

FRANCHISE DISCLOSURE DOCUMENT

Auto-Lab Franchising, LLC
a Michigan limited liability company
6001 North Adams Road, Suite 255
Bloomfield Hills, MI 48304
Phone: (248) 994-0206
Email: info@autolabusa.com
Website: www.autolabusa.com



This Disclosure Document describes an Auto-Lab area developer business. The area developer will operate at least one single unit franchise (disclosed pursuant to a separate franchise disclosure document) and may recruit franchisees within a geographic region to provide full service and diagnostic-oriented automotive repair and maintenance facility, featuring our proprietary operations software and offering customers comprehensive automotive and engine analysis, electrical system repair, air conditioning repair, engine repair, and other related automotive repair services for all makes and models of cars, SUVs, and light-duty under the name “Auto-Lab Complete Car Care Centers.®” The area developer will provide services to any franchises within its Territory, a geographic region described in the Area Development Agreement, including those outlets owned and operated by the area developer in exchange for the payment of certain services fees paid by us to you.

The total investment necessary to begin operation of an area developer business is from \$187,750 to \$880,750. This amount includes \$63,750 - \$513,750 that must be paid to the franchisor or its affiliates to open the first franchise unit (disclosed pursuant to a separate franchise disclosure document).

This disclosure document summarizes certain provisions of your area developer 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 to you. To discuss the availability of disclosures in different formats, contact the Franchise Sales Department at the address and phone number listed above.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show our 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 you 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: May 3, 2021

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit H.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets
Will my business be the only Auto-Lab business in the 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 an Auto-Lab Area Developer?	Item 20 or Exhibit H lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Michigan. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Michigan than in your own state.

NOTICE UNDER MICHIGAN'S FRANCHISE INVESTMENT LAW

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

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
3. 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 thirty (30) days, to cure such failure.
4. 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: (1) the term of the franchise is less than five (5) years and (2) 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 six (6) months advance notice of franchisor's intent not to renew the franchise.
5. 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.
6. 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.
7. 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:
 - a. the failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards;

b. the fact that the proposed transferee is a competitor of the franchisor or sub-franchisor;

c. the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations; and

d. 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.

8. 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 the right of first refusal to purchase the assets of a franchisee 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 franchisee 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 subsection 3.

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

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

IF FRANCHISOR'S MOST RECENT UNAUDITED FINANCIAL STATEMENT SHOWS A NET WORTH OF LESS THAN ONE HUNDRED (\$100,000) DOLLARS, YOU HAVE THE RIGHT TO REQUEST THE ESCROW OF THE INITIAL INVESTMENT AND OTHER FUNDS PAID UNTIL OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT INVENTORY, TRAINING OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED.

ANY QUESTIONS REGARDING THIS NOTICE MAY BE DIRECTED TO THE STATE OF MICHIGAN, DEPARTMENT OF ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE, 670 LAW BUILDING, LANSING, MICHIGAN 48913, TELEPHONE (517) 335-7576.

TABLE OF CONTENTS

NOTICE UNDER MICHIGAN'S FRANCHISE INVESTMENT LAW iv

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

ITEM 2--BUSINESS EXPERIENCE..... 3

ITEM 3--LITIGATION 4

ITEM 4--BANKRUPTCY 4

ITEM 5--INITIAL FEES 5

ITEM 6--OTHER FEES 5

ITEM 7--ESTIMATED INITIAL INVESTMENT 6

ITEM 8--RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES..... 7

ITEM 9--FRANCHISEE’S OBLIGATIONS 9

ITEM 10--FINANCING 10

ITEM 11--FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND
TRAINING 10

ITEM 12--TERRITORY..... 13

ITEM 13--TRADEMARKS..... 14

ITEM 14--PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION 17

ITEM 15--OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE
FRANCHISE BUSINESS 18

ITEM 16--RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL..... 18

ITEM 17--RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION 18

ITEM 18--PUBLIC FIGURES 21

ITEM 19—FINANCIAL PERFORMANCE REPRESENTATIONS..... 21

ITEM 20-- OUTLETS AND AREA DEVELOPER INFORMATION 21

ITEM 21--FINANCIAL STATEMENTS..... 24

ITEM 22--CONTRACTS 24

ITEM 23--RECEIPTS..... 24

EXHIBITS

- A. FINANCIAL STATEMENTS
- B. AREA DEVELOPMENT AGREEMENT
- C. CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT AND COVENANT NOT TO COMPETE (Individual Owner)
- D. PRINCIPAL OWNER'S GUARANTY AND ASSUMPTION OF OBLIGATIONS
- E. TELEPHONE NUMBER ASSIGNMENT
- F. LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
- G. BRAND STANDARDS MANUAL TABLE OF CONTENTS
- H. LIST OF AREA DEVELOPERS
- I. STATE SPECIFIC ADDENDA
- J. STATE EFFECTIVE DATES
- K. RECEIPTS

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

The Franchisor

To simplify the language in this Franchise Disclosure Document “Auto-Lab”, “it”, “our” or “we” means Auto-Lab Franchising, LLC, the franchisor. “You” means the franchisee or legal entity (including a corporation, partnership, limited liability company, or other legal entity (collectively, “legal entity”) and its owners, officers, and directors, who are buying the franchise.

Auto-Lab is a Michigan limited liability company which was originally organized on November 15, 2011. On September 25, 2018, we merged into our former parent Auto-Lab, LLC, who retained the corporate name Auto-Lab Franchising, LLC. Our principal place of business is 6001 North Adams Road, Suite 255, Bloomfield Hills 48304. We operate under our corporate name and the “Auto-Lab” name. Our agents for service of process are disclosed in Exhibit F. We began franchising activities in January 2012, but our predecessors have sold Auto-Lab franchises since 1989. We do not presently operate any automotive service outlets similar to the one you are considering. We offer single-unit franchises under a separate franchise disclosure document. Except for the sale of single-unit franchises, we do not currently have any other business activities. We have not offered franchises in other lines of business. We do not have any affiliates that provide products or services to our franchisees or that offer franchises in any line of business.

Auto-Lab is a wholly owned subsidiary of Wilson Holdings, L.L.C., a Michigan limited liability company (“Parent”). Our Parent’s principal address is 4806 Goodison Place Drive, Rochester, Michigan 48306. Our Parent has never offered franchises in any line of business, nor has it ever owned or operated any Auto-Lab Complete Car Care Centers.

On January 1, 2012, we acquired certain assets of our predecessor, Franchise Acquisition Corporation (“Predecessor”). Our Predecessor did business as Auto-Lab Franchise Management Corporation and was organized as a Michigan corporation on April 2, 2004. Our Predecessor’s principal address was 27280 Haggerty Road, Suite C-6, Farmington Hills, Michigan 48331.

At the time we acquired the assets of our Predecessor, there were 35 open and operating franchises using the trademarks and system. Our Predecessor never offered franchises in any other line of business. The management team of our Predecessor stayed in place to manage our franchise operations.

Franchisor’s Business

We are offering, under the terms of this disclosure document, the opportunity to become an area developer of the Auto-Lab System. Under the Area Development Agreement, attached as Exhibit B (the “ADA”), you agree that a specified number of Franchise Stores will be opened and operated within a specific geographic territory (the “Territory”) according to the schedule contained in the ADA (the “Minimum Development Obligation”). You will either open and operate these Franchise Stores yourself or assist us in identifying prospective franchisees in your Territory and completing the sale of the single unit franchise to prospects in your Territory. Each

Franchise Store will be the subject of its own Franchise Agreement sold consistent with our single unit Franchise Disclosure Document, including Franchise Stores that you own and operate. Regardless of whether you own and operate the Franchise Stores in your Territory or assist us in soliciting, recruiting, and qualifying other franchisees in your Territory, you will also assist us in rendering certain services (including without limitation, training, opening assistance, ongoing supervision) to Franchise Stores within your Territory. As compensation for these services within your Territory, you receive certain service fees. These service fees will be equal to 2% of the royalties actually collected by us from Stores you own, 2.5% of the royalties actually collected by us from Stores in your Territory that you do not own, and 50% of the Initial Franchise Fee actually collected by us for Stores you do not own in your Territory for which you helped solicit, recruit, and qualify, and that we sell. You must own and operate at least one Franchise Store in your Territory, which will serve as a prototype store and training facility (“Pilot Store”), which is the subject of a separate franchise disclosure document for a single unit franchise. We began offering Area Developer businesses in January 2012, but our predecessor had been offering Area Developer businesses since 2004. Single unit Auto-Lab Complete Car Care Centers are full service automotive repair and maintenance facilities, offering automotive and engine diagnostics, electrical system repair, air conditioning repair, engine repair and other related automotive repair services, which most importantly include complete automotive diagnostic services. Auto-Lab Complete Car Care Centers operate according to a unique and distinctive system (“System”), whose distinguishing characteristics include distinctive exterior and interior design and layout, procedures and techniques for automotive repair and service. We have described our mandatory and recommended standards, specifications and operating procedures in our confidential set of Brand Standards Manuals (“Manual”). We will loan you one copy of the Manual for the term of your franchise. We have the right to change the Manual and the elements of the System and require that you follow the elements of the System.

The Auto-Lab Single Unit Franchise and Conversion

The Auto-Lab single unit franchise (“single unit franchise” or “Franchise Store”) is a business offering comprehensive automotive and engine diagnostics, electrical system repair, air conditioning repair, engine repair and other automotive related repair and maintenance services. A Franchise Store will typically operate in stand-alone buildings or in an retail location that contains several related, non-competitive auto service businesses. The Franchise Store must operate under the Auto-Lab trademarks, which are described in Item 13 (“Trademarks”) and in accordance with our standards and specifications (“Auto-Lab System”). Franchisees acquire the right to operate a Franchise Store by signing our standard Franchise Agreement (disclosed pursuant to a separate Franchise Disclosure Document).

We also offer an existing independently operated automotive repair facility the opportunity to convert its facility to a Franchise Store (referred to in this Franchise Disclosure Document as a "Conversion"). A Conversion is charged a reduced initial franchise fee, a reduced royalty for a limited period of time, and may have a reduced initial investment.

Market and Competition

The automotive service industry has existed for a long time and is, therefore, considered a mature industry. As such, you will compete with a variety of other automotive service outlets, which sell similar products and services, many of which are members of other franchise systems. Examples of potential competitors are car dealerships, gasoline stations, tune up shops (both independent and franchised) and other similar businesses. The nature of certain types of repairs may vary with the season (i.e. electrical in the winter and air conditioning in the summer) but, on the whole, the automotive services business is not prone to extensive seasonal volatility.

The market for auto service businesses could be affected by pandemics, such as the COVID-19 pandemic. These effects may be experienced while the pandemic and any social distancing policies, voluntary or mandatory shutdowns, and other governmental policies and requirements relating to the pandemic are in effect. The market could also be affected by natural disasters, such as hurricanes and floods. The effects from pandemics and natural disasters may include the unavailability of employees, reduced hours of operation or closing of the business for a period of time, reduced sales volumes and cash flows, and disruptions to supply chains.

Industry Regulations

We are not aware of any special industry laws or regulations that affect your business apart from general business regulations. Regulations may vary depending on your location for environmental compliance (waste disposal) and possible licensing of employees who perform these service.

Area Developers should be aware of the Federal Trade Commission regulations and various state laws that impact the sale of franchises and the relationship between franchisors and franchisees that may apply when acting as our agent in soliciting prospective franchisees and in providing initial and ongoing sales services, site services and support services. You may not solicit prospective Auto-Lab franchisees in any state that requires the registration of disclosure documents, unless we have a currently effective registration in that state. You must comply with all local, state and federal laws that affect your Regional Developer Business, including employment, workers' compensation, corporate tax, licensing and similar laws and regulations.

ITEM 2--BUSINESS EXPERIENCE

Listed below are the directors, trustees, general partners, principal officers and other individuals who have management responsibility relating to the sale or operation of Auto-Lab franchises. Each person's principal positions and employers during the last five years are provided.

Chief Executive Officer: Stephen R. Wilson

Mr. Wilson has served as our Chief Executive Officer since October 2019. Prior to serving as our Chief Executive Officer, Mr. Wilson served as our President from January 2012 to October 2019, and ran our day-to-day operations.

Vice President of Store Operations & Marketing: Katherine Villeneuve

Ms. Villeneuve has served as our Vice President of Store Operations and Marketing since February 2021. From August 2013 to January 2021, Ms. Villeneuve served as our Marketing Manager and provided franchise support.

Chief Financial Officer: Amanda Gondhi

From December 2019 to Present, Ms. Gondhi has served as our Director of Finance. From November 2018 to Present Ms. Gondhi has also served as the Managing Director of Balans Consulting, LLC located in Ada, Michigan. From June 2016 to November 2018 Ms. Gondhi served as a Senior External Auditor with James H. Quist, CPA located in Wyoming, Michigan. From September 2012 to June 2016 Ms. Gondhi served as a Senior Internal Auditor with CIBC, Inc. located in Chicago, Illinois.

ITEM 3--LITIGATION

Except for the action described below, there is no litigation required to be disclosed in this Franchise Disclosure Document.

Litigation Against Franchisees Commenced in the Past Fiscal Year.

Concluded Action: Litigation against Former Franchisee and Principal Owners of Franchisee for Collection of Royalties and Other Amounts Owed.

AUTO-LAB FRANCHISING, LLC v. MARK MONK and MARSHALL AUTO CARE, LLC, 6th Judicial Circuit, Oakland County, Michigan No. 2019-177843-CB, Case Filed November 7, 2019. On November 7, 2019 we filed a complaint against a former franchisee to collect lost future royalties and recover expenses related to warranty repairs owed under the franchise agreement. On December 11, 2019 Mark Monk filed for Chapter 7 bankruptcy protection. On February 4, 2020, the Court entered the default of Marshall Auto Care, LLC and administratively closed the case as to Mark Monk pending the outcome of his bankruptcy proceedings. On February 17, 2020, we filed a motion for entry of default judgment against Marshall Auto Care, LLC. On February 26, 2020, the Court entered a default judgment against Marshall Auto Care, LLC in the amount of \$31,456.77.

ITEM 4--BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5--INITIAL FEES

You must pay us an initial fee for your rights in the Territory at the rate of \$10,000 per each 200,000 population in your Territory, with the minimum Territory being a population of 1,000,000 people and the maximum Territory being a population of 10,000,000 people. The population of your Territory is based upon the 2020 Census. The initial fee is, therefore, \$50,000 to \$500,000. The Area Developer initial fee is due when you sign the ADA and is nonrefundable. The amount of your fee will depend on the population of your Territory as noted above, and the number of Franchise Stores that must be established as part of your Minimum Development Obligation. When you sign franchise agreements for your Pilot Store and other Franchise Stores you own and operate, you must pay us an initial franchise fee as provided in the Single Unit Franchise Disclosure Document at the time that you open that Franchise Store. As of the date of this Disclosure Document, you are required to pay a nonrefundable initial franchise fee of \$13,750 to open your Pilot Store and other Franchise Store, which amount is disclosed pursuant to the Single-Unit Franchise Disclosure Document.

ITEM 6--OTHER FEES

If you become an Area Developer, you will or may incur the following additional fees. If you become an Area Developer, you will incur the expenses listed in the table for single unit franchises in connection with your Pilot Store and any other Franchise Stores you develop (the fees associated with the Pilot Store and other Franchised Stores you develop are disclosed in a separate franchise disclosure document):

Type of Fee	Amount	Due Date	Remarks
Renewal	\$1,000 per operating Franchise Store in your Territory	On renewal payable to us and non-refundable.	Due upon renewal of ADA
Transfer	1/3 of the then-current Area Developer Initial Fee for a Territory	Before transfer completed payable to us and non-refundable.	Due on transfer of ADA. Transfer fee does not apply if you transfer to your spouse or children.
Costs and Attorneys' Fees	Actual expenses (will vary with circumstances)	As incurred	Due only if you do not comply with ADA

ITEM 7--ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Area Developer Fee	\$50,000 to \$500,000	Lump sum	When you sign ADA	Us
Lease Rent and Related Expenses (3 months) (Note 1)	\$0 to \$10,000	As Agreed	Monthly	Landlord
Marketing Expenses (3 months)	\$5,000 to \$40,000	As incurred	As agreed	Advertising Sources
Training Expenses (Note 2)	\$2,000 to \$10,000	As incurred	As incurred	Third parties
Additional Funds (3 months) (Note 3)	\$0 to \$15,000	As incurred	As incurred	Third parties
Initial Franchise Fee For Pilot Store (Note 4)	\$13,750	Lump Sum	When you sign Single Unit Franchise Agreement for Pilot Store	Us
Additional Amounts Required For Pilot Store Opening (Note 5)	\$117,000 to \$292,000			
Total Estimated Initial Investment (Note 6)	\$187,750 to \$880,750			

The preceding table contains an initial investment estimate for establishing an Area Developer business. If you sign the ADA, you must also develop and operate a Pilot Store and will also incur the expenses listed in preceding table in connection with your Pilot Store and any other Franchise Store that you develop.

