage to, or destruction of, any of the Collateral from any cause whatsoever. Debtor shall keep the Collateral insured against loss or damage by fire and extended coverage perils, theft, burglary, and against all such other risks, casualties, and contingencies as Secured Party may reasonably require. Such insurance shall be payable to Secured Party as loss payee under a standard loss payee clause.

4. Notices. Debtor shall provide Secured Party at least 30 days' written notice prior to: (i) any change in Debtor's name; (ii) any change in the jurisdiction of incorporation or organization of Debtor; or (iii) any of the Collateral being lost, stolen, missing, destroyed, materially damaged, or worn out.

5. Authorization and Agreement to Perfect Liens. Debtor hereby irrevocably authorizes Secured Party at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements, including a UCC financing statement substantially in the form attached as Exhibit B, and amendments thereto or continuations thereof that: (a) describe the Collateral; and/or (b) provide any other information required by Article 9 of the Uniform Commercial Code of the state where the Outlet is located or such other jurisdiction for the sufficiency or filing office acceptance of any financing statement or amendment. Debtor agrees to furnish such information to Secured Party promptly upon Secured Party's request. Debtor further irrevocably authorizes Secured Party to take any and other measures deemed necessary or proper by Secured Party, in Secured Party's sole and absolute discretion, in order to perfect Secured Party's liens, claims, interests, and encumbrances in, to, or on the Collateral or any part of the Collateral, further hereby appointing Secured Party as Debtor's attorney-in-fact for such purposes with full power to execute, record, and/or file any and all documents on behalf of Debtor for such purposes.

6. Events of Default. Each of the following shall constitute an event of default ("**Event of Default**") under this Agreement:

6.1 Failure by Debtor to completely and timely pay or perform any Obligation when due and to correct such failure within 10 days after receiving written notice thereof;

6.2 Failure by Debtor to duly perform or observe any other term, covenant or agreement contained in this Agreement or in the Franchise Agreement, which failure shall have continued unremedied for a period of 10 days after written notice thereof from Secured Party to Debtor;

6.3 Any representation or warranty made by Debtor in this Agreement, any financial statement, or any statement or representation made in any other report or other document delivered in connection with this Agreement or the Franchise Agreement proves to have been incorrect or misleading in any material respect when made;

6.4 Debtor makes an assignment for the benefit of creditors, offers a composition or extension to creditors, or makes or sends notice of an intended bulk sale of any of the Collateral;

6.5 Debtor: (i) files a petition in bankruptcy, (ii) is adjudicated insolvent or bankrupt, petitions or applies to any tribunal for any receiver of or any trustee for itself, any of the Collateral, or any substantial part of its property, (iii) commences any proceeding relating to itself under any reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or any such proceeding is commenced against Debtor, including but not limited to, the filing of an involuntary petition against Debtor under the United States Bankruptcy Code, (iv) by any act indicates its consent to, approval of, or acquiescence in, any such proceeding or the appointment of any receiver of or any trustee for Debtor or any substantial part of its property, or (v) admits in writing its inability to pay its debts as they become due;

6.6 Debtor, or any other affiliate of Debtor, shall challenge or contest, in any action, suit or proceeding, the validity or enforceability of this Agreement, or any related documents, the legality or the enforceability of any of the Obligations or the perfection or priority of any Lien granted to Secured Party; or

6.7 There shall be any material adverse change in the financial condition of Debtor or any other event shall occur that, as determined by Secured Party, materially impairs the ability of the Debtor to pay the Obligations.

7. Remedies Upon Event of Default. Upon the occurrence of any Event of Default, the Obligations shall become immediately due and payable upon declaration to that effect delivered by Secured Party to Debtor; provided, however, that upon the happening of any event specified in Section 6.5 herein, the Obligations shall be immediately due and payable without declaration or other notice to Debtor. Upon the occurrence of and during the continuance of an Event of Default under this Agreement, Secured Party, in addition to all other rights, options, and remedies granted to Secured Party under this Agreement, (a) shall have all rights, options and remedies available to it under the Uniform Commercial Code, as adopted under the internal laws of the state where the Warehouse is located from time to time, as well as any other rights, options and remedies at law or in equity; and (b) shall have the right to seek the appointment of a receiver over the Debtor, the Debtor's business, and/or the Collateral, with respect to which such appointment the Debtor hereby irrevocably and unconditionally consents. Debtor agrees that a notice received by it at least 5 days before the time of any intended public sale, or the time after which any private sale or other disposition of the Collateral or any portion thereof is to be made, shall be deemed to be reasonable notice of such sale or other disposition.