Notes:

(1) This estimate includes 3 month's rent; security deposits; and office furniture, equipment and supplies for establishing an office for the Area Developer. You may be able to reduce or eliminate these expenses if the office for the Area Developer is at your Pilot Store.

(2) This item estimates the travel and living expenses, including airfare that you will incur when you and your employees attend the Area Developer training programs described in Item 11 of this Franchise Disclosure Document. It does not include any wages or salary for you or your employees during training. You must attend a nationally recognized Franchise seminar, as approved in advance by us at least 90 days prior to you soliciting, recruiting, or qualifying franchise prospects in your Territory. The nationally recognized Franchise seminar must include sessions on, among other things, franchise sales and franchise regulatory compliance.

(3) This item estimates your initial start-up expenses for an Area Developer (other than items identified separately in the table). These expenses do not include payroll costs or any salary for you. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your Area Developer business. Your actual costs for initial start-up expenses during your first 3 months of operation depend on how closely you follow our methods and procedures; your management skills; experience and business judgment; local economic

conditions; the local market for Auto-Lab franchisees; the prevailing wage; competition; and the sales level rendered during the initial period.

(4) The initial investment for you to open and operate your Pilot Store includes the payment of a nonrefundable initial franchise fee in the amount of \$13,750 that must be paid to us upon execution of each single unit franchise agreement, which is disclosed in a separate franchise disclosure document for the sale of a single unit franchise.

(5) In addition to the \$13,750 initial franchise fee, the additional initial investment for the Pilot Store you own and operate is disclosed in a separate franchise disclosure document for the sale of a single-unit franchise.

(6) We relied on our experience in recruiting Area Developers and in operating a franchise network of Auto-Lab franchisees to compile these estimates. These estimates are based upon our existing experience in assisting Area Developers in our existing markets. If you propose to operate in a market other than a market in which we have experience, you may experience significantly different initial investment expenses. We do not offer financing, directly or indirectly, for any part of the initial investment (see Item 10).

ITEM 8--RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We do not currently issue specifications or designate approved vendors for goods, services, or real estate relating to your Area Developer business, however we reserve the right to do so in the future. We do not require that you purchase any goods or services directly from us.

If we decide to require you to use Approved Vendors, we will provide you with a list of approved architects, contractors, manufacturers, vendors and distributors ("Approved Vendors List"), and approved inventory products, fixtures, furniture, equipment, signs, stationery, supplies and other items or services necessary to operate the Area Developer business ("Approved Supplies List"). These lists will specify the manufacturer, vendor and distributor, and the inventory, products, fixtures, furniture, equipment, signs, stationery, supplies and services that we have approved to be carried or used. We may revise the Approved Vendors List and Approved Supplies Lists in our sole discretion. Any approved lists will be given to you as we deem advisable as part of any update to the Manual. We may issue and modify other modifications to the system by revisions to the Manual. No Franchisor officer owns an interest in any supplier.

If you want to (i) offer for sale any brand of product not then approved by us, (ii) use any brand of material or supply in your operation that is not then approved by us as meeting our minimum specifications and quality standards, or (iii) purchase any product from a vendor that is not then designated by us as an Approved Vendor, you must first notify us in writing and, if requested by us, submit samples and such other information as we require for examination and/or testing or to otherwise determine whether the proposed product, material or supply, or the proposed vendor meets our specifications and quality standards. You may be asked to pay to us a charge not to exceed the reasonable cost of the inspection and evaluation and the actual cost of the test. We estimate that charge to be in the range of \$500-\$1,000 per product supply or vendor. Our review is typically completed within 30 days. We reserve the right, at our option, to re-examine or re-test

the facilities and products of any vendor of an approved item, and to revoke such approval if an item fails to continue to meet any of our criteria. We will send written notice to you of any revocation of an Approved Vendor.

All equipment, signs, fixtures, inventory, products and materials, and other items and supplies used in the construction and operation of your location that are not specifically required to be purchased in accordance with our Approved Supplies List and Approved Vendors List, must conform to the specifications and quality standards established by us.

We approve suppliers who can match the exact standards, overall quality and appearance standards required by the Auto-Lab System. These specifications include standards for delivery, performance, design, and appearance. We apply the following general criteria in approving a proposed vendor: (1) ability to make products in conformity with our specifications; (2) willingness to protect the trade secrets of a product without dissemination to others; (3) production and delivery capability; (4) reputation and integrity of vendor; and (5) financial condition and insurance coverage of the vendor. Except as may be provided in this Franchise Disclosure Document and our Manual, we do not issue these specifications and standards to our Area Developers.

We must approve any marketing materials you use to solicit the sale of franchises in your Territory. We do not derive revenue from purchases or leases related to the Area Developer. The ADA states that you comply with the specifications in the Area Developer Manual. If specifications or vendors for goods, services or real estate relating to your Area Developer are established in the Area Developer Manual, you will be notified of those requirements in writing.

The cost of equipment and supplies purchased in accordance with our specifications represents approximately 50% of your total cash purchases needed to begin operations of your Area Developer business, but that is associated with the purchases required for the Pilot Store. The purchase of required products from approved sources will represent approximately 10% of your overall purchases in operating the Area Developer franchise.

During the fiscal year that ended December 31, 2020, we received \$5,273, or 0.007% of our total revenue of \$707,661, in rebates based upon purchases by our franchisees from Auto Zone, O'Reilly, and Advanced Auto. You are not required to use these vendors, but if you do, you will receive discounts in the form of rebates paid directly to you from the vendor based upon your purchases. We retained these rebates and intend to continue to do so in the future. Our current rebates range from 1% – 5% of purchases of goods and services from these vendors. In the future, we anticipate that any revenue or other consideration received by us would be equal to between 0 and 10 percent of the amount of goods or services that you would purchase from the vendor. We and our affiliates receive no other payments from any other vendor, nor do we or our affiliates receive any special discount on purchases from any vendor for ourselves or themselves, in conjunction with purchases from our franchisees.

We may, but are not obligated to, negotiate arrangements with vendors for your benefit. For example, we do expect to negotiate better prices for supplies with the vendors based on larger volumes, and these price discounts would benefit you. We have negotiated purchasing programs

with Auto Zone, O'Reilly, Snap-on, and Advanced Auto. We do not, however, currently derive any material benefits based on your use of any Approved Vendor, but reserve the right to do so in the future based upon a percentage of your purchases from that Approved Vendor. At this time, no purchasing or distribution cooperatives exist. We do not provide material benefits to our Area Developers based on an Area Developer's purchases from designated sources; however your eligibility to renew your franchise or purchase additional franchises depends in part on your use of our Approved Vendors.

ITEM 9--FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the ADA 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 of Agreement	Disclosure Document Item
A. Site selection and acquisition/lease	Section 5.7 of ADA	Items 5, 6, 7, 8 and 11
B. Pre-opening purchases/leases	Section 5.7 of ADA	Items 5, 6, 7, 8 and 11
C. Site development and other pre-opening requirements	Section 5.7 of ADA	Items 6, 7 and 8
D. Initial and ongoing training	Sections 5.1, 5.2 and 5.8 of ADA	Items 6, 7 and 11
E. Opening	Section 2.1 of ADA	Item 1 and 12
F. Fees	Sections 5.2, 5.3, 5.4, 5.5, 6.7, 7, 8.1, 8.2, 8.3, 8.4, 8.5, 11.3, 15.2 and 15.15 of ADA	Items 5, 6 and 7
G. Compliance with standards and policies/operating manual	Sections 2, 5 and 6 of ADA	Items 8, 11 and 16
H. Trademarks and Proprietary information	Sections 9 and 10 of ADA	Items 13 and 14
I. Restrictions on products/services offered	None	None
J. Warranty and customer service requirements	None	None
K. Territorial development and sales quotas	Sections 2.1 and 2.2 of ADA	Item 12
L. Ongoing product/service purchases	None	None
M. Maintenance, appearance and remodeling requirements	None	None
N. Insurance	Section 6.5 of ADA	Items 6, 7 and 8
O. Advertising	Sections 5.10, 6.7 and 6.8 of ADA	Items 6, 7, 8 and 11
P. Indemnification	Section 15.2 of ADA	Item 6
Q. Owner's participation/management/staffing	Sections 5, 8 and 11.4 of ADA	Item 11 and 15
R. Records and reports	Sections 6.9 and 6.10 of ADA	Item 6
S. Inspections and audits	Sections 5.6 and 5.9 of ADA	Items 6 and 11
T. Transfer	Section 11 of ADA	Item 17

Obligation	Section of Agreement	Disclosure Document Item
U. Renewal	Section 4 of ADA	Item 17
V. Post-termination obligations	Section 13.2 of ADA	Item 17
W. Non-competition covenants	Section 12 of ADA	Item 17
X. Dispute resolution	Sections 14, 15.8, 15.9, 15.10 and 15.15 of ADA	Item 17
Y. Other--Obligation to provide franchise sales, training, support and supervision	Sections 5.5, 5.6, 5.7, 5.8 and 5.9 of ADA	Items 1, 5 and 6

ITEM 10--FINANCING

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

We and our affiliates have no past practice or future intent of selling, assigning, or discounting area developer's financing arrangements to a third party. We and our affiliates do not receive any direct or indirect payments or other consideration from any person for the placement of financing with any lender.

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

Obligations Under Area Development Agreement

Except as listed below, Auto-Lab is not required to provide you with any assistance.

Pre-Opening Assistance:

Before you open your Pilot Store, we will:

1. Provide you with our initial training program and opening assistance for Franchise Stores as described in the Franchise Disclosure Document for single unit franchises. For each Franchise Store you open under the Minimum Development Obligation after the Pilot Store, you will be responsible for providing all training, regardless of whether you own and operate the Franchise Store or the Franchise Store is owned and operated by a franchisee. (ADA, Section 5.1).
2. Provide you with all other assistance provided in the Franchise Disclosure Document for single unit franchises.

Site Selection

We do not select the site or approve a site for Area Developer's office. We must approve all locations for single unit franchises in the Territory. Our site approval process typically takes about 30 days. We take into account factors such as lease terms, traffic patterns, visibility, demographic profiles, condition of building, size of space, mix of tenants, and other similar criteria in determining whether to approve a proposed site for single unit franchises in the Territory.

Time of Opening

We anticipate that Area Developer will begin to operate its Area Developer business by preparing to open and operate its Pilot Store, which should begin as soon as you sign the ADA and the Franchise Agreement for your Pilot Store.

Post-Opening Assistance:

After the opening of your Pilot Store and during the operation of your Area Developer business, we will:

1. Lend you one copy of our Manual. The Manual consists of 75 pages. A copy of the table of contents of the Manual is attached as Exhibit G (ADA, Section 5.3).
2. If you request, consult with you by telephone regarding the Area Developer business (ADA, Section 5.4).
3. Prepare and file all requisite disclosure documents and other documents for the offer and sale of Auto-Lab Franchise Stores in your Territory. You must pay for the cost of preparation and complying with any applicable laws or regulations affecting the offer and sale of franchises by your employees, agents, or other developers under your control (ADA, Section 5.5).
4. Before you begin to solicit franchisee prospects, provide you with approximately 10 days of training on the operation of an Area Developer business (ADA, Section 5.2). The training program for the Area Developer business is described in more detail below in this Item under the subheading "Training."
5. Before you begin to solicit franchisee prospects, provide you with a list of approved Franchise seminars for you to attend a nationally recognized Franchise seminar so that you can attend this seminar at least 90 days before you begin soliciting, recruiting, or qualifying franchisee prospects in your Territory. The nationally recognized Franchise seminar must include sessions on, among other things, franchise sales and franchise regulatory compliance.
6. Approve or disapprove applicants to become Auto-Lab Franchisees (ADA, Section 5.6).
7. Compensate you for services rendered in your Area Development Territory as previously described. (ADA, Section 8).

Advertising

We do not administer an advertising program for advertising the Area Developer business. Area Developers must pay for advertising for the recruitment of single unit franchises in Territory. Area Developer must participate in all advertising specified by us (ADA, Section 5.10). All advertising placed by Area Developer must be approved in advance by us (ADA, Section 6.7).

Training

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours or On-The-Job Training	Location
Recruitment of Franchises	8		Home Office
Site Reviews		8	Home Office
Meet Potential Candidates		16	Home Office
Review Initial Set-Up		8	Home Office
Site Assessment		16	Home Office
Additional Training (as required)		36	Home Office, In-Field and/or Pilot Store

At least 90 days before you intend to solicit, recruit, and qualify franchisee prospects in your Territory, we will provide approximately 10 days of training to you on the operation of an Area Developer business, including training on how to properly solicit franchisee prospects. This training program is provided to protect our brand and the Trademarks and not to control the day-to-day operations of the Franchised Store. This training program may include classroom training and/or hands-on training and will be conducted at our corporate headquarters, in your Pilot Store, and/or at other locations we designate. You must complete this training to our satisfaction and participate in all other activities that we specify before soliciting, recruiting, or qualifying franchisees in the Territory. If we determine that you cannot complete initial training to our satisfaction, we may, at our option, either (1) require you to attend additional training at your expense (for which we may charge reasonable fees), or (2) terminate the ADA. Although we provide this training at no additional fee, you must pay all travel and living expenses that you incur in connection with the training program.

The training is conducted by our Staff and organized and supervised by Stephen Wilson. The instructors will generally have at least 12 months experience in our System for the subject matters they teach. The instructional materials include our Manual and other materials.

We may require you to attend up to 5 days of additional or refresher training courses each year and a national business meeting or convention up to three days per year at the times and locations we designate. We may charge reasonable fees for these courses, conventions and programs. Also, you are responsible for all travel and living expenses.

You must also attend a nationally recognized franchise seminar at least 90 days prior to soliciting, recruiting, or qualifying any franchisee prospects in your Territory. The franchise seminar must include sessions on, among other things, franchise sales and franchise regulatory compliance. Also, all of your salespersons must attend the same nationally recognized franchise seminar. You must pay for all of the costs associated with attendance at the seminar, including the seminar costs, costs for lodging, travel, meals and employee compensation, if any.

You and your key employees must attend any Area Developer meetings organized by us. These will not be held more frequently than annually. We will select the location and content for

the meeting. You must pay all of the expenses associated with attendance by you and your key employees, including wages, travel, lodging, meals, and any fee assessed by us for attendance.

ITEM 12--TERRITORY

An Area Developer will maintain an office for its Area Developer business, but that location may be the Area Developer's home or the Pilot Store. We must approve the location for Area Developer's office and that location will be designated on Schedule B to the ADA. Also, we must approve each location for a single unit franchise in the Territory, including the Pilot Store.

You will be granted an Territory in which to operate the Area Developer business. The Territory will typically be a geographic area containing between 1 million and 10 million persons, based upon population statistics from the U.S. Census for 2020 (available online at www.census.gov). When the population statistics from the U.S. Census for 2030 become available, we reserve the right to use that data.

There is minimum population of 1 million persons, but no maximum population of area that we include in the Territory. In determining size of the Territory, we primarily consider your capacity to recruit and provide services in the Territory and the number of Auto-Lab Franchise Stores we believe the Territory can sustain, based upon an estimate of 1 Franchise Store per each 200,000 in population. We identify the Territory, the Area Developer Fee, and the Minimum Development Obligation in the ADA before you sign it. You have no options, rights of first refusal, or similar rights to acquire additional territory under the ADA.

You will have exclusive rights to operate an Area Developer business in your Territory. As long as you comply with the ADA (and except as provided below), neither we nor our affiliates will establish, or grant rights to persons other than franchisees recruited by you, to establish, another Franchise Store located in the Territory. Continuation of your exclusive rights depends on meeting the Minimum Development Obligation specified in your ADA. The Minimum Development Obligations require a certain number of franchises to be established in your Territory by mutually acceptable deadlines. These obligations will be mutually agreed to before you sign the ADA. If you fail to satisfy the Minimum Development Obligation under the ADA, we may terminate the ADA. You must also provide Territory training and support to the franchisees in your Territory, including any Franchise Stores that you own and operate. If you fail to satisfy the training and support obligations, we may terminate the ADA. There are no other circumstances that permit us to modify your territorial rights.

We (and any affiliates that we might have periodically) may engage in any activities we deem appropriate that are not expressly prohibited by the ADA, whenever and wherever we desire, including:

- (a) establishing and operating Auto-Lab Stores, and granting rights to other persons to establish and operate Auto-Lab Stores, on any terms and conditions we deem appropriate and at any locations other than within your Territory;
- (b) providing, and granting rights to other persons to provide goods and services similar to and/or competitive with those provided at Auto-Lab Stores to customers located within

your Territory, whether identified by the Trademarks or other trademarks or service marks, through any distribution channel other than an Auto-Lab Store located within your Territory and without compensation to you of any kind (including, but not limited to, sales of products via mail order, catalogs, toll free telephone numbers and electronic means, including the Internet);


- (c) acquiring the assets or ownership interests of one or more businesses providing products and services similar to those provided at Auto-Lab Stores, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including within your Territory); and
- (d) being acquired (regardless of the form of transaction) by a business providing products and services similar to those provided at Auto-Lab Stores, or by another business, even if such business operates, franchises and/or licenses competitive businesses within your Territory.





You must limit your sales activities to your Territory. You may only open and operate, and solicit, screen, qualify for final approval by us, train and assist franchisees to open and operate Franchise Stores in your Territory.

ITEM 13--TRADEMARKS

Area Developers are granted the right to use our principal trademarks in the operation of the Area Developer business. The ADA does not grant Area Developer the right to use our trademarks in the operation of a Franchise Store; those rights are only granted by the Franchise Agreement that will be signed for each single unit franchise in the Territory. Area Developer must use our trademarks in accordance with our rules and only with our written approval. If our trademarks are modified or changed, Area Developer will have the right and the obligation to use the modified or changed trademarks, at its expense.

Our principal trademarks include the trademarks and service marks listed in the table below, which are registered or pending registration with the United States Patent and Trademark Office (“USPTO”). Except as indicated in the table below, all of our principal trademarks are registered or pending registration on the USPTO’s Principal Register. All required affidavits and renewals have been filed for these trademarks.

<u>Trademark or Service Mark Principal Register</u>	<u>Registration No.</u>	<u>Serial No.</u>	<u>Date Registered</u>	<u>Filing Date</u>
 (Design Plus Words, Letters, and/or Numbers)	2,138,625		2/24/1998	

<u>Trademark or Service Mark Principal Register</u>	<u>Registration No.</u>	<u>Serial No.</u>	<u>Date Registered</u>	<u>Filing Date</u>
 DIAGNOSTIC & COMPLETE AUTOMOTIVE REPAIR (Design Plus Words, Letters, and/or Numbers)	3,015,565		11/15/2005	
Auto-Lab® (Standard Character Mark)	3,018,023		11/22/ 2005	
Auto-Lab Complete Car Care Centers® (Standard Character Mark)	3,338,907		11/20/2007	
 (Design Plus Words, Letters, and/or Numbers)	3,338,909		11/20/2007	
Auto-Lab Business Management System (ALBMS)® (Standard Character Mark)	3,560,272		1/13/2009	
Do you have an Auto-Lab Technician® (Standard Character Mark)	3,588,733		3/10/2009	
 (Design Plus Words, Letters, and/or Numbers)	3,672,591		8/25/2009	
Have You Seen Your Auto-Lab Technician? (Standard Character Mark)	3,728,050		12/22/2009	
Ask a Tech® (Standard Character Mark)	4,249,850		11/27/2012	
ER For Your Car® (Standard Character Mark)	4,379,014		8/6/2013	
 (Design Plus Words, Letters, and/or Numbers)	4,550,863		4/1/2014	
We Test...Not Guess® (Standard Character Mark)	4,533,697		5/20/2014	
Born in the Motor City ... Rolling Nationwide.® (Standard Character Mark)	4,791,927		8/11/2015	
We've Got Car Care Down to a Science® (Standard Character Mark)	5,823,409		7/30/2019	
Speed Lane® (Standard Character Mark)	6,125,362		8/11/2020	
Express 30® (Standard Character Mark) (Supplemental Register)	5,771,836		6/04/2019	

<u>Trademark or Service Mark</u> <u>Principal Register</u>	<u>Registration</u> <u>No.</u>	<u>Serial No.</u>	<u>Date</u> <u>Registered</u>	<u>Filing Date</u>
 (Design Plus Words, Letters, and/or Numbers)	5,902,081		11/05/2019	

The Express 30 trademark listed in the table above is not registered on the USPTO's Principal Register. As such, we do not have a federal registration for that principal trademark. Therefore, that trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use that trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

You may use the above names or marks, except as part of your corporate name, if you follow the policies and procedures in the Manual and ADA. In addition, you may not use any name or mark in connection with the sale of any unauthorized product or service unless we explicitly authorize such use in writing. We may amend these trademarks at our discretion. You must implement new or revised trademarks if we direct you to do so, at your sole cost and expense.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court; or any pending infringement, opposition or cancellation proceeding; or any pending material federal or state court litigation regarding our use or ownership rights in the principal trademarks.

There are no currently effective agreements that significantly limit our rights to use or license the use of such trademarks, service marks, trade names, logotypes or other commercial symbols in any manner material to the franchise.

We are not obligated by the ADA or otherwise to protect any rights you have to use our principal trademarks. Rather, we have discretion to determine under what circumstance we will defend or prosecute trademark disputes. You must, however, inform us of any claim, demand or cause of action based on or arising from any attempt by any other person to use any trademark identical to or confusingly similar to a trademark licensed to you. We have the right to control any litigation or administrative proceedings involving any trademark licensed to you. If we undertake the defense or prosecution of any litigation or administrative proceeding relating to the trademarks, you must do such acts and things as may, in the opinion of our counsel, be reasonably necessary to carry out such defense or prosecution. We will be responsible for all costs of the litigation or administrative proceeding unless the dispute arises out of your negligence or willful misconduct, in which case, you must indemnify us for all costs and damages we incur.

The ADA does not require us to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed to you or if the proceeding is resolved unfavorably to you.

You must modify or discontinue the use of a trademark at your expense if we modify or discontinue it. You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.

We do not know of any superior prior rights or infringing uses that could materially affect your use of our principal trademarks in the state in which you wish to locate your business.

We will reimburse Area Developer for all damages and expenses Area Developer incurs in any trademark infringement proceeding disputing Area Developer's authorized use of our trademarks if Area Developer has timely notified us of the proceeding, has complied with the Franchise Agreement, and complies with our directions in responding to the proceeding.

ITEM 14--PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents that are material to your franchise. We do not have any pending patent applications that are material to your franchise. We claim copyright protection of our Manual and similar materials, although these materials are not registered with the United States Registrar of Copyrights.

Our Manual and other aspects of the Auto-Lab system are considered proprietary and confidential. This information may include site selection criteria, training and operations materials, methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience, knowledge of operating results, financial performance and related intellectual property. You must use the Manual and the other aspects of Auto-Lab system only as provided in the ADA. You may not use our Manual or any other aspect of the Auto-Lab system in any unauthorized manner and you must take reasonable steps to prevent disclosure of this information to others, including limiting employee use on a "need-to-know" basis. Also, you must have your employees sign an agreement of confidentiality in a form specified by us before disclosing confidential information to them.

There are no currently effective material determinations of the United States Copyright Office or any court regarding any of our copyrighted materials. There are no agreements currently in effect that limit our rights to use or license the copyrighted materials or any of our confidential information. We do not know of any superior prior right or infringing uses of our copyrighted materials or our confidential information that could materially affect your use of those materials or information.

We are not required by any agreement to protect or defend our copyrights or confidential information or to take affirmative action when notified of infringement of our copyrights or confidential information or to defend you against claims arising from our use of copyrighted or confidential information. If there is litigation involving our copyrights or confidential information, we would have the right to control that litigation. We do not have an obligation under the ADA to participate in your defense or to indemnify you for expenses or damages in a proceeding involving a copyright or confidential information licensed to you.

We may, in our discretion, modify our copyrights and confidential information. If we modify our copyrights or confidential information, you will have the right under the ADA to use the modified materials and you will have the obligation to make changes specified by us at your expense.

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

In order to protect the Franchise System and brand, we expect a principal owner of Area Developer to personally supervise the Area Developer business and that person should complete our training program and sign an agreement to maintain confidentiality of trade secret and proprietary information and to comply with covenants not to compete.

Each individual who owns any interest in the Area Developer business entity must sign a guaranty agreement (Exhibit D) assuming, guaranteeing, and agreeing to discharge all of your obligations under the ADA.

ITEM 16--RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The ADA authorizes you to identify prospective franchisees in your Territory and to engage in certain training and support obligations for those single unit franchisees in your Territory. The ADA does not authorize you to operate a Franchise Store. Those rights are only granted under the Franchise Agreement that must be signed for each single unit franchise in the Territory, which is disclosed in a separate franchise disclosure document for single unit franchises. Area Developer must restrict its activities to its Territory (see Item 12).

ITEM 17--RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP

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

Provision	Section in Area Development Agreement	Summary
A. Length of the franchise term	Section 4	15 years.
B. Renewal or extension of the term	Section 4	If you are in good standing, and meet other requirements, you may extend the term for 10 years.
C. Requirements for you to renew or extend	Section 4	You must have complied with the Agreement, must sign a general release, must pay a renewal fee and must agree with us regarding your minimum development obligation for the extension term.
D. Termination by you	None	
E. Termination by us without cause	None	

Provision	Section in Area Development Agreement	Summary
F. Termination by us with cause	Section 13.1	We may terminate only if you or your owners commit one of several violations. Termination of the Area Development Agreement allows us to also terminate your single unit franchise agreement(s). Termination of your single unit franchise agreement(s) allows us to terminate the Area Development Agreement.
G. "Cause" defined – curable defaults	Section 13.1 See State Addenda	You have 5 days to cure monetary defaults; and 30 days to cure operational defaults, attachment of property, appointment of receiver, and other defaults not listed in H. below.
H. "Cause" defined – non-curable defaults	Section 13.1	Non-curable defaults include failure to complete training; unapproved transfers; material misrepresentations or omissions; conviction of a felony; failure to maintain insurance; dishonest, unethical or illegal conduct; competing with us; unauthorized use or disclosure of the Manual or confidential information; repeated defaults (even if cured); bankruptcy-related events; default under another agreement between you and us, including without limitation, any single unit franchise agreement.
I. Your obligation on termination/non-renewal	Section 13.3	Obligations include paying outstanding amounts; complete de-identification and returning and stopping use of confidential information (also see R. below).
J. Assignment of contract by us	Section 11.1	No restriction on our right to assign; we may assign without your approval.
K. "Transfer" by you – defined	Section 11.2	Includes transfer of ADA, sale of your assets, ownership change or any pledge mortgage, encumbrance, or assignment by operation of law.
L. Our approval of transfer by you	Section 11.2	No transfer without our prior written consent.
M. Conditions for our approval of transfer	Section 11.3	New developer qualifies; you pay us and third party vendors all amounts due and submit all reports; new franchisee (and its owners and affiliates) are not in a competitive business; training completed; transferee signs our then current ADA and other documents; transfer fee paid; we approve material terms and you sign release (also see R. below). Each new owner of corporate or limited liability company franchisee must qualify and assume all obligations under the ADA and related documents. No transfer fee applies for a transfer to your spouse or children.

Provision	Section in Area Development Agreement	Summary
N. Our right of first refusal to acquire your business	Section 11.6	We may match any offer for your rights under the ADA an ownership interest in business entity franchisee.
O. Our option to purchase your business	None	None
P. Your death or disability	Section 11.5	Assignment of ADA (or ownership interest in business entity franchisee) to approved party within 9 months.
Q. Non-competition covenants during the term of the franchise	Section 12.1	No owning interest in or performing service for, competitive business anywhere (“competitive business” means any business which derives from diagnostic and automotive repair and related services); no interference with our or franchisees’ employees.
R. Non-competition covenants after the franchise is terminated or expires	Section 12.2	No direct or indirect ownership interest in, or performing services for, any competitive business within (i) the Territory; (ii) the Territory of any of our other Area Developer; or (iii) 30 miles of any Auto-Lab Store, for a period of 2 years following expiration or termination.
S. Modification of the agreement	Sections 15.3 and 15.11	No modifications without signed writing.
T. Integration/merger clause	Section 15.11	Only the terms of the ADA are binding; any other promises are not enforceable. However, we do not disclaim and you do not waive reliance on any authorized statements in this disclosure document or in its exhibits and amendments.
U. Dispute resolution by arbitration or mediation	Section 14	Except for certain claims, we and you must arbitrate all disputes within Oakland County, Michigan.
V. Choice of forum	Section 15.8	Michigan (subject to state law--see any applicable state specific addendum).
W. Choice of law	Section 15.7	With some exception, Michigan law applies (subject to state law--see any applicable state specific addendum).

ITEM 18--PUBLIC FIGURES

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

ITEM 19—FINANCIAL PERFORMANCE REPRESENTATIONS

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

We does not make any representations about an area developers future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mr. Stephen Wilson, President of Auto-Lab Franchising, LLC at 6001 North Adams Road, Suite 255, Bloomfield Hills 48304, in writing, or by phone at (248) 994-0207, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20-- OUTLETS AND AREA DEVELOPER INFORMATION

Table No. 1
System-wide Area Developer Summary
For Years 2018 to 2020

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2018	2	2	0
	2019	2	1	-1
	2020	1	3	+2
Company-Owned	2018	-	-	-
	2019	-	-	-
	2020	-	-	-
Total Outlets	2019	2	2	0
	2018	2	1	-1
	2020	1	3	+2

Table No. 2
Transfers of Area Developers From Area Developers to New Owners
(Other than the Franchisor)
For Years 2018 to 2020

State	Year	Number of Transfers
Michigan	2018	0
	2019	0
	2020	0
Totals	2018	0
	2019	0
	2020	0

Table No. 3
Status of Area Developers
For Years 2018 to 2020

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Re- acquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of Year
IA	2018	1	-	-	-	-	-	1
	2019	1	-	1	-	-	-	0
	2020	-	-	-	-	-	-	-
IN	2018	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-
	2020	-	1	-	-	-	-	1
IL	2018	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-
	2020	-	1	-	-	-	-	1
TX	2018	1	-	-	-	-	-	1
	2019	1	-	-	-	-	-	1
	2020	1	-	-	-	-	1	0
WI	2018	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-
	2020	-	1	-	-	-	-	1
Totals	2018	2	-	-	-	-	-	2
	2019	2	-	1	-	-	-	1
	2020	1	3	-	-	-	1	3

Table No. 4
Status of Company-Owned Area Developers
For Years 2018 to 2020

State	Year	ADAs at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
None	2018	-	-	-	-	-	-
	2019	-	-	-	-	-	-
	2020	-	-	-	-	-	-
Totals	2018	-	-	-	-	-	-
	2019	-	-	-	-	-	-
	2020	-	-	-	-	-	-

Table No. 5
Projected Openings as of December 31, 2020 - Area Developers

State	Area Development Agreements Signed But Franchise Not Yet Operating	Projected New Area Developers in the Next Fiscal Year	Projected New Company-Owned Area Developers in the Next Fiscal Year
Michigan	-	-	-
Totals	0	0	0

The information in the tables in this Item 20 is as of December 31st of each year.

The names of all current Area Developers and the address and telephone number of each of their outlets as well as former Area Developers are listed on Exhibit H.

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

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. For this purpose, “confidentiality clause” means any contract, order, or settlement provision that directly or indirectly restricts a current or former franchisee from discussing his or her personal experience as a franchisee in the franchisor’s system with any prospective franchisee. It does not include clauses that protect franchisor’s trademarks or other proprietary information.

There are no trademark-specific franchisee organizations associated with the Auto-Lab franchise system that have been created, sponsored or endorsed by us or that have asked to be included in our Franchise Disclosure Document.