8. Nature of Remedies. All rights and remedies granted Secured Party under this Agreement and under any other related documents, or otherwise available at law or in equity, shall be deemed concurrent and cumulative.

9. General.

9.1 Amendment. This Agreement, including without limitation the instant section, can be waived, amended, terminated or discharged, and the security interest and Liens of Secured Party can be released, only explicitly in a writing signed by Secured Party, and, in the case of amendment, in a writing signed by Debtor and Secured Party. A waiver signed by Secured Party shall be effective only in the specific instance and for the specific purpose given.

9.2 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Debtor and Secured Party and their respective successors and assigns (except that Debtor may not assign its obligations under or rights in this Agreement without the prior written consent of Secured Party, which consent may be withheld in Secured Party's sole discretion) and shall take effect when signed by Debtor and delivered to Secured Party, and Debtor waives notice of Secured Party's acceptance of this Agreement.

9.3 Jurisdiction and Venue. The Debtor agrees all actions arising under this Agreement must be commenced in the state or federal court of general jurisdiction in Solano County, California and Debtor irrevocably submits to the jurisdiction of those courts and waives any objection it might have to either the jurisdiction or venue in those courts. Notwithstanding the foregoing, Debtor agrees that Secured Party may enforce this Agreement and any orders and awards in the federal or state courts of the state in which the Debtor is domiciled.

9.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to choice of law principles.

9.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but which counterparts together shall constitute but one and the same instrument. Fax or other electronically-imaged signatures shall constitute binding and original signatures for all purposes.

9.6 Notice. Any notice or other communication required or permitted under this Agreement shall be in writing and personally delivered, mailed by registered or certified mail (return receipt requested and postage prepaid), sent by facsimile (with a confirming copy sent by regular mail), sent by e-mail, or sent by prepaid overnight courier service, and addressed to the relevant party at its address set forth on the signature page of this Agreement, or at such other address as such party may, by written notice, designate as its address for purposes of notice under this Agreement. If mailed, notice shall be deemed to be given 3 days after being sent, and if sent by personal delivery, facsimile, prepaid courier, or e-mail, notice shall be deemed to be given when delivered.

9.7 Waiver of Jury Trial. DEBTOR HEREBY UNCONDITIONALLY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS AGREEMENT, OR ANY RELATED DOCUMENTS.

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

"SECURED PARTY"

_______________________________,
a(n) ____________________________

By: _____________________________
Name: __________________________
Its: _____________________________

Address for notices:

____
____
____
ATTN: __________________________

"DEBTOR"

_______________________________,
a(n) ____________________________

By: _____________________________
Name: __________________________
Its: _____________________________

Address for notices:

____
____
____
ATTN: __________________________

Exhibit A

PERMITTED LIENS

Exhibit B

UCC-1 FINANCING STATEMENT

(Attached)

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)
B. E-MAIL CONTACT AT FILER (optional)
C. SEND ACKNOWLEDGMENT TO: (Name and Address)

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME				
OR 1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR 2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME				
OR 3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

4. COLLATERAL: This financing statement covers the following collateral:

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:
☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:
☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:

EXHIBIT “J”

STATE-SPECIFIC ADDENDA AND FRANCHISE AGREEMENT RIDERS

ADDITIONAL DISCLOSURES FOR THE FRANCHISE DISCLOSURE DOCUMENT OF 1-800-RADIATOR FRANCHISOR SPV LLC

The following are additional disclosures to the Franchise Disclosure Document of 1-800-Radiator Franchisor SPV LLC required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

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 1-800-Radiator Franchisor SPV LLC, any franchise seller, or any other person acting on behalf of 1-800-Radiator 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 1-800-Radiator Franchisor SPV LLC as of March 30, 2024 immediately follows.