ITEM 21--FINANCIAL STATEMENTS

Attached as Exhibit A are Audited Financial Statements as of December 31, 2020, and December 31, 2019 (which displays the audited financial statements as of December 31, 2018 in tabular form).

ITEM 22--CONTRACTS

Attached as Exhibits are the following agreements that may be signed between you and us:

Exhibit B – Area Development Agreement

Exhibit C – Confidentiality and Non-disclosure Agreement and Covenant Not to Compete

Exhibit D – Guaranty Agreement

Exhibit E - Telephone Number Assignment

ITEM 23--RECEIPTS

Two copies of a Receipt that acknowledges your receipt of this Disclosure Document, including all Exhibits, are attached as Exhibit K. You must date and sign one copy of the Receipt and deliver it to us.

EXHIBIT A



AUTO-LAB FRANCHISING, LLC

FINANCIAL STATEMENTS

*Year Ended
December 31, 2020*

AUTO-LAB FRANCHISING, LLC

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	2
Statement of Income	3
Statement of Member's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6

Independent Auditor's Report

To the Member
Auto-Lab Franchising, LLC

We have audited the accompanying financial statements of Auto-Lab Franchising, LLC, which comprise the balance sheet as of December 31, 2020, and the related statements of income, member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Auto-Lab Franchising, LLC as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Company adopted ASU 2021-02, *Franchisors—Revenue from Contracts with Customers (Subtopic 952-606)*. Our opinion is not modified with respect to that matter.

Schlaupitz Madhavan, P.C.

May 3, 2021

AUTO-LAB FRANCHISING, LLC
BALANCE SHEET
DECEMBER 31, 2020

ASSETS

Current assets		
Cash	\$	99,851
Accounts receivable, net		14,751
Notes receivable, net		128,500
Interest receivable, net		12,790
Prepaid expenses		<u>4,279</u>
Total current assets		<u>260,171</u>
Property and equipment		
Computers and software		34,225
Furniture and fixtures		<u>23,800</u>
Property and equipment, cost		58,025
Less: accumulated depreciation		<u>55,331</u>
Property and equipment, net		<u>2,694</u>
Other assets		
Intangible assets, net		452,447
Security deposits		<u>2,679</u>
Total other assets		<u>455,126</u>
Total assets	\$	<u>717,991</u>

LIABILITIES AND MEMBER'S EQUITY

Current liabilities		
Accounts payable	\$	17,208
Accrued payroll		10,291
Other accrued expenses		14,324
Current portion of deferred revenue		58,247
Note payable		<u>38,800</u>
Total current liabilities		138,870
Deferred revenue, less current portion		<u>232,369</u>
Total liabilities		<u>371,239</u>
Member's equity		<u>346,752</u>
Total liabilities and member's equity	\$	<u>717,991</u>

See notes to financial statements.

AUTO-LAB FRANCHISING, LLC
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2020

Revenue		
Royalties	\$	515,719
Franchise		156,116
Advertising		88,396
Software and technology		50,450
Other		10,932
Total revenue		<u>821,613</u>
Operating expenses		
Salaries, wages, and payroll taxes		247,789
General franchise support		120,484
Professional fees		76,586
Amortization		67,080
Rent		44,671
Software and other computer costs		43,160
Other business expenses		25,423
Insurance		21,019
Bad debts		16,294
Utilities		13,441
Bank service charges		9,290
Meals and entertainment		7,262
Dues and subscriptions		6,914
Depreciation		4,424
Total operating expenses		<u>703,837</u>
Operating income		117,776
Other income (expenses)		
Interest income		13,368
Loss on disposal of property and equipment		(1,224)
Interest expense		(85)
Total other expenses		<u>12,059</u>
Net income	\$	<u>129,835</u>

See notes to financial statements.

AUTO-LAB FRANCHISING, LLC
STATEMENT OF MEMBER'S EQUITY
YEAR ENDED DECEMBER 31, 2020

Member's equity, beginning of year	\$	163,304
Adoption of ASU 2021-02		176,409
Net income		129,835
Distributions		<u>(122,796)</u>
Member's equity, end of year	\$	<u>346,752</u>

See notes to financial statements.

AUTO-LAB FRANCHISING, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:	
Net income	\$ 129,835
Adjustments to reconcile net income to cash provided by operating activities:	
Bad debts	16,294
Depreciation and amortization	71,504
Loss on disposal of property and equipment	1,224
Changes in operating assets and liabilities	
(Increase) decrease in	
Accounts receivable	4,118
Prepaid expenses	4,873
Security deposits	3,651
Increase (decrease) in	
Accounts payable	(11,327)
Accrued payroll	(2,080)
Other accrued expenses	(19,059)
Deferred revenue	<u>(142,366)</u>
Net cash provided by operating activities	<u>56,667</u>
 Cash flows from financing activities:	
Payments received on notes receivable	<u>29,000</u>
 Cash flows from financing activities:	
Proceeds of note payable	38,800
Distributions	<u>(97,483)</u>
Net cash used in financing activities	<u>(58,683)</u>
 Net increase in cash	26,984
 Cash at beginning of year	<u>72,867</u>
 Cash at end of year	<u><u>\$ 99,851</u></u>
 Supplemental cash flow information:	
Cash paid for interest	<u><u>\$ 85</u></u>
 Cash paid for income taxes	<u><u>\$ -</u></u>
 Supplemental disclosure of non-cash investing and financing activities:	
Note receivable issued as payment for a franchise sale	<u><u>\$ 157,500</u></u>
 Note receivable distributed to parent company	<u><u>\$ 25,000</u></u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review – Subsequent events were evaluated through May 3, 2021, the date the financial statements were available to be issued.

Nature of Operations – Auto-Lab Franchising, LLC (the Company) owns a retail auto repair concept called Auto-Lab Complete Car Centers and franchises the concept to qualified parties. Franchise stores are in Michigan, Florida, Indiana, and Illinois. Revenues consist primarily of franchise fees and on-going royalties paid by franchisees. At December 31, 2020, the Company had 17 franchised locations. The Company closed four locations during 2020.

The Company also grants master franchise agreements that provide the franchisee broader development rights. As part of these arrangements, the franchisees agree to provide certain support services to third party franchisees on the Company's behalf. There are two master franchises at December 31, 2020.

Basis of Accounting- The Company maintains its accounting records and prepares its financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP).

Change in Accounting Principle – Effective January 1, 2020, the Company retroactively changed its accounting method for revenue recognition as a result of implementing ASU 2021-02, *Franchisors—Revenue from Contracts with Customers (Subtopic 952-606)*. ASU 2021-02 provides franchisors a practical expedient to simplify application of the guidance on identifying performance obligations for certain franchisors in ASC 606. A franchisor that elects the practical expedient is required to apply the guidance in ASC 606 to determine whether the pre-opening services are distinct from one another, unless the franchisor has made an accounting policy election to account for the pre-opening services as a single performance obligation. As permitted, the Company elected to early adopt ASU 2021-02 and made the accounting policy election to treat all pre-opening services as a single performance obligation. As a result of this adoption, the Company decreased deferred revenue \$176,409 and increased member's equity by the same amount.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates. Significant estimate includes, but are not limited to, the recoverability of intangible assets.

Cash and Cash Equivalents – Cash consists of monies held in checking accounts at financial institutions. For purposes of the statement of cash flows, the Company considers money-market accounts and any highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2020.

Accounts Receivable – Accounts receivable are stated at the amount the Company expects to collect from franchisees. Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. The total allowance for doubtful accounts at December 31, 2020 was \$20,502, and is allocated between trade, notes, and interest receivable.

Depreciation – Depreciation is computed for financial statement purposes using the straight-line method over the estimated useful lives of the assets.

NOTES TO FINANCIAL STATEMENTS**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Impairment of Long-Lived Assets – The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed. There were no impairment losses recognized for the year ended December 31, 2020.

Intangible Assets – The Company amortizes intangible assets with determinable lives on a straight-line basis over the estimated useful life. Intangible assets with indefinite useful lives are not amortized. The Company tests intangible assets for impairment at least annually.

Revenue Recognition– The Company's revenue consists primarily of fees from stores operated by the franchisees. Fees from franchised stores consist primarily of initial franchise fees, fees collected upon transfer of franchised store ownership, and on-going royalties. For individual units, the Company allocates 50% of franchise fees to pre-opening services and recognizes this portion of the franchise fee upon completion of this service, generally when the franchise commences operations; this percentage is 85% for master franchises. The remaining portion of the franchise fee is allocated to the value of the franchise license and is recognized over the term of the franchise agreement, which is typically 15 years. The Company recognizes deferred revenue for the unearned portion of the value of the franchise license. Any unrecognized revenue is recognized if a franchise terminates operations before the end of the agreement.

Advertising fees are assessed as a percentage of franchise sales to franchisees in certain markets and are recognized in the period earned.

The Company's franchise agreement provides for collection of a percentage of franchise revenue as an advertising fee from franchisees for national advertising. Fees collected from franchisees under this program are reflected as an advertising deposit liability until such time as the fees are spent for the purpose defined in the franchise agreement. There were no advertising fees charged or collected from franchisees during 2020 under this program.

Royalties are a percentage of franchise sales and are recognized in the period earned. Other revenue streams are generally recognized when billed.

Advertising Costs – The Company expenses advertising costs as they are incurred. Advertising costs were \$70,314 for the year ended December 31, 2020.

Income Taxes – The Company has elected to be taxed as an S Corporation under the provisions of the Internal Revenue Code whereby taxable income, as well as tax credits, are passed directly to the member for inclusion in their personal income tax returns. Therefore, federal income taxes are not provided in these financial statements.

NOTE 2 – NOTES RECEIVABLE

The Company periodically enters notes receivable arrangements with certain franchisees to defer the payment of start-up costs or to establish a payment plan for delinquent accounts receivable balances. Such arrangements are formalized as notes to the Company to document the franchisee promise to pay the balances owed. The notes are collateralized by the franchisee's corporate assets and are personally guaranteed by the individual franchise owner operator.

The Company holds a note from a master franchise with an outstanding balance of \$128,500 as of December 31, 2020. The note is in default and now bears interest at 10%. The note is guaranteed by various parties and the Company expects payment in full financing during 2021.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – NOTE RECEIVABLE (Continued)

As of December 31, 2020, a note related to the payment of an initial franchise fee was outstanding for \$11,000. The note bears interest at 5% per annum and was due in quarterly installments through July 2020. As of December 31, 2020, management has provided for an allowance to fully reserve the outstanding balance. The franchise was terminated in 2020 and the Company intends to pursue legal remedies to recover the outstanding balance.

NOTE 3 – INTANGIBLE ASSETS

Intangible assets consist of the following at December 31, 2020:

Franchise rights	\$ 1,006,165
Trademark	<u>50,000</u>
Total future minimum lease payments	1,056,165
Less accumulated amortization	<u>603,718</u>
Intangible assets, net	<u><u>\$ 452,447</u></u>

Franchise rights represent the fair value assigned to franchise agreements in existence when the franchise operations were acquired in 2012. Amortization expense was \$67,080 for the year ended December 31, 2020.

NOTE 4 – NOTE PAYABLE

The Company was granted a loan from a bank totaling \$38,800, pursuant to the Paycheck Protection Program (“PPP”) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The note was issued April 30, 2020 and bears interest at a rate of 1.00% per annum, payable monthly commencing ten months from the date the covered period ends. Under the terms of the program, the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Company used the loan for qualifying expenses. The Company was informed April 7, 2021 that outstanding loan was forgiven; see Note 7.

NOTE 5 – LEASE COMMITMENTS

In January 2020, the Company entered into a new lease agreement for office space and vacated its prior location. The Company received free occupancy from January through June 2020, with rental payments of \$2,390 per month commencing in July 2020. The lease contains annual rental increases beginning in July 2021, with lease expiration of June 2025. The Company was released early from the lease commitment on the prior location. The information provided below is reflective of the new the lease terms.

The Company has also entered a lease for office equipment with monthly lease payments of \$448, expiring September 2024.

The following is a schedule of annual future minimum lease payments with initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2020:

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – LEASE COMMITMENTS (Continued)

<u>Year Ending</u>	<u>Amount</u>
2021	\$ 34,493
2022	35,362
2023	36,231
2024	35,755
2025	<u>17,416</u>
Total future minimum lease payments	<u>\$ 159,258</u>

Total rental expense for operating leases was \$44,671 for the year ended December 31, 2020.

NOTE 6 – CONTINGENCIES AND RISKS

The COVID-19 pandemic continues to affect the economy. It is not possible to determine what impact, if any, the continuing pandemic may have on operations in 2021.

The Company is a guarantor, along with the sole member of Wilson Holdings, L.L.C., the Company's parent, of financing provided to Wilson Holdings, L.L.C. Substantially all Company's assets are covered by the security agreement. The outstanding balance of the notes payable is \$193,750 as of December 31, 2020.

NOTE 7 – SUBSEQUENT EVENTS

On January 30, 2021, the Company applied for and was approved a \$40,200 loan under the second PPP round as part of the continuing relief efforts related to COVID-19. The loan accrues interest at 1%, but payments are not required to begin for up to ten months after the end of the Company's loan forgiveness covered period. The Company is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

On April 7, 2021, the Company's bank notified the Company that the Small Business Administration had forgiven the Company's first PPP loan.

Auto-Lab Franchising, LLC

Year Ended
December 31,
2019

Financial
Statements

AUTO-LAB FRANCHISING, LLC

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements for the Year Ended December 31, 2019	
Balance Sheet	3
Statement of Income	4
Statement of Member's Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITORS' REPORT

April 14, 2020

Steve Wilson, President and CEO
Auto-Lab Franchising, LLC
Auburn Hills, Michigan

We have audited the accompanying financial statements of *Auto-Lab Franchising, LLC* (the "Company"), which comprise the balance sheet as of December 31, 2019, and the related statements of income, member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Auto-Lab Franchising, LLC* as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2019 the Company adopted Accounting Standards Codification 606, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter.

Rehmann Lobson LLC

AUTO-LAB FRANCHISING, LLC

Balance Sheet

December 31, 2019

ASSETS

Current assets	
Cash	\$ 72,867
Accounts receivable, net of allowance of \$4,208	36,657
Prepaid expenses and other current assets	16,091
Note receivable	11,000
	<hr/>
Total current assets	136,615
Net property and equipment	8,342
Notes receivable, related party	25,000
Intangible assets, net	519,527
	<hr/>
Total assets	<u><u>\$ 689,484</u></u>

LIABILITIES AND MEMBER'S EQUITY

Current liabilities	
Accounts payable	\$ 21,237
Royalties payable - master franchisee	7,298
Accrued payroll	12,371
Accrued expenses	33,383
	<hr/>
Total current liabilities	74,289
Deferred Revenue	<hr/> 451,891
Total liabilities	526,180
Commitments (Note 5)	
Member's equity	<hr/> 163,304
Total liabilities and member's equity	<u><u>\$ 689,484</u></u>

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

AUTO-LAB FRANCHISING, LLC

Statement of Income

Year Ended December 31, 2019

Revenue	
Royalties, net	\$ 673,259
Franchise fees	56,637
Other	<u>77,153</u>
Total revenue	<u>807,049</u>
Operating costs	
Salaries and wages	223,624
Professional services	119,679
General and administrative	114,503
Depreciation and amortization	72,742
Rent	51,318
Marketing and advertising	27,214
Other	<u>109,593</u>
Total operating costs	<u>718,673</u>
Operating income	88,376
Other income, net	<u>11,499</u>
Net income	<u><u>\$ 99,875</u></u>

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

AUTO-LAB FRANCHISING, LLC

Statement of Member's Equity

Balance, January 1, 2019	\$ 954,504
Net income	99,875
Distributions	(439,797)
Adoption of Revenue Recognition standard (Note 1)	<u>(451,278)</u>
Balance, December 31, 2019	<u><u>\$ 163,304</u></u>

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

AUTO-LAB FRANCHISING, LLC

Statement of Cash Flows

Year Ended December 31, 2019

Cash flows from operating activities	
Net income	\$ 99,875
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	72,742
Bad debt expense	17,407
Loss on disposal of property and equipment	4,336
Deferred revenue	(13,137)
Changes in operating assets and liabilities which (used) provided cash:	
Accounts receivable	(45,230)
Prepaid expenses and other current assets	(1,534)
Accounts payable	(4,093)
Royalties payable - master franchisee	4,033
Accrued payroll	(640)
Accrued expenses	(36,491)
Net cash provided by operating activities	<u>97,268</u>
Cash flows from investing activities	
Purchases of property and equipment	(3,075)
Issuance of notes receivable	(25,000)
Collections of notes receivable	2,750
Net cash used in investing activities	<u>(25,325)</u>
Cash used in financing activities	
Member distributions	<u>(439,797)</u>
Net decrease in cash	(367,854)
Cash, beginning of year	<u>440,721</u>
Cash, end of year	<u><u>\$ 72,867</u></u>

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

AUTO-LAB FRANCHISING, LLC

Notes to Financial Statements

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business / Change in Control

Auto-Lab Franchising, LLC (the “Company”), is primarily engaged in the franchising and support of franchisees performing retail auto repairs. Franchise stores are located in Michigan, Florida, Iowa, Indiana, Texas, and Illinois. Revenues consist primarily of initial franchise fees and on-going royalties paid by franchisees. At December 31, 2019, the Company had 21 franchised locations. The Company opened one location and closed four locations during 2019.

In certain markets, the Company has granted master franchise agreements that provide the franchisee broader development rights. As part of these arrangements, the franchisees have agreed to provide certain support services to third party franchisees on the Company’s behalf and, in some cases, the Company has agreed to share royalties and franchise fees paid by such third party franchisees.

Effective September 30, 2019, Wilson Holdings, LLC, a single member LLC, acquired 100% of the membership rights of Auto-Lab Franchising, LLC, from its existing members. As a change in control occurred, management considered push down accounting under the guidance in ASC 805-50 Related Issues. The guidance in ASC 805-50 establishes that push down accounting is optional. Wilson Holdings, LLC has not elected to apply the push down accounting. Therefore, these financial statements have been prepared using carry-over basis for the assets and liabilities, and are presented in the same manner as prior to the change in control of the Company. The disclosures in the notes to the financial statements will describe the change in ownership and basis of accounting used.

Risks and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. The outbreak has resulted in reduced customer traffic and the temporary reduction of operating hours for the Company’s stores. The extent of the impact of COVID-19 on the Company’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and its impact on customers, employees, and vendors, all of which are uncertain and cannot be predicted. While management reasonably expects the COVID-19 outbreak to negatively impact the Company’s financial condition, operating results, and cash flows, the related financial consequences and duration cannot be estimated at this time.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates includes, but are not limited to, the recoverability of intangible assets.

AUTO-LAB FRANCHISING, LLC

Notes to Financial Statements

Cash

Cash consists of demand deposits in banks and cash on hand. The Company periodically has deposits in financial institutions in excess of federally insured limits. Management does not believe the Company is exposed to any significant interest rate or other financial risk as a result of these deposits.

Revenue Recognition / Deferred Revenue

The Company's revenue consists primarily of fees from stores operated by the franchisees. Fees from franchised stores consist primarily of initial franchise fees, fees collected upon transfer of franchised store ownership, and on-going royalties. Royalties are a percentage of franchise sales, and are recognized in the period earned. Initial franchise fees (and transfer fees when occurring) for individual locations are recognized over the term of the franchise agreement, which is typically 15 years. Initial fees for master franchise agreements are recognized over the term of the agreement, typically 15-20 years, or upon the opening of individual locations within a defined territory, if required in the agreement. The Master Franchise agreements define the terms by which initial franchise fees and on-going royalties are shared between the Company and the Master Franchisees as compensation for services performed by Master Franchisees on behalf of the franchisor within their territories.

Accounts Receivable

Accounts receivable generally consist of royalties, advertising, and miscellaneous fees due from franchisees and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and Equipment and Depreciation

Property and equipment is stated at cost less accumulated depreciation. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation of property and equipment is computed using the straight line method over the estimated useful lives of the related assets, which range from one to ten years.

Intangible Assets

Intangible assets consist of franchise rights and trademarks. Franchise rights are being amortized over their 15 year terms. Trademarks have indefinite useful lives and are not amortized. Intangible assets are tested for impairment at least annually.

Income Taxes

Auto-Lab Franchising, LLC has elected to be taxed as a partnership under the provisions of the Internal Revenue Code whereby taxable income, as well as tax credits, are passed directly to the members for inclusion in their personal income tax returns. Therefore, federal income taxes are not provided in these financial statements. Some states and localities assess income taxes at the entity level for "LLC's." The Michigan Corporate Income Tax is an entity level tax that does not apply to LLC's. Prior to September 30, 2019, income or loss of the entity was consolidated with its Parent's results for tax reporting purposes.

AUTO-LAB FRANCHISING, LLC

Notes to Financial Statements

Company management analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, for all open tax years in these jurisdictions, to identify potential uncertain tax positions.

As of December 31, 2019, there are no uncertain income tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions. There are currently no audits for any tax periods in progress.

Advertising Deposits

The Company's franchise agreement provide for collection of a percentage of franchise revenue as an advertising fee from franchisees for national advertising. Fees collected from franchisees under this program are reflected as an advertising deposit liability until such time as the fees are spent for the purpose defined in the franchise agreement. There were no advertising fees charged or collected from franchisees during 2019 under this program. As of December 31, 2019 all advertising fees collected had been fully spent.

Subsequent Events

In preparing these financial statements, the Company has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2019, the most recent balance sheet presented herein, through April 14, 2020, the date these financial statements were available to be issued. No significant such events or transactions were identified, other than the matter described in Note 6.

New Accounting Pronouncement

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new standard is effective for reporting periods beginning after December 15, 2018. The new standard requires revenue to be recognized when promised goods and services are transferred to customers in amounts that reflect the consideration to which the Company expects to be entitled to in exchange for those goods or services. The standard also requires expanded disclosures regarding revenue and contracts with customers.

The Company adopted the requirements of the new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning retained earnings balance. The company applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. The standard does not change the recognition of royalties from franchisees, which are based on a percent of sales and recognized at the time the underlying sales occur. The Company's accounting policy through December 31, 2018, was to recognize initial franchise fees upon the opening of the individual location. Upon adoption of the new standard, initial franchise fees for individual locations and master franchises are initially recorded as deferred revenue and recognized as the Company satisfies the performance obligation over the franchise term, which is generally 15 years. The cumulative adjustment recorded upon adoption of ASC 606 consisted of recognition of deferred revenue of approximately \$451,000 and a reduction to members equity in the same amount.

AUTO-LAB FRANCHISING, LLC

Notes to Financial Statements

2. NOTES RECEIVABLE (INCLUDING RELATED PARTY)

The Company, in the normal course of business, will enter into notes receivable arrangements with certain franchisees to defer the payment of start-up costs, or to establish a payment plan for delinquent accounts receivable balances. Such arrangements, when entered into, are formalized as notes payable to the Company in order to document the franchisee promise to pay such costs. The notes, which bear interest at rates ranging from 0% to 5%, are expected to be repaid on or before their due date. The notes are collateralized by the franchisee's corporate assets and are personally guaranteed by the individual franchise owner operator. As of December 31, 2019, one note related to the payment of an initial franchise fee was outstanding for \$11,000. The note bears interest at 5% per annum and is due in quarterly installments through July 2020.

Effective September 30, 2019, the Company issued a note receivable to Wilson Holding, LLC (sole member) in the amount of \$25,000, which remains outstanding at December 31, 2019. The note is due on demand and bears interest at the applicable federal rate as defined in the agreement. The note has been classified long-term due to the stated intent of the member that repayment will not be demanded during 2020. Interest income recognized on the note during 2019 was \$314.

3. PROPERTY AND EQUIPMENT

Net property and equipment consists of the following at December 31, 2019:

Property and Equipment	
Computers and equipment	\$ 36,184
Furniture and fixtures	<u>24,100</u>
Total	60,284
Less accumulated depreciation	<u>51,942</u>
Net property and equipment	<u>\$ 8,342</u>

Depreciation expense for 2019 was \$5,662.

4. INTANGIBLE ASSETS

Intangible assets, net consists of the following at December 31, 2019:

Intangible assets	
Trademark	\$ 50,000
Franchise rights	<u>1,006,165</u>
Total	1,056,165
Less accumulated amortization	<u>536,638</u>
Intangible assets, net	<u>\$ 519,527</u>

Franchise rights represent the fair value assigned to franchise agreements in existence when the franchise operations were acquired in January 2012. Amortization expense for 2019 was \$67,080.

AUTO-LAB FRANCHISING, LLC

Notes to Financial Statements

Future amortization of franchise rights, for each of the five years succeeding December 31, 2019, is expected to be \$67,080 per year.

5. COMMITMENTS AND CONTINGENCIES (INCLUDING RELATED PARTY)

In January 2020 the Company entered into a new lease agreement for office space and vacated its prior location. The Company will receive free occupancy from January 2020 through June 2020, with rental payments of \$2,390 per month commencing in July 2020. The lease contains annual rental increases beginning in July 2021, with lease expiration of June 2025. The Company was released early from the lease commitment on the prior location. The information provided below is reflective of the new the lease terms.

The Company has also entered into various leases for office equipment with monthly lease payments ranging from \$256 to \$448, expiring through September 2024. Total rental expense for operating leases was \$51,318 in 2019.

The following is a schedule of annual future minimum lease payments with initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2019:

Year	Amount
2020	\$ 31,034
2021	34,493
2022	35,362
2023	36,231
2024	35,755
2025	17,416
Total minimum payments due	<u>\$ 190,291</u>

In connection with the change of control event described in Note 1, the Company is a guarantor, along with the sole member of Wilson Holdings, LLC, of seller financing provided to Wilson Holdings, LLC. The remaining balance of the notes issued to evidence the seller financing is \$243,750 as of the date of issuance of these financial statements.

6. SUBSEQUENT EVENT

Effective January 28, 2020, the Company entered into an Area Development agreement for the development of franchise locations in the state of Illinois and the City of Milwaukee, Wisconsin.

7. SUPPLEMENTAL CASH FLOWS INFORMATION

Non-Cash Investing and Financing Activities

During 2019 the Company issued a note receivable to a franchisee in the amount of \$13,750 to provide financing of an initial franchisee fee.



Auto-Lab Franchising, LLC

Year Ended
December 31,
2018

Financial
Statements

AUTO-LAB FRANCHISING, LLC

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements for the Year Ended December 31, 2018	
Balance Sheet	3
Statement of Income and Members' Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT AUDITORS' REPORT

February 22, 2019

Board of Directors and Members
Auto-Lab Franchising, LLC
Auburn Hills, Michigan

We have audited the accompanying financial statements of *Auto-Lab Franchising, LLC* (the "Company"), formerly Auto-Lab, LLC, which comprise the balance sheet as of December 31, 2018, and the related statements of income and members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Auto-Lab Franchising, LLC* as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Rehmann Lobson LLC

AUTO-LAB FRANCHISING, LLC

Balance Sheet

December 31, 2018

ASSETS

Current assets	
Cash	\$ 440,721
Accounts receivable	8,834
Prepaid expenses and other current assets	<u>14,557</u>
Total current assets	464,112
Net property and equipment	15,265
Intangible assets, net	<u>586,607</u>
Total assets	<u><u>\$ 1,065,984</u></u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities	
Accounts payable	\$ 25,330
Royalties payable - Master franchisees	3,265
Accrued payroll	13,011
Accrued expenses	<u>69,874</u>
Total liabilities, all current	111,480
Commitments (Note 6)	
Members' equity	<u>954,504</u>
Total liabilities and members' equity	<u><u>\$ 1,065,984</u></u>

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

AUTO-LAB FRANCHISING, LLC

Statement of Income and Members' Equity

Year Ended December 31, 2018

Revenue	
Royalties, net	\$ 673,917
Franchise fees	86,250
Other	111,241
	<hr/>
Total revenue	871,408
	<hr/>
Operating costs	
Salaries and wages	252,395
General and administrative	120,070
Professional services	106,241
Depreciation and amortization	74,267
Rent expense	52,323
Marketing and advertising, net of fees collected	33,811
Master franchisee royalty sharing expense	27,075
Other	100,694
	<hr/>
Total operating costs	766,876
	<hr/>
Operating income	104,532
	<hr/>
Other income (expense)	
Interest income	693
Other income	15,329
Interest expense	(4,864)
	<hr/>
Other income, net	11,158
	<hr/>
Net income	115,690
	<hr/>
Members' equity, beginning of year	863,420
Member distributions	(24,606)
	<hr/>
Members' equity, end of year	\$ 954,504
	<hr/> <hr/>

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

AUTO-LAB FRANCHISING, LLC

Statement of Cash Flows

Year Ended December 31, 2018

Cash flows from operating activities	
Net income	\$ 115,690
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	74,267
Bad debt expense	14,983
Loss on sale of property and equipment	200
Forgiveness of debt income	(9,000)
Changes in operating assets and liabilities which (used) provided cash	
Accounts receivable	(16,073)
Prepaid expenses	112
Accounts payable	(10,031)
Royalties payable	110
Accrued payroll	(5,777)
Accrued expenses	15,678
Security deposit held	(7,500)
Net cash provided by operating activities	172,659
Cash flows from investing activities	
Purchases of property and equipment	(5,500)
Issuance of notes receivable	(3,873)
Collections of notes receivable	36,307
Net cash provided by investing activities	26,934
Cash flows from financing activities	
Repayment of shareholder note	(81,000)
Member distributions	(24,606)
Net cash used in financing activities	(105,606)
Net increase in cash	93,987
Cash, beginning of year	346,734
Cash, end of year	\$ 440,721

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

AUTO-LAB FRANCHISING, LLC

Notes to Financial Statements

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Merger / Name Change

Effective September 30, 2018, Auto-Lab, LLC (the Parent) and Auto-Lab Franchising, LLC, a wholly owned subsidiary of the Parent (the Subsidiary), executed a plan of merger, with the Parent being the surviving legal entity. Simultaneous with the merger taking effect, the name of the surviving entity was changed to Auto-Lab Franchising, LLC. The assets and liabilities of the non-surviving entity were transferred to the surviving entity at net book value. These financial statements include the financial results of both entities for the entire year of 2018. The Parent previously operated as a holding company only and the franchising activity resided in the Subsidiary.

Nature of Business

Auto-Lab Franchising, LLC (the "Company"), is primarily engaged in the franchising and support of franchisees performing retail auto repairs. Franchise stores are located in Michigan, Florida, Iowa, Indiana, Texas, and Illinois. Revenues consist primarily of initial franchise fees and on-going royalties paid by franchisees. At December 31, 2018, the Company had 24 franchised locations. The Company opened two locations, transferred ownership at one location, and closed three locations during 2018.

In certain markets, the Company has granted master franchise agreements that provide the franchisee broader development rights. As part of these arrangements, the franchisees have agreed to provide certain support services to third party franchisees on the Company's behalf and, in some cases, the Company has agreed to share royalties and franchise fees paid by such third party franchisees.

Use of Estimates

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

Cash

Cash consists of demand deposits in banks and cash on hand. The Company periodically has deposits in financial institutions in excess of federally insured limits. Management does not believe the Company is exposed to any significant interest rate or other financial risk as a result of these deposits.

AUTO-LAB FRANCHISING, LLC

Notes to Financial Statements

Revenue Recognition

The Company's revenue consists primarily of fees from stores operated by the franchisees. Fees from franchised stores consist primarily of initial franchise fees, fees collected from transfer of franchised store ownership, and on-going royalties. Transfer fees and royalties are recognized in the period earned. Initial franchise fees for individual locations are recognized upon execution of the franchise agreement, which is also when the Company has performed substantially all initial services required by the franchise agreement. Initial fees charged under Master Franchise agreements are also recognized upon execution of the agreement. The Master Franchise agreements define the terms by which initial franchise fees and on-going royalties are shared between the Company and the Master Franchisees as compensation for services performed by Master Franchisees on behalf of the franchised stores within their territories.

Accounts Receivable

Accounts receivable generally consist of royalties, advertising, and miscellaneous fees due from franchisees and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management determined all accounts receivable balances were collectible as of December 31, 2018 and therefore no allowance for doubtful accounts was recorded at that date.

Property and Equipment and Depreciation

Property and equipment is stated at cost. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation of property and equipment is computed using the straight line method over the estimated useful lives of the related assets, which range from one to ten years.