1-800 RADIATOR FRANCHISOR SPV LLC
BALANCE SHEET
UNAUDITED

(in thousands)		**March 30, 2024**
Assets		
Current assets:		
Cash and cash equivalents	$	150
Accounts and notes receivable, net		456
Total current assets		606
Intangibles, net		20,409
Total assets	$	21,015
Liabilities and member's equity		
Current liabilities:		
Deferred franchise revenue	$	423
Total liabilities		423
Members' equity		20,592
Total members' equity		20,592
Total liabilities and members' equity	$	21,015

HAWAII

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING. THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE. THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

1. The following paragraph is added to the end of Item 17:

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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

2. Exhibit K (Franchise Compliance Certificate) to the Franchise Disclosure Document is hereby deleted in its entirety.

MARYLAND

1. The following paragraph is added at the end of Item 5:

The Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees will be deferred until we complete our pre-opening obligations under the Franchise Agreement.

2. Item 11, “System Marketing Fees,” is amended to include the following provision:

Pursuant to COMAR 02.02.08.04(B)(2), a franchisee may obtain an accounting of System Marketing Fees, at the franchisee’s expense, upon reasonable written request.

3. 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 claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

4. The following is added to the end of the "Summary" section of Item 17(h), entitled "Cause" defined – non-curable defaults:

> The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 et seq.), but we will enforce it to the extent enforceable.

5. The following sentence is added to the end of the "Summary" section of Item 17(v), entitled Choice of forum:

> Subject to your arbitration obligations, you may bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law to the extent required by the Maryland Franchise Registration and Disclosure Law, unless preempted by the Federal Arbitration Act.

6. The "Summary" section of Item 17(w), entitled Choice of law, is amended to read as follows:

> Except for Federal Arbitration Act and other federal law, and except as otherwise required by the Maryland Franchise Registration and Disclosure Law, California law applies. The non-competition provisions will be governed by the laws of the state where the Warehouse is located.

7. The following language is added to the end of the chart in Item 17:

> You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

MINNESOTA

The following is added at the end of the chart in Item 17:

> With respect to franchises governed by Minnesota law, we 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 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, we 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 in Solano County, California.

4. The following is added to the end of the "Summary" section of Item 17(v), entitled Choice of forum:

; except that to the extent required by the North Dakota Franchise Investment Law, and subject to your arbitration obligations, 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 California will apply.

****

ASSURANCE OF DISCONTINUANCE
STATE OF WASHINGTON

To resolve an investigation by the Washington Attorney General and without admitting any liability, we have entered into an Assurance of Discontinuance ("AOD") with the State of Washington, where we have agreed to remove from our form franchise agreement a provision which restricts a franchisee from soliciting and/or hiring the employees of our other franchisees and/or our employees, which the Attorney General alleges violates Washington state and federal antitrust and unfair practices laws. We have agreed, as part of the AOD, to not enforce any such provisions in any existing franchise agreement, to request that our Washington franchisees amend their existing franchise agreements to remove such provisions, and to notify our franchisees about the entry of the AOD. In addition, the State of Washington did not assess any fines or other monetary penalties against us.

THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC RIDERS TO THE FRANCHISE AGREEMENT

RIDER TO THE 1-800-RADIATOR & A/C®
FRANCHISE AGREEMENT
FOR USE IN MARYLAND

THIS RIDER dated _____________, 20__ is between 1-800-Radiator Franchisor SPV LLC, a Delaware limited liability company ("**we**," "**us**" or "**our**"), and ____ ("**you**" or "**your**"), a legal entity organized in the State of ________________, and the principal(s) identified on the signature page of this Rider (the "**Principals**").

1. **BACKGROUND**. We and you 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) you are domiciled in Maryland, and/or (b) the Franchised Business that you will operate under the Franchise Agreement will be located in Maryland.

2. **RELEASES**. The following sentence is added to the end of Sections 2.2(f), 14.7(a)(viii), and 14.10 of the Franchise Agreement:

> However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

3. **FEE DEFERRAL**. The following is added as a new Section 3.1(e) of the Franchise Agreement:

> (e) The Maryland Securities Commissioner requires us to defer payment of the Initial Franchise Fee and other initial payments you owe us until we have completed our pre-opening obligations under this Agreement.

4. **INSOLVENCY**. The following sentence is added to the end of Section 16.1(ii) of the Franchise Agreement:

> This Section 16.1(a)(ii) may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.).

5. **GOVERNING LAW**. The following sentence is added to the end of Section 17.6 of the Franchise Agreement:

> To the extent required by applicable law, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **CONSENT TO JURISDICTION**. The following is added as a new Section 17.7(f) of the Franchise Agreement:

> (f) Consent to Jurisdiction. Subject to your arbitration obligations, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law to the extent required by the Maryland Franchise

Registration and Disclosure Law, unless preempted by the United States Arbitration Act.