Intangible Assets

Intangible assets consist of franchise rights and trademarks. Franchise rights are being amortized over their 15 year terms. Trademarks have indefinite useful lives and are not amortized. Intangible assets are tested for impairment at least annually.

Income Taxes

Auto-Lab Franchising, LLC has elected to be taxed as a partnership under the provisions of the Internal Revenue Code whereby taxable income, as well as tax credits, are passed directly to the members for inclusion in their personal income tax returns. Therefore, federal income taxes are not provided in these financial statements. Some states and localities assess income taxes at the entity level for "LLC's." The Michigan Corporate Income Tax is an entity level tax that does not apply to LLC's. Prior to September 30, 2018, income or loss of the non-surviving entity was consolidated with the Parent's results for tax reporting purposes.

AUTO-LAB FRANCHISING, LLC

Notes to Financial Statements

Company management analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, for all open tax years in these jurisdictions, to identify potential uncertain tax positions.

As of December 31, 2018, there are no uncertain income tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Generally, the Company is no longer subject to income tax examinations for years prior to 2015.

Advertising Deposits

The Company collects a percentage of franchise revenue as an advertising fee from franchisees who elect to participate in promotional programs targeted to their geographical region. Fees collected from franchisees under this program are reflected as an advertising deposit liability until such time as the fees are spent for the purpose defined in the franchise agreement. As of December 31, 2018 the Company had included in “accrued expenses” on the balance sheet a liability of \$11,612 for advertising fees collected, but not yet spent for their defined purpose.

Subsequent Events

In preparing these financial statements, the Company has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2018, the most recent balance sheet presented herein, through February 22, 2019, the date these financial statements were available to be issued. No significant such events or transactions were identified.

New Accounting Pronouncement

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new standard is effective for reporting periods beginning after December 15, 2018. The new standard requires revenue to be recognized when promised goods and services are transferred to customers in amounts that reflect the consideration to which the Company expects to be entitled to in exchange for those goods or services. The standard also requires expanded disclosures regarding revenue and contracts with customers. Management continues to evaluate the impact of the adoption of the new revenue recognition standard and its effects on the financial position, results of operations, or cash flows of the Company.

2. NOTES RECEIVABLE

The Company, in the normal course of business will enter into notes receivable arrangements with certain franchisees to defer the payment of start-up costs or to establish a payment plan for delinquent accounts receivable balances. Such arrangements, when entered into, are formalized as notes payable to the Company in order to document the franchisee promise to pay such costs. The notes, which bear interest at rates ranging from 0% to 6%, are expected to be repaid on or before their due date. The notes are collateralized by the franchisee’s corporate assets and are personally guaranteed by the individual franchise owner operator. During 2018, three accounts receivable balances totaling \$36,216 were converted into notes receivable. Two of the notes have specified repayment terms, bear interest at 6%, and are due September 1, 2020. One of the notes does not have any specified repayment terms and does not bear interest.

AUTO-LAB FRANCHISING, LLC

Notes to Financial Statements

Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of the individual arrangements. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to notes receivable. As of December 31, 2018, management determined that collectability of all remaining balances was uncertain and therefore reserved the entire notes receivable balance, which totaled \$39,039.

3. PROPERTY AND EQUIPMENT

Net property and equipment consists of the following at December 31 2018:

Property and Equipment	
Computers and equipment	\$ 56,515
Furniture and fixtures	<u>26,745</u>
Total	83,260
Less accumulated depreciation	<u>67,995</u>
Net property and equipment	<u><u>\$ 15,265</u></u>

Depreciation expense for 2018 was \$7,187.

4. INTANGIBLE ASSETS

Intangible assets, net consists of the following at December 31, 2018:

Intangible assets	
Trademark	\$ 50,000
Franchise rights	<u>1,006,165</u>
Total	1,056,165
Less accumulated amortization	<u>469,558</u>
Intangible assets, net	<u><u>\$ 586,607</u></u>

Franchise rights represent the fair value assigned to franchise agreements in existence when the's former subsidiary was acquired in January 2012.

Amortization expense for 2018 was \$67,080.

Future amortization of franchise rights, for each of the five years succeeding December 31, 2018, is expected to be \$67,078 per year.

AUTO-LAB FRANCHISING, LLC

Notes to Financial Statements

5. DEBT, INCLUDING RELATED PARTY

The Company has a \$100,000 line-of-credit agreement with a bank. The line is due on demand and bears interest at the greater of the prime rate, or the Daily Adjusting London InterBank Offered Rate (LIBOR) plus 2.5% (effective rate of 5.5% at December 31, 2018). There were no borrowings outstanding at December 31, 2018. Borrowings are collateralized by substantially all assets of the Company and guaranteed by a member of the Company.

The Company had a non-interest bearing note payable due to a member of the Company totaling \$90,000 at December 31, 2017. During 2018, the Company repaid \$81,000 and \$9,000 of debt was forgiven.

6. LEASES

The Company has entered into various leases for office space and office equipment with monthly lease payments ranging from \$256 to \$3,969, expiring through May 2020. Total rental expense for operating leases was \$52,323 in 2018.

The following is a schedule of annual future minimum lease payments with initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2018:

Year	Amount
2019	\$ 44,779
2020	<u>18,114</u>
Total minimum payments due	<u>\$ 62,893</u>

7. SUPPLEMENTAL CASH FLOWS INFORMATION

Cash paid for interest totaled \$4,864 for 2018.





AUTO LAB FRANCHISING, LLC

AREA DEVELOPMENT AGREEMENT

TABLE OF CONTENTS

TABLE OF CONTENTS..... i

1. GRANT OF RIGHTS 2

2. AREA DEVELOPER’S DEVELOPMENT OBLIGATION..... 2

3. EXCLUSIVITY 3

4. TERM 3

5. ADDITIONAL OBLIGATIONS OF COMPANY AND AREA DEVELOPER..... 4

6. OPERATING STANDARDS..... 9

7. AREA DEVELOPER FEE 12

8. PAYMENTS TO AREA DEVELOPER 12

9. MARKS 14

10. CONFIDENTIAL INFORMATION 15

11. ASSIGNABILITY 17

12. NON-COMPETITION 22

13. TERMINATION..... 23

14. ARBITRATION 25

15. GENERAL CONDITIONS AND PROVISIONS 27

16. SUBMISSION OF AGREEMENT 33

17. ACKNOWLEDGMENTS 33

SCHEDULES

- Schedule A Area Developer Data Sheet
- Schedule B Location and Territory Designation
- Schedule C Minimum Development Obligations
- Schedule D Multi-State Addenda

AUTO-LAB FRANCHISING, LLC

AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the “Agreement”) is made and entered into this _____ day of _____, 20__ (the “Effective Date”), by and between Auto-Lab Franchising, LLC, a Michigan limited liability company (“Company,” “we,” or “our”), and _____ a corporation/limited liability company/partnership (circle one), (“Area Developer”), with reference to the following facts:

A. We have designed and developed valuable and proprietary formats and systems for the development and operation of automotive and engine diagnostics, electrical system repair, air conditioning repair, engine repair and other related automotive repair services under the name “Auto-Lab Complete Car Care Centers[®]” (“Auto-Lab Stores”).

B. We have developed and use, promote and license certain trademarks, service marks and other commercial symbols in operating Auto-Lab Stores, including “Auto-Lab Complete Car Care Centers[®],” and we may create, use and license other trademarks, service marks and commercial symbols for use in operating Auto-Lab Stores (collectively, the “Marks”).

C. We offer franchisees the right to own and operate an Auto-Lab Store offering the products and services we authorize (and only the products and services we authorize) and using our business system, business formats, methods, procedures, signs, designs, layouts, standards, specifications and Marks, all of which we may improve, further develop and otherwise modify from time to time (collectively, the “System”).

D. We seek an Area Developer who will open and operate, or solicit and assist franchisees in opening and operating, numerous Auto-Lab Stores within the geographic area described in Exhibit A (the “Territory”).

E. Area Developer desires to establish a business (an “Area Developer Business”) under which it will build and operate Auto-Lab Stores, and solicit, qualify, train and assist franchisees (the “Franchisees”) to build and operate Auto-Lab Stores within the Territory (Auto-Lab Stores operated in the Territory by Area Developer or a Franchisee are referred to herein as the “Stores”), and we desire to grant to Area Developer the right to operate the Area Developer Business in accordance with the terms and upon the conditions contained in this Agreement. For purposes of this Agreement, the term “Area Developer Stores” shall refer to Stores owned and operated by Area Developer, and the term “Franchised Stores” shall refer to Stores owned and operated by Franchisees in the Territory which were solicited, trained, supported and assisted by Area Developer.

EXHIBIT B

WHEREFORE, IT IS AGREED

1. GRANT OF RIGHTS

Subject to the terms of this Agreement, we hereby grant to Area Developer, and Area Developer hereby accepts, the right during the Term to open and operate, and to solicit, recruit, screen, qualify for final approval by us, train and assist Franchisees to open and operate, Auto-Lab Stores in the Territory.

2. AREA DEVELOPER'S DEVELOPMENT OBLIGATION

2.1. Minimum Development Obligation.

(a) Area Developer shall construct, equip, open and continue to operate, and/or solicit, screen, qualify, train, assist, and support Franchisees to construct, equip, open and operate, within the Territory, not less than the cumulative number of Stores set forth in Exhibit "B," which is annexed hereto and by this reference made a part hereof, in the manner and within each of the time periods (the "Development Periods") specified therein (the "Minimum Development Obligation").

(b) Each Store shall be the subject of a separate franchise agreement, which shall be personally guaranteed by the principal owners of the franchise. We and Area Developer or the Franchisee shall enter into our then current form of franchise agreement (the "Franchise Agreement"); provided, however, that the Franchise Agreements signed by Area Developer shall have modified training and assistance provisions as set forth in Section 5.1 hereof.

(c) Stores which are the subject of a Franchise Agreement executed pursuant hereto, whether by Area Developer ("Area Developer Stores") or by a Franchisee either as a new unit or as a conversion of an existing auto repair facility to an Auto-Lab store ("Conversion") (collectively, "Franchised Stores"), shall be counted in determining whether the Minimum Development Obligation shall have been met within the applicable Development Periods.

2.2. Pilot Store. Area Developer must sign a Franchise Agreement and open one (1) Store within the Territory that successfully passes our operational review, to be used as a prototype business and training facility (the "Pilot Store") before providing training or assistance to any Franchisees in the Territory, in any event, no later than twenty four (24) months from the Effective Date. Area Developer will operate the Pilot Store or replacement therefore at all times during the Term and any extension thereof.

3. EXCLUSIVITY

3.1. Territorial Rights. For so long as this Agreement shall remain in effect, and except as provided in Section 3.2, we shall not operate, or grant a franchise to any person other than Area Developer or Franchisees recruited by Area Developer to operate, an Auto-Lab Store in the Territory.

3.2. Rights Maintained by Company. We (and any affiliates that we might have from time to time) shall at all times have the right to engage in any activities we deem appropriate that are not expressly prohibited by this Agreement, whenever and wherever we desire, including, but not limited to:

(a) establishing and operating Auto-Lab Stores, and granting rights to other persons to establish and operate Auto-Lab Stores, on any terms and conditions we deem appropriate and at any locations other than within the Territory;

(b) providing, and granting rights to other persons to provide, goods and services similar to and/or competitive with those provided at Auto-Lab Stores to customers located within the Territory, whether identified by the Marks or other trademarks or service marks, through any distribution channel other than an Auto-Lab Stores located within the Territory (including, but not limited to, sales of products via mail order, catalogs, toll free telephone numbers and electronic means including the Internet);

(c) acquiring the assets or ownership interests of one or more businesses providing products and services similar but not directly competitive with those services provided at Auto-Lab Stores as used in 3.2(b) to those provided at Auto-Lab Stores, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including within the Territory); and

(d) being acquired (regardless of the form of transaction) by a business providing products and services similar to those provided at Auto-Lab Stores, or by another business, even if such business operates, franchises and/or licenses competitive businesses within the Territory.

4. TERM

The term of this Agreement (the "Term") shall be for a period of fifteen (15) years, commencing on the Effective Date, unless sooner terminated in accordance with the provisions of Section 13. Area Developer shall have the right to extend the Term for an additional period of ten (10) years if (i) Area Developer has complied with the Minimum Development Obligation and all of the other terms of this Agreement during the Term, (ii) Area Developer and all of its owners sign our general release form, (iii) we and Area Developer mutually agree on a new minimum development obligation for the Territory for the extension period, and (iv) Area Developer has paid a renewal fee of One Thousand Dollars (\$1,000) per operating Franchised Store in the Territory. Under the general release, Area Developer and its owners will waive any and all claims against us and our affiliates and our and their respective shareholders, directors, officers,

employees, agents, successors and assigns. If Area Developer wishes to extend the Term, Area Developer must notify us in writing no more than one hundred eight (180) days and no less than ninety (90) days before the Term would otherwise expire.

5. ADDITIONAL OBLIGATIONS OF COMPANY AND AREA DEVELOPER

5.1. Store Training. Prior to the opening of the Pilot Store, we shall provide Area Developer with our initial training program and opening assistance for Auto-Lab Stores pursuant to the terms of the Franchise Agreement for the Pilot Store. For each Franchise Store Area Developer opens under the Minimum Development Obligation after the Pilot Store, Area Developer will be responsible for providing all training, regardless of whether Area Developer owns and operates the Franchise Store or the Franchise Store is owned and operated by a franchisee.

5.2. Area Developer Training. No later than ninety (90) days before you begin to solicit, recruit, or qualify franchisees in your Territory, we will provide approximately ten (10) days of training to Area Developer on the operation of an Area Developer Business. This training program is provided to protect our brand and the marks and not to control the day-to-day operations of your business. This training program may include classroom training and/or hands-on training and will be conducted at our corporate headquarters, at an operating Auto-Lab Store and/or at other locations we designate. Area Developer must complete the initial training to our satisfaction and participate in all other activities we require before soliciting, recruiting, or qualifying franchisees in the Territory. Although we provide this training at no additional fee, Area Developer must pay all travel and living expenses which it incurs.

If we determine that Area Developer cannot complete initial training to our satisfaction, we may, at our option, either (1) require Area Developer to attend additional training at Area Developer's expense (for which we may charge reasonable fees), or (2) terminate this Agreement.

We may require Area Developer to attend up to five (5) days of additional or refresher training courses each year and a national business meeting or convention up to three (3) days per year at the times and locations we designate. We may charge reasonable fees for these courses, conventions and programs. Area Developer is responsible for all travel and living expenses.

Area Developer shall also attend a nationally recognized franchise seminar that we approve no later than ninety (90) days before Area Developer begins soliciting, recruiting, or qualifying franchisees in the Territory. The franchise seminar shall include sessions on, among other things, franchise sales and franchise regulatory compliance. Area Developer shall also require all of Area Developer's salespersons to attend the same nationally recognized franchise seminar. Area Developer shall pay for all of the costs associated with attendance at such seminar, including without limitation, the seminar costs, costs for lodging, travel, meals and employee compensation, if any.

To ensure compliance with our brand standards, Area Developer and its key employees shall attend the annual Area Developer meeting organized by the Company. The Company shall select the location and content for such meeting. Area Developer shall pay all of the expenses

associated with attendance by Area Developer and its key employees, including without limitation, wages, travel, lodging, meals and any fee assessed by the Company for attendance.

5.3. Manual.

(a) We shall loan to Area Developer one (1) copy of our Brand Standards Manual as it relates to the Area Developer Business (the “Manual”), (collectively with the single unit Brand Standards Manual, referred to as the “Manuals”), which are provided to protect our brand and the marks and not to control the day-to-day operations of your business. Area Developer shall conduct all business activities in strict accordance with the specifications, standards, procedures, and rules prescribed from time to time in the Manuals. As used in this Agreement, the term “Manuals” shall be deemed to include the Manuals so delivered to Area Developer, all amendments to the Manuals, and all supplemental bulletins, notices and memoranda which prescribe standard methods or techniques of operation, and which we may from time to time deliver to Area Developer.

(b) We shall have the right to modify, amend, or supplement the Manuals. The Manuals may take the form of one or more of the following: one or more loose leaf or bound volumes; bulletins; notices; videos; CD-ROMS and or other electronic media; online postings; e-mail and/or other electronic communications; facsimiles; or any other medium capable of conveying the Manuals’ contents. The Manuals will, among other things, set forth the brand standards, System, the operating systems, procedures, policies, methods, standards, specifications and requirements for operating an Auto-Lab Store. You agree to operate your Pilot Store and your Area Developer in strict compliance with the specifications, standards, procedures, and rules prescribed from time to time in the Manuals that we designated as mandatory. We have the right to prescribe additions to, deletions from or revisions of the Manuals (the “Supplements to the Manuals”) as we deem necessary, in our discretion, all of which will be considered a part of the Manuals. Area Developer acknowledges and agrees that we have the right to prescribe additions to, deletions from, or revisions of the Manuals as Supplements to the Manuals in our discretion, and Area Developer shall implement such Supplements to the Manuals as we direct at your sole cost and expense. All references to the Manuals in this Agreement will include the Supplements to the Manuals. Supplements to the Manuals will become binding upon you as if originally set forth in the Manuals, upon being delivered to you. Area Developer acknowledges and agrees that modifications of and supplements to the Manuals may obligate Area Developer to invest additional capital or incur higher operating costs. We will use our best efforts, using our reasonable business judgment, to modify and supplement the Manuals to reflect current practices in the automotive repair industry.

(c) The Manuals are our property and may not be duplicated, copied, disclosed or disseminated in whole or in part in any manner except with our express prior written consent. Area Developer shall maintain the confidentiality of the Manuals and not permit other access to the Manuals. Upon the termination of this Agreement, Area Developer shall return to us all copies of the Manuals in its possession or control. If Area Developer’s copy of the Manuals are lost, destroyed or significantly damaged, Area Developer agrees to obtain a replacement copy at our then applicable charge.

(d) Area Developer understands and agrees that the Manuals are of substantial value to us, other area developers and franchisees of ours, as well as to you, and that the System establish and maintain an identity. Area Developer agrees and acknowledges that full compliance with the Manuals is essential to preserve, maintain, and enhance the reputation, trade, demand, and goodwill of the System and the Marks and that failure of Area Developer to operate in accordance with the Manuals can and will cause irreparable damage to us and other area developers and franchisees within the System.

5.4. General Guidance. We will provide guidance to Area Developer in the Manuals and other bulletins or other written materials; by electronic media; and/or by telephone consultation. Any guidance, suggestions, or advice provided to Area Developer in the course of such consultation shall be deemed suggestions only (unless otherwise designated as mandatory), and the decision to follow any such guidance, suggestions, or advice will be made by Area Developer in Area Developer's sole discretion. If Area Developer requests and we agree to provide additional or special guidance, assistance or training, Area Developer must pay our then applicable charges, including its personnel's per diem charges and any travel and living expenses. Provided, however, that we will not offer any advise or guidance related to any employment issues of Area Developer. You are exclusively and solely responsible for determining the essential terms and conditions of employment for each of Area Developer's employees. Area Developer will be exclusively and solely responsible for recruiting and hiring the personnel that Area Developer employs to operate its business. Area Developer shall be exclusively and solely responsible for the employees' training, wages, taxes, benefits, safety, work schedules, work conditions, assignments, discipline, termination, and compliance with all workplace related laws. At no time will Area Developer or Area Developer's employees be deemed to be employees of ours or our affiliates. We will have no right or obligation to direct Area Developer's employees. We do not have direct or indirect control of - or the right or authority to control - Area Developer's day-to-day operations or employment related decisions. Area Developer shall hire all employees of the Area Developer and be exclusively responsible for the terms of their employment and compensation and the proper training of such employees in the operation of the Area Developer, human resources and customer relations. In order to protect the System, you shall endeavor to employ only suitable persons of good character and reputation who will at all times conduct themselves in a competent and courteous manner in accordance with the image and reputation of the System and, while on duty, comply with the dress attire, personal appearance and standards set forth in the Manuals. In order to protect the System, you shall use your best efforts to ensure that your employees maintain a neat and clean appearance and render competent and courteous service to all prospects or potential franchisees of the System. You shall be exclusively and solely responsible for ensuring that Area Developer's employees fully understand that they are employed by Area Developer and not by us, any of our affiliates, or any other Auto-Lab franchisees. You may not knowingly recruit or hire any person who is or was an employee of ours or any other Auto Lab Store operated by us or an affiliate, or another franchisee for six months from the last day of such employee's employment, without obtaining the employer's consent, which consent may be withheld for any reason. Likewise, we may not recruit or hire any person who is or was an employee of yours for six months from the last day of such employee's employment without obtaining your consent, which consent may be withheld for any reason.

5.5. Franchise Registration and Disclosure. Neither Area Developer nor any employee or representative of Area Developer shall solicit prospective Franchisees of Auto-Lab Stores until we have registered our current Franchise Disclosure Document in applicable jurisdictions in the Territory and have provided Area Developer with the requisite documents or at any time when we notify Area Developer that our registration is not then in effect or our documents are not then in compliance with applicable law. If Area Developer's activities pursuant to this Agreement require the preparation, amendment, registration, or filing of information or any disclosure or other documents, all requisite disclosure documents, ancillary documents, and registration applications shall be prepared and filed by us or our designee, and registration secured, before Area Developer may solicit prospective Franchisees of Auto-Lab Stores. Costs of such registration applicable to Area Developer shall be borne by Area Developer. In particular, Area Developer shall:

(a) prepare and forward to us verified financial statements of Area Developer in such form and for such periods as shall be designated by us, including audited financial statements, if necessary and appropriate to comply with applicable legal disclosure, filing, or other legal requirements;

(b) promptly provide all information reasonably required by us to prepare all requisite disclosure documents and ancillary documents for the offering of franchises throughout the Territory; and

(c) execute all documents required by us for the purpose of registering Area Developer and us to offer franchises throughout the Territory.

Area Developer agrees to review all information pertaining to Area Developer prepared to comply with legal requirements for selling franchises in the Territory and verify its accuracy if so requested by us. Area Developer acknowledges that we and our affiliates and designees shall not be liable to Area Developer for any errors, omissions, or delays which occur in the preparation of such materials.

5.6. Investigation and Qualification of Prospective Franchisees.

(a) Each Franchised Store opened by a Franchisee pursuant to this Agreement shall be the subject of a separate Franchise Agreement with us, upon our then current form. Area Developer shall have no right to modify or offer to modify any Franchise Agreement or other contract.

(b) If we shall approve a Franchisee and a prospective franchise location, Area Developer shall transmit to such Franchisee for execution, copies of our then current Franchise Agreement pertaining to the approved site and providing for an exclusive territory surrounding said Store, as determined by us. All costs associated with the preparation of a Franchise Agreement that conforms to our requirements shall be borne by Area Developer.

(c) Area Developer shall investigate the qualifications of each prospective Franchisee and the suitability of each prospective franchise location in the Territory in

accordance with our standards, policies, and procedures relating to qualification of franchisees and franchise sites then in effect, and shall obtain all information required of prospective franchisees by us.

(d) After Area Developer is satisfied that a prospective Franchisee and prospective franchise location meet the standards established by us, Area Developer may recommend to us the approval of such prospective Franchisee and a prospective location or locations for such Franchisee. Area Developer shall then furnish to us all information relating to the prospective Franchisee and any prospective franchise locations (including the terms and conditions of the proposed lease or purchase of each such location) which shall be required by us in the form and manner customarily required by us.

(e) We may thereafter conduct or obtain such credit reports and background checks on prospective franchisees as we deem necessary or convenient. We may then approve or reject a prospective franchisee or prospective franchise location for any reason, and may seek further information with respect to the prospective Franchisee and any such location or locations. Area Developer shall cooperate with us in any further investigation of the prospective Franchisee or any such locations. If we shall reject a prospective Franchisee or franchise location, we shall provide Area Developer with a written explanation of its reasons therefore.

(f) Area Developer shall deliver to us a copy of all correspondence with Franchisees which is material to the franchise relationship, concurrently with its being sent or received by Area Developer.

5.7. Approval of Area Developer's Pilot Store and Stores, and Execution of Franchise Agreement. After Area Developer has located a site for construction of a proposed Area Developer Store (including Pilot Store), Area Developer shall submit to us such information regarding the proposed site as we shall require, in the form which we shall from time to time require, together with the terms and conditions of any proposed lease or purchase relating to such site. We may seek such additional information as we deem necessary within twenty (20) days of submission of the prospective site, and Area Developer shall respond promptly to such request for additional information. If we do not reject the site in writing within twenty (20) days, or within twenty (20) days after a receipt of such additional information, the site shall be deemed approved. We shall not unreasonably reject a proposed site nor unreasonably delay our approval or disapproval thereof.

5.8. Training and Support. Area Developer agrees to develop a training program and to provide training to Franchisees and their employees in accordance with specifications prescribed by us, which specifications are provided to protect our brand and marks and not to control the day-to-day operations of the Franchisees or Area Developer's business. Area Developer shall provide all Franchisees with such assistance and services as we shall reasonably request and require from time to time in connection with the construction, equipping and opening of the Stores within the Territory, the sourcing of equipment, fixtures, furnishings, inventory and supplies for such Stores, the advertising and promotion of such Stores, and the supervision of the use, and compliance with our quality control standards in the use, of the Marks at such Stores. Area Developer shall be

prohibited from providing Franchisees with employment advice related to Franchisee's employees. All services and assistance provided to Franchisees in connection with the operation of Auto-Lab Stores shall be provided by Area Developer and such obligations of Area Developer will not be transferred, delegated or subcontracted to any other person.

5.9. Inspection of Stores and Operations. Area Developer shall conduct inspections of all of the Stores in the Territory, and of its operations and the operations of all Franchisees, in accordance with the standards from time to time established by us, upon such schedules and according to such procedures as shall be agreed upon by us and Area Developer, acting in good faith, but, in any event, at least once during each calendar month. Area Developer shall provide reports to us with respect to the findings of such inspections, in such form and at such times as we shall require. You acknowledge that the Manuals are an integral part of the System. At all times, you shall maintain an updated set of the Manuals and inspect the franchisees in the Territory to ensure compliance with the Manuals. We, in our sole discretion, shall be entitled from time to time to change or modify the System, including modifications to the Manuals, the offered products and services, required equipment, signage, the building and premises of the Auto-Lab Store (including the trade dress, décor, and color schemes), the presentation of the Marks, the adoption of new administrative forms and methods of reporting and payment of any monies owed to us (including electronic means of reporting and payment) and the adoption and use of new or modified Marks or copyrighted materials. You shall implement, in good faith, all system changes or modifications throughout your Territory.

5.10. Marketing and Promotion. Area Developer shall participate in all promotion and marketing activities required by us of our Area Developers, as required in the Franchise Agreements or otherwise.

6. OPERATING STANDARDS

6.1. Standards of Service. In order to protect the System, Area Developer shall at all times give prompt, courteous, and efficient service to Auto-Lab Stores Franchisees in the Territory. In order to protect the System, Area Developer shall, in all dealings with Franchisees, prospective Franchisees, and the public, adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct.

6.2. Compliance with Laws and Good Business Practices. Area Developer shall secure and maintain in force all required licenses, permits, and certificates relating to Area Developer's activities under this Agreement and operate in full compliance with all applicable laws, ordinances, and regulations. Area Developer acknowledges being advised that many jurisdictions have enacted laws concerning the advertising, sale, renewal, and termination of, and continuing relationship between parties to, a franchise agreement, including, without limitation, laws concerning disclosure requirements. Area Developer agrees promptly to become aware of, and to comply with, all such laws and legal requirements in force in the Territory and to utilize only disclosure documents that we have approved for use in the applicable jurisdiction. Area Developer shall also comply with all requirements of applicable federal, state, or local rules, regulations, statutes, laws, and ordinances, including without limitation, any and all applicable health and sanitary standards prescribed by any governmental authority, all building, zoning, or other property limitations, Americans with Disabilities Act, Fair Labor Standards Act, Family Medical Leave Act, Affordable

Care Act, Occupational Safety and Health Act, Title VII of the Civil Rights Act, Age Discrimination in Employment Act, and Employee Retirement Income Security Act.

6.3. Accuracy of Information. Before it solicits any prospective franchisee, Area Developer shall each time take reasonable steps to confirm that the information contained in any written materials, agreements, and other documents related to the offer or sale of franchises is true, correct, and not misleading at the time of such offer or sale and that the offer or sale of such franchise will not at that time be contrary to or in violation of any applicable state law related to the registration of the franchise offering. We shall provide Area Developer with any changes to our disclosure documents and other agreements on a timely basis and, upon request, provide Area Developer with confirmation that the information contained in any written materials, agreements, or documents being used by Area Developer is true, correct, and not misleading, except for information specifically relating to disclosures regarding Area Developer. If Area Developer notifies us of an error in any information in our documents, we shall have a reasonable period of time to attempt to correct any deficiencies, misrepresentations, or omissions in such information. Area Developer shall indemnify and hold harmless us, our affiliates, and our or their respective shareholders, members, owners, parents, directors, officers, employees, agents, representatives, successors and assigns (“Indemnified Parties”) from and against, and to reimburse any one or more of the Indemnified Parties for, any and all claims, obligations, attorneys’ fees, and damages directly or indirectly arising out of Area Developer’s obligations hereunder.

6.4. Notification of Litigation. Area Developer shall notify us in writing within five (5) days after the commencement of any action, suit, arbitration, proceeding, or investigation, or the issuance of any order, writ, injunction, award, or decree, by any court, agency, or other governmental instrumentality, which names Area Developer, any of its Owners or Area Developers or otherwise concerns the operation or financial condition of Area Developer, the Area Developer Business, or any Franchisee.

6.5. Insurance. Area Developer shall at all times during the term of this Agreement maintain in force, at Area Developer’s sole expense, insurance for the Area Developer Business of the types, in the amounts, and with such terms and conditions as we may from time to time prescribe in the Manual or otherwise. All of the required insurance policies shall name us and affiliates designated by us as additional insureds, contain a waiver of the insurance company’s right of subrogation against us and the designated affiliates, and provide that we will receive thirty (30) days’ prior written notice of termination, expiration, cancellation, or modification of any such policy. We may require more coverage or additional coverages from time to time in our sole and absolute discretion.

6.6. Proof of Insurance Coverage. Area Developer will provide proof of insurance to us before beginning operations of its Area Developer Business. This proof will show that the insurer has been authorized to inform us in the event any policies lapse or are canceled or modified. We have the right to change the types, amounts, and terms of insurance that Area Developer is required to maintain by giving Area Developer prior reasonable notice. Noncompliance with these insurance provisions shall be deemed a material breach of this Agreement; and, in the event of any lapse in insurance coverage, we shall have the right, in addition to all other remedies, to demand that Area Developer cease operations of its Area Developer Business until coverage is reinstated

or, in the alternative, to pay any delinquencies in premium payments and charge the same back to Area Developer.

6.7. Approval of Advertising. Prior to their use by Area Developer, samples of all advertising and promotional materials not prepared or previously approved by us shall be submitted to us for approval, which approval shall not be unreasonably withheld. Area Developer shall not use any advertising or promotional materials that we have not approved or has disapproved. Area Developer acknowledges and understands that certain states require the filing of franchise sales advertising materials with the appropriate state agency prior to dissemination. Area Developer agrees fully and timely to comply with such filing requirements at Area Developer's own expense unless such advertising has been previously filed with the state by us. We may charge Area Developer for the costs incurred by us in printing large quantities of advertising and marketing materials supplied by us to Area Developer at Area Developer's request.

6.8. Websites. As used in this Agreement, the term "Website" means an interactive electronic document, contained in a network of computers linked by communications software that refers to the Franchisor and franchises, or the Marks. The term Website includes, but is not limited to Internet and World Wide Web home pages. In connection with any Website, Area Developer may not maintain a Website or otherwise maintain a presence or advertise on the Internet or any other public computer network (each a Website) in connection with the Area Developer's Business without Franchisor's advance written approval, which may be withheld for any reason or for no reason. Area Developer's Website may be accessible only through Franchisor's Website, or as Franchisor specifically directs. Franchisor will own the domain name. If Area Developer develops a Website with Franchisor's approval, Area Developer must follow all guidelines and requirements set forth in the Manuals and use any templates provided in the Manual (including required hyperlinks), so that Area Developer's Website conforms to Franchisor's requirements, including without limitation, those related to format, "look and feel," substantive content, privacy and technical performance, all at Area Developer's sole cost and expense. Area Developer may not allow customers to see its Website or web pages or any modifications unless Area Developer has received Franchisor's advance written approval. Franchisor will be and at all times remain the sole owner of the copyrights for all material which appears on Area Developer's Website or web pages. All content and information which appears on Area Developer's Website or web pages or which Area Developer gathers from visitors to its Website or web pages will constitute "Confidential Information" as defined in this Agreement. Franchisor alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any Website we establish and maintain, including any and all material Area Developer may furnish to Franchisor as provided above or in the Manuals. In addition, Franchisor may also establish an intranet through which downloads of operations and marketing materials, exchanges of franchisee e-mail, Franchise System discussion forums and system-wide communications (among other activities) can be effected.