7. **<u>LIMITATION OF CLAIMS</u>**. The following sentence is added to the end of Section 17.7(d) of the Franchise Agreement:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after we grant you the franchise.

8. **<u>NON-WAIVER</u>**. The following is added as a new Section 17.16(e) of the Franchise Agreement:

(e) All representations requiring you to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the parties have executed this Rider as of the day and year first above written.

"Franchisor":	**"Franchisee":**
1-800-Radiator Franchisor SPV LLC	______________________________
By: ______________________	By: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________
	Principals:
	______________________________
	______________________________
	______________________________

RIDER TO THE 1-800-RADIATOR & A/C®
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA

THIS RIDER dated _____________, 20__ is between 1-800-Radiator Franchisor SPV LLC, a Delaware limited liability company ("**we**," "**us**" or "**our**"), and ____ ("**you**" or "**your**"), a legal entity organized in the State of ________________, and the principal(s) identified on the signature page of this Rider (the "**Principals**").

1. **BACKGROUND**. We and you 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 Franchised Business that you 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. **RELEASES**. The following is added to the end of Sections 2.2(f), 14.7(a)(viii), and 14.10 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.

3. **RENEWAL AND TERMINATION**. The following is added to the end of Section 2.2 and Section 16.1 of the Franchise Agreement:

> However, with respect to franchises governed by Minnesota law, we 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) and 180 days' notice of non-renewal of this Agreement.

4. **GOVERNING LAW**. The following statement is added at the end of Section 17.6 of the Franchise Agreement:

> Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80c or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

5. **CONSENT TO JURISDICTION**. The following is added as a new Section 17.7(f) of the Franchise Agreement:

> (f) Consent to Jurisdiction. Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota statutes Chapter 80C or your rights to any procedure, forum or remedies that the laws of the jurisdiction provide, subject to your arbitration obligations.

6. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL**. If and then only to the extent required by the Minnesota Franchises Law, the first and third sentences of Section 17.7(d) of the Franchise Agreement are deleted.

7. **<u>INJUNCTIVE RELIEF</u>**. The following statement is added at the end of Section 4.11(e) of the Franchise Agreement:

> You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby). A court will determine if a bond is required.

8. **<u>LIMITATION OF CLAIMS</u>**. The following is added to the end of Section 17.7(d) of the Franchise Agreement:

> 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.

IN WITNESS WHEREOF, the parties have executed this Rider as of the day and year first above written.

"Franchisor":	**"Franchisee":**
1-800-Radiator Franchisor SPV LLC	______________________________
By: ______________________	By: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________
	Principals:
	______________________________
	______________________________
	______________________________

RIDER TO THE 1-800-RADIATOR & A/C®
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA

THIS RIDER dated _____________, 20__ is between 1-800-Radiator Franchisor SPV LLC, a Delaware limited liability company ("**we**," "**us**" or "**our**"), and ____ ("**you**" or "**your**"), a legal entity organized in the State of ________________, and the principal(s) identified on the signature page of this Rider (the "**Principals**").

1. **BACKGROUND**. We and you 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) you are a resident of North Dakota and the Franchised Business that you will operate under the Franchise Agreement will be located or operated 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 2.2(f), 14.7(a)(viii), and 14.10 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 4.11 of the Franchise Agreement:

> Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

4. **ARBITRATION**. The following is added to the end of paragraph (a) of Section 17.7 of the Franchise Agreement:

> ; provided, however, that to the extent otherwise required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a mutually agreeable site in North Dakota.

5. **GOVERNING LAW**. Section 17.6 of the Franchise Agreement is deleted and replaced with the following:

> Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. sections 1051 et seq.), or other federal law, and except as otherwise required by North Dakota law, this Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to its conflict of law rules, except for the provisions in Section 4.11 which shall be governed by the laws of the state in which the primary Warehouse we designate is located (as set forth in Attachment 1), and except that any law regulating the offer or sale of franchises, business opportunities or similar interests or governing

the relationship between you and us will not apply unless its jurisdictional requirements are met independently without reference to this Section.

6. **<u>CONSENT TO JURISDICTION</u>**. The following is added as a new Section 17.7(f) of the Franchise Agreement:

(f) <u>Consent to Jurisdiction</u>. To the extent required by the North Dakota Franchise Investment Law, and subject to your arbitration obligations, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

7. **<u>WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL</u>**. To the extent required by the North Dakota Franchise Investment Law, the first and third sentences of Section 17.7(d) of the Franchise Agreement are deleted.

8. **<u>LIMITATION OF CLAIMS</u>**. The following is added to the end of Section 17.7(d) of the Franchise Agreement:

The statutes of limitations under North Dakota Law apply with respect to claims arising under the North Dakota Franchise Investment Law.

IN WITNESS WHEREOF, the parties have executed this Rider as of the day and year first above written.

"Franchisor":	**"Franchisee":**
1-800-Radiator Franchisor SPV LLC	______________________________
By: ______________________	By: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________
	Principals:
	______________________________
	______________________________
	______________________________

EXHIBIT “K”

Franchise Compliance Certificate

<u>THIS DOCUMENT SHALL NOT BE SIGNED BY YOU, 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.</u>

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

<u>FORM OF FRANCHISE COMPLIANCE CERTIFICATION</u>

The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Do not sign or date this Certification the same day as the Receipt for the Franchise Disclosure Document; you should sign and date this Certification the same day you sign the Franchise Agreement. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Have you received and personally reviewed our Franchise Agreement, and each Addendum (if any) and related agreement (i.e., personal guaranty) attached to them?

   Yes ______ No ______

2. Did you receive the Franchise Agreement, and each related agreement, <u>containing all material terms</u>, at least 7 days before signing any binding agreement (other than any deposit agreement) with us or an affiliate?*

   Yes ______ No ______

   *This does not include changes to any agreement arising out of negotiations you initiated with us.

3. Do you understand all of the information contained in the Franchise Agreement, and each Addendum (if any) and related agreement provided to you?

   Yes ______ No ______

   If No, what parts of the Franchise Agreement, Addendum (if any) and/or related agreements do you not understand? (Attach additional pages, if necessary.)

   ____

   ____

   ____

4. Have you received and personally reviewed our Franchise Disclosure Document ("FDD") that was provided to you?

Yes ______ No ______

5. Did you receive the FDD at least 14 days before signing the Franchise Agreement, this document or any related agreement, or before paying any funds to us or an affiliate?

Yes ______ No ______

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes ______ No ______

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes ______ No ______

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

____

____

____

8. Have you discussed the benefits and risks of purchasing a 1-800-RADIATOR & A/C® franchise with an attorney, accountant or other professional advisor?

Yes ______ No ______

If No, do you wish to have more time to do so?

Yes ______ No ______

9. Do you understand that the success or failure of your 1-800-RADIATOR & A/C® franchise will depend in large part upon your skills and abilities, competition from other businesses, and other economic and business factors?

Yes ______ No ______

10. Has any employee or other person speaking on our behalf made any statement or promise concerning the actual or possible revenues or profits of a 1-800-RADIATOR & A/C® franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes ______ No ______

11. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a 1-800-RADIATOR & A/C® franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes ______ No ______

12. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a 1-800-RADIATOR & A/C® franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes ______ No ______

13. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes ______ No ______

14. If you have answered "Yes" to any one of questions 10-13, please provide a full explanation of each "Yes" answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

____

____

____

15. Do you understand that the Franchise Agreement, Addendum (if any) and related agreements contain the entire agreement between you and us concerning the 1-800-RADIATOR & A/C® franchise, meaning that any prior oral or written statements not set out in the Franchise Agreement, Addendum (if any) or related agreements will not be binding?*

Yes ______ No ______

*Nothing in this document or any related agreement is intended to disclaim the representations we made in the FDD that we furnished to you.

16. Do you understand that, except as provided in the FDD, nothing stated or promised by us that is not specifically contained in the Franchise Agreement, Addendum (if any) and related agreements can be relied upon?

Yes ______ No ______

You signed the Franchise Agreement, and Addendum (if any) and related agreements on _________________, 20__, and acknowledge that no agreement or addendum is effective until signed and dated by us.

[Signature Page Follows]

YOU UNDERSTAND THAT YOUR RESPONSES TO THESE QUESTIONS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS COMPLIANCE CERTIFICATION, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

The individuals signing below for the "Franchisee Applicant" constitute all of the executive officers, partners, shareholders, investors and/or principals of the Franchisee Applicant, or constitute the duly authorized representatives or agents of the foregoing.

FRANCHISEE APPLICANT:

____
Signature

____
Printed Name

____________________, 20__
Date

____
Signature

____
Printed Name

____________________, 20__
Date

____
Signature

____
Printed Name

____________________, 20__
Date

____
Signature

____
Printed Name

____________________, 20__
Date

[Signature Page to 1-800-RADIATOR & A/C® *Franchise Compliance Certification]*

EXHIBIT “L”

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 **1-800-RADIATOR FRANCHISOR SPV LLC**, located at 4401 Park Road, Benicia, California 94510 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2024 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 Cumming, Georgia on the 22nd day of May, 2024.

GUARANTOR:

DRIVEN SYSTEMS LLC

By: Scott O'Melia
Name: Scott O'Melia
Title: Executive Vice President and Secretary

EXHIBIT “M”

Form of General Release

FORM OF RELEASE

[Current Form for Transfers and Renewals]

1. **Release of Claims**. Franchisee and its Owners and their respective assigns, heirs, representatives, agents, family members, and all other persons acting on their behalf or claiming under them (collectively referred to as the "Franchisee Related Parties") irrevocably and unconditionally release and forever discharge Franchisor, its predecessors, subsidiaries, affiliates and their respective owners, officers, directors, agents, independent contractors, servants, employees, representatives, attorneys, successors and assigns and all persons acting by, through, under or in concert with any of them (collectively, "Releasees"), from all actions, causes of action, suits, debts, liens, contracts, agreements, obligations, promises, liabilities, claims, rights, demands, damages, controversies, losses, costs, and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, except for claims under the Maryland Franchise Registration and Disclosure Law ("Claim" or "Claims"), which they now have or claim to have or at any time heretofore have had or claimed to have against each or any of the Releasees, including, without limitation, any and all such Claims arising from, based upon or related to the Franchise Agreement, but excluding claims based on any representation that Franchisor made in the most recent Franchise Disclosure Document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative in connection with the offer of the Franchise Agreement, subject to agreed-upon changes to the contract terms described in that Franchise Disclosure Document and reflected in the Franchise Agreement (including any riders or addenda signed at the same time as the Franchise Agreement).

   [For California franchisees, add: Each of the Franchisee Related Parties expressly waives and relinquishes all rights and benefits which either may now have or in the future have under and by virtue of California Civil Code Section 1542. The parties do so understanding the significance and consequence of such specific waiver. Section 1542 provides that "[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." For the purpose of implementing a general release and discharge as described in Section 1. above, the parties expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all claims described in Section 1. above which the parties do not know or suspect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.]

2. **Unknown Claims**.

   (a) Franchisee acknowledges for itself and the Franchisee Related Parties that there is a risk that subsequent to the execution of this Agreement, it will discover, incur or suffer Claims which are unknown or unanticipated at the time this Agreement is executed, including, without limitation, unknown or unanticipated Claims which arose from, are based upon or are related to the Franchise Agreement or some part or aspect thereof, which if known by Franchisee on the date this Agreement is being executed may have materially affected its decision to execute this Agreement.

(b) Franchisee acknowledges and agrees for itself and the Franchisee Related Parties that by reason of the release contained in Section 1 above, it is assuming the risk of such unknown and unanticipated Claims and agrees that its release of the Releasees contained in this Agreement applies thereto.

3. **Covenant Not to Sue**. Franchisee covenants and agrees for itself and for the Franchisee Related Parties not to bring or allow to be brought on behalf of itself or any Franchisee Related Party, any action, cause of action, suit or other proceeding of any kind, which has accrued or which may ever accrue, whether based in the Constitution, common law or statute, contract, tort, or in equity, for actual or punitive damages or other relief, against Franchisor and the Releasees arising out of, resulting from, or in any manner related to the matters referenced in Section 1.

4. **No Assignment of Claims**. Franchisee represents and warrants for itself and the Franchisee Related Parties that it has not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claims released under Section 1 of this Agreement and agrees to indemnify, defend and hold the Releasees harmless from and against any and all Claims, based on or arising out of any such assignment or transfer, or purported assignment or transfer, of any Claims, or any portion thereof or interest therein. Franchisee represents and warrants that since the date of the Franchise Agreement, there has been no assignment or transfer, and no purported assignment or transfer, to any person or entity of the Franchise, the Franchise Agreement, or any rights or interests therein or in the Franchisee.

5. **Compromise**. Franchisee agrees for itself and the Franchisee Related Parties that the releases contained herein are the result of a compromise and shall never at any time for any purpose be considered as an admission of liability or responsibility on the part of Franchisor or the Releasees regarding any matter.

6. **General Provisions**.

(a) Entire Agreement. This Agreement, when fully executed, supersedes all previous negotiations, representations, and discussions by the parties hereto concerning the subject matter hereof and integrates the whole of all of their agreements and understandings concerning the subject matter hereof. No oral representations or undertakings concerning the subject matter hereof shall operate to amend, supersede, or replace any of the terms or conditions set forth herein.

(b) Authority. By their signatures below, the parties hereto represent and warrant to each other that they have all necessary authority to enter into this Agreement. Each party hereto represents and warrants that the party is entering into this Agreement solely for the purposes and consideration set forth herein.

(c) Counterpart Execution. This Agreement may be executed in multiple counterparts, each of which shall be fully effective as an original.

(d) Survival. All covenants, representations, warranties, and agreements of the parties shall survive execution and delivery of this Agreement and shall continue until such time as all the obligations of the parties hereto shall have lapsed in accordance with their respective terms or shall have been discharged in full.

(e) Further Assurance. The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the intent of this Agreement.

(f) Complete Defense. Franchisee acknowledges that this Agreement shall be a complete defense to any claim released under the terms of Section 1 of this Agreement and hereby consents to the entry of a temporary or permanent injunction to end the assertion of any such claim.

(g) Attorneys' Fees. In the event that Franchisor institutes legal proceedings of any kind to enforce this Agreement, Franchisee agrees to pay all costs and expenses associated therewith, including, but not limited to, all attorneys' fees.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date indicated below.

FRANCHISOR:

1-800-Radiator Franchisor SPV LLC,
a Delaware limited liability company

By: ___________________________________
Name: ________________________________
Title: __________________________________
Date: _________________________________

FRANCHISEE:

____

By: ____________________________________
Name: _________________________________
Title: __________________________________
Date: __________________________________

OWNERS:

____
Date: __________________________________

____
Date: __________________________________

____
Date: __________________________________

[See Additional Note:

1. Add signature blocks for any additional parties identified pursuant to Section 1]

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 13, 2024 (Exempt)
Hawaii	Pending
Illinois	June 13, 2024 (Exempt)
Indiana	Pending
Maryland	Pending (Exempt)
Michigan	June 13, 2024
Minnesota	Pending
New York	June 13, 2024 (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.

ITEM 23 – 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 1-800-Radiator 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 us to 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 1-800-Radiator 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 identified on Exhibit "D."

The franchisor is 1-800-Radiator Franchisor SPV LLC located at 4401 Park Road, Benicia, California 94510. Its telephone number is (707) 747-7400.

Issuance date: June 13, 2024

The franchise seller(s) for this offering are:

Name	Principal Business Address	Telephone Number
☐ Adam Cunningham ☐ Brett Downs ☐ Ian Isaacson ☐ Derek Shillcox ☐ ______________________	4401 Park Road Benicia, California 94510	(707) 747-7400

We authorize the respective state agents identified on Exhibit "D" to receive service of process for us in the particular states.

I received a disclosure document from 1-800-Radiator Franchisor SPV LLC dated June 13, 2024, that included the following Exhibits:

"A" Training Non-Disclosure Agreement
"B" Franchise Agreement and Personal Guaranty
"C" Financial Statements
"D" State Administrators and Agents for Service of Process
"E" List of Current Franchisees
"F" List of Former Franchisees
"G" Table of Contents of Manual
"H" Conditional Assignment of Telephone Numbers and Internet Addresses
"I" Form of Promissory Note, Security Agreement and UCC-1 Financing Statement
"J" State-Specific Addenda and Franchise Agreement Riders
"K" Franchise Compliance Certificate
"L" Guarantee of Performance
"M" Form of General Release

____
Prospective Franchisee

____
Print Name

____
Date

KEEP THIS COPY FOR YOUR RECORDS

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"L" Guarantee of Performance
"M" Form of General Release

____
Prospective Franchisee

____
Print Name

____
Date

OUR COPY — RETURN TO US

You may return the signed receipt either by signing, dating, and mailing it to 1-800-Radiator Franchisor SPV LLC at 4401 Park Road, Benicia, CA 94510, or by faxing a copy of the signed and dated receipt to 1-800-Radiator Franchisor SPV LLC at (707) 747-7401.