6.9. Accounting, Bookkeeping and Records. Area Developer shall maintain at its business premises in the Territory all original invoices, receipts, checks, contracts, licenses, acknowledgment of receipt forms, and bookkeeping and business records we require from time to time. Area Developer shall furnish to us, within sixty (60) days after the end of Area Developer's fiscal year, an audited balance sheet and profit and loss statement for Area Developer's Business

for such year (or monthly or quarterly statement if required by us, in which case such statements also shall reflect year-to-date information). Area Developers' annual Financial Statements shall be audited by a certified public accountant and such certified public accountant shall provide to Area Developer and us with the authority to use the audit in any disclosure document. In addition, upon our request, within ten (10) days after such returns are filed, exact copies of federal and state income, sales, and any other tax returns and such other forms, records, books, and other information as we periodically require regarding the Area Developer Business shall be furnished to us. Area Developer shall maintain all records and reports of the business conducted pursuant to this Agreement for at least two (2) years after the date of termination or expiration of this Agreement.

6.10. Reports. Area Developer shall, as often as required by us, deliver to us a written report of its Area Developer Business activities in such form and detail as we may from time to time specify, including information about efforts to solicit prospective Franchisees, the status of pending real estate transactions, and the status of the Stores.

7. AREA DEVELOPER FEE

Area Developer shall pay to us a non-refundable Area Developer Fee of _____ Dollars (\$_____), payable upon the execution of this Agreement. The Area Developer Fee is based upon the size of the Territory and the number of Franchised Stores we believe can be accommodated in the Territory.

8. PAYMENTS TO AREA DEVELOPER

8.1. Area Developer Franchise Development Fee. During the term of this Agreement, Area Developer shall be paid a fee for solicitation, recruiting, and qualification services performed in the Territory ("Area Developer Franchise Development Fee") in the amount of one-half of the initial franchise fee paid by all franchisees other than Area Developer for single unit franchises in the Territory, subject to fulfillment of the following conditions: (a) the Franchisee executes a Franchise Agreement with us, and an initial franchise fee has been paid to and actually received by us (we shall not be deemed to have received any fees paid into escrow, if applicable, until such fees actually have been remitted to us); and (b) Area Developer has complied with all of its other obligations under this Agreement with respect to such sale and has verified the same to us in writing in a form prescribed by us, provided, however, that Area Developer shall not be entitled to any Area Developer Franchise Development Fee with respect to Franchised Stores established in the Territory in connection with which Area Developer performed no solicitation, recruitment, or qualification services. The Area Developer Franchise Development Fee will be payable to Area Developer no later than thirty (30) days after the conditions of this Section 8.1 have been fulfilled.

8.2. Area Developer Service Fee. We shall pay to Area Developer, no later than thirty (30) days after the end of each calendar month, a service fee in the amount of either two and one-half percent (2.5%) of the Gross Sales from franchisees other than Area Developer within the Territory, or two percent (2%) of the Gross Sales from franchises owned and operated by Area Developer within the Territory ("Service Fee"), which fees are actually received by us from each Franchisee or the Area Developer of an Area Developer Franchise Store located in the Territory during the term of this Agreement, subject to fulfillment of the following conditions: (a) Area Developer performs training, support, and inspection services in the Territory for all Franchise

Stores; (b) Area Developer has complied with all of its other obligations under this Agreement with respect to such training, support and inspection services and has verified the same to us in writing in a form prescribed by us; and (c) Area Developer is not in default or breach of this Agreement. Notwithstanding the foregoing:

(a) If Area Developer has failed to conduct the periodic inspections described in Section 5.9, or failed to file a written report with respect to one (1) or more Franchisees located in the Territory, or failed to perform in any material respect, the other services described in Section 5 to any one (1) or more to Franchisee located in the Territory during any applicable month, Area Developer shall not be entitled to a Service Fee with respect to such Franchisees for the period during which reports or services were not provided if Area Developer fails to cure such default within fifteen (15) days after written notice from the Company.

(b) Area Developer shall not be entitled to receive any Service Fee paid for any Auto-Lab Stores in the Territory that were opened or operated under a Franchise Agreement entered into prior to the Effective Date.

8.3. Area Developer Payments After Termination or Expiration. All payments under this Section 8 shall immediately and permanently cease after the expiration or termination of this Agreement. Although, subject to our right of set-off, Area Developer shall receive all amounts which have accrued to Area Developer as of the effective date of expiration or termination.

8.4. Application of Payments. Our payments to Area Developer shall be based on amounts actually collected from Franchisees, not on payments accrued, due, or owing. In the event of termination of a Franchise Agreement for an Auto-Lab Store within the Territory under circumstances entitling the Franchisee to the return of all or part of the initial franchise fee or Royalty Fees (or in the event that we become legally obligated or decide to return part or all of the initial franchise fee or Royalty Fees), we may deduct the portion of the amount to be returned to the Franchisee in the same proportion as Area Developer shared in the initial franchise fee or Royalty Fees from any future amounts owed Area Developer. We shall apply any payments received from a Franchisee to any past due indebtedness of that Franchisee for Royalty Fees, advertising contributions, purchases from us or our affiliates, interest, or any other indebtedness of that Franchisee to us or our affiliates. To the extent that such payments are applied to a Franchisee's overdue Royalty Fee payments, Area Developer shall be entitled to its pro rata share of such payments, less its pro rata share of the costs of collection paid to third parties.

8.5. Setoffs. Area Developer shall not set off amounts owed to us for fees or other amounts due under this Agreement against any monies owed to Area Developer by us, which right of set off is hereby expressly waived by Area Developer. We shall be allowed to set off against amounts owed to Area Developer for Area Developer Payments, Royalty Fees, damages, other amounts due under this Agreement, and any monies owed to us by Area Developer.

9. MARKS

9.1. Ownership and Goodwill of Marks. Area Developer's right to use the Marks is derived only from this Agreement and is limited to Area Developer's operation of its Area Developer Business. Area Developer's unauthorized use of the Marks is a breach of this Agreement and infringes our rights in the Marks. Area Developer acknowledges and agrees that Area Developer's use of the Marks and any goodwill established by that use are for our exclusive benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon Area Developer (other than the right to operate an Area Developer Business under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional and substitute trademarks and service marks we authorize Area Developer to use.

9.2. Limitations on Area Developer's Use of Marks. Area Developer may not use any Mark: (1) as part of any corporate or legal business name; (2) with any pre- fix, suffix or other modifying words, terms, designs or symbols (other than logos we have licensed to Area Developer); (3) in selling any unauthorized services or products; (4) as part of any domain name, electronic address or search engine; or (5) in any other manner we have not expressly authorized in writing. Area Developer may not use any Mark in advertising the transfer, sale or other disposition of the Area Developer Business under this Agreement or an ownership interest in Area Developer (if a corporation, partnership, limited liability company or another business entity holds the franchise at any time during this Agreement's term) without our prior written consent.

9.3. Notification Of Infringements And Claims. Area Developer agrees to notify us immediately of any apparent infringement of or challenge to Area Developer's use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than us and our attorneys, and Area Developer's attorneys, regarding any infringement, challenge or claim. We may take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising from any infringement, challenge or claim or otherwise concerning any Mark. Area Developer agrees to sign any documents and take any actions that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

9.4. Discontinuance Of Use Of Marks. If we believe at any time that it is advisable for us and/or Area Developer to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, Area Developer agrees to comply with our directions within a reasonable time after receiving notice. We need not reimburse Area Developer for Area Developer's expenses in complying with these directions, for any loss of revenue due to any modified or discontinued Mark, or for Area Developer's expenses of promoting a modified or substitute trademark or service mark.

9.5. Indemnification For Use Of Marks. We agree to reimburse Area Developer for all damages and expenses Area Developer incurs in any trademark infringement proceeding disputing Area Developer's authorized use of any Mark under this Agreement if Area Developer has timely notified us of the proceeding, has complied with this Agreement, and complies with our directions

in responding to the proceeding. At our option, we may defend and control the defense of any proceeding relating to any Mark.

10. CONFIDENTIAL INFORMATION

We possess (and may continue to develop and acquire) certain confidential information relating to the development and operation of Auto-Lab Stores (the “Confidential Information”), which includes (without limitation):

- (a) site selection criteria;
- (b) methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience used in developing and operating Auto-Lab Stores;
- (c) marketing research and promotional, marketing and advertising programs for Auto-Lab Stores;
- (d) knowledge of specifications for and vendors of, and methods of ordering, certain operating assets and products that Auto-Lab Stores use;
- (e) knowledge of the operating results and financial performance of Auto-Lab Stores;
- (f) customer communication and retention programs, along with data used or generated in connection with those programs;
- (g) graphic designs and related intellectual property;
- (h) information generated by, or used or developed in, the operation of Auto-Lab Stores, including customer names, addresses, telephone numbers and related information; and
- (i) any other information designated confidential or proprietary by us, including without limitation, all elements of the System and all products, services, equipment, technologies, policies, standards, requirements, criteria and procedures that now or in the future are part of the System; the Manual (including Supplements to the Manual); all specifications, sources of supply, all procedures, systems, techniques and activities employed by us or you or franchisees in the offer and sale of products and/or services at or from an Auto-Lab Store; all pricing paradigms established by us or you or franchisee; all of our or your or a franchisee’s sources (or prospective sources) of supply and all information pertaining to same (including wholesale pricing structures, the contents of sourcing agreements and the identity of vendors); our specifications, and your or a franchisee’s final plans, for construction, buildout, design, renovation décor, equipment, signage, furniture, fixtures, and trade dress elements of an Auto-Lab Store, the identity of, and all information relating to, the computer hardware and software utilized by the System; internet and Website protocols, procedures and content; training and other instructional

programs and materials; all elements of the recommended staffing, staff training and staff certification policies and procedures; all communications between us and you or any franchisee (including the financial and other reports required to be submitted under this Agreement); additions to, deletions from and modifications and variations of the components of the System and the other systems and methods of operations which we employ now or in the future; and all other information, knowledge and know-how which either we or our affiliates now or in the future, designate as confidential.

Area Developer acknowledges and agrees that by entering into this Agreement Area Developer will not acquire any interest in Confidential Information, other than the right to use certain Confidential Information in accordance with this Agreement and that Area Developer's use of any Confidential Information in any other business would constitute an unfair method of competition with us and our franchisees. Area Developer further acknowledges and agrees that the Confidential Information is proprietary, includes our trade secrets, and is disclosed to Area Developer only on the condition that Area Developer agrees, and it does agree, that Area Developer:

- (a) will not use any Confidential Information in any other business or capacity;
- (b) will keep the Confidential Information absolutely confidential during and after this Agreement's term;
- (c) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form;
- (d) will not disclose Confidential Information to any other party, without our prior approval and without obtaining a written Confidentiality and Non-Disclosure Agreement from the party to whom the Confidential Information is disclosed;
- (e) will not directly or indirectly aid any third party to imitate, duplicate or "reverse engineer" any Confidential Information; and
- (f) will not sell, trade or otherwise profit in any way from the Confidential Information, except using methods approved by us.

All ideas, concepts, techniques or materials relating to Auto-Lab Stores, whether or not protectable intellectual property and whether created by or for Area Developer or its employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, by this paragraph Area Developer assigns ownership of that item, and all related rights to that item, to us and agrees to sign whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the item.

"Confidential Information" does not include information, knowledge or know-how which is or becomes generally known in the diagnostic and automotive repair industry or which Area Developer knew from previous business experience before we provided it to Area Developer

(directly or indirectly) or before Area Developer attended our initial training program. If we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that the exclusion in this paragraph is fulfilled.

11. ASSIGNABILITY

11.1. Assignability by Company.

(a) We shall have the right, but not the obligation, to cause a subsidiary or affiliate of ours to perform any or all of our obligations and exercise any or all of our rights under this Agreement and under any Franchise Agreement, and to require Area Developer to perform any or all of its obligations hereunder, in favor of such subsidiary or affiliate, by delivery of written notice thereof to Area Developer.

(b) We shall have the right to assign this Agreement, or any of our rights and privileges under this Agreement to any other person, firm or corporation, other than a subsidiary or affiliate of ours, without Area Developer's prior consent, and we shall not be liable for any obligations accruing under this Agreement after the effective date of such assignment.

11.2. Assignment by Area Developer.

(a) We have entered into this Agreement in reliance upon and in consideration of the singular personal skills, character, aptitude, business ability, financial capacity, and qualifications of Area Developer and the trust and confidence reposed in Area Developer or, in the case of a business entity Area Developer, its Owners. Therefore, neither Area Developer's interest in this Agreement nor any of its rights or privileges hereunder shall be assigned or transferred, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner, without our prior written approval.

(b) Any assignment or transfer without our approval is a breach of this Agreement and has no effect. In this Agreement, the term "transfer" includes any voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition and includes the following events:

(1) transfer of record or beneficial ownership of capital stock in Area Developer (if Area Developer is a corporation), a partnership or membership interest (if Area Developer is a partnership or limited liability company), or any other ownership interest or right to receive all or a portion of Area Developer's profits or losses;

(2) a merger, consolidation or exchange of shares or other ownership interests, or issuance of additional ownership interests or securities representing or potentially representing shares or other ownership interests, or a redemption of shares or other ownership interests;

(3) any sale or exchange of voting interests or securities convertible to voting interests, or an agreement granting the right to exercise or control the exercise of the voting rights of any owner or to control Area Developer's operations or affairs;

(4) transfer of an interest in Area Developer, this Agreement, or Area Developer Business or its assets (or any right to receive all or a portion of Area Developer's or the Area Developer Business' profits or losses or any capital appreciation relating to the Area Developer Business) in a divorce, insolvency or entity dissolution proceeding, or otherwise by operation of law;

(5) if Area Developer or an Owner (if Area Developer is a business entity) dies, transfer of an interest in Area Developer, this Agreement, or the Area Developer Business or its assets (or any right to receive all or a portion of Area Developer's or the Area Developer Business' profits or losses or any capital appreciation relating to the Area Developer Business) by will, declaration of or transfer in trust, or under the laws of intestate succession; or

(6) pledge of this Agreement (to someone other than us) or of an ownership interest in Area Developer (if Area Developer is a business entity) as security, foreclosure upon the Territory franchises, or Area Developer's transfer, surrender or loss of the area development franchise possession, control or management.

11.3. Conditions for Approval of Assignment or Transfer by Company. We may impose any reasonable condition(s) to the granting of our consent to such assignment. Without limiting the generality of the foregoing, the imposition by us of any or all of the following conditions to our consent to any such assignment shall be deemed to be reasonable:

(a) that the assignee (or the principal officers, shareholders, directors or general partners of the assignee in the case of a business entity assignee) demonstrate that it has the skills, qualifications and economic resources necessary, in our judgment, reasonably exercised, to own and operate the Area Developer Business;

(b) that Area Developer has paid all amounts owed to us;

(c) that the assignee shall expressly assume in writing for our benefit all of the obligations of Area Developer under this Agreement and any other agreements proposed to be assigned to such assignee;

(d) that neither the assignee nor its owners or affiliates operates, has an ownership interest in or performs services for a Competitive Business (defined in Section 12.2);

(e) that the assignee shall have completed (or agreed to complete) our training program;

(f) that the assignee signs our then current form of Area Development Agreement, the provisions of which may differ materially from any and all of those contained in this Agreement, and the term of which shall be the greater of the remaining term of this Agreement or fifteen (15) years;

(g) that as of the date of any such assignment, the assignor shall have strictly complied with all of its obligations to us, whether under this Agreement or any other agreement, arrangement or understanding with us;

(h) that the assignee is not then in default of any of obligation to us under any agreement between such assignee and us;

(i) that the assignor shall pay to us a transfer fee equal to one third (1/3) of our then current Area Developer Fee under this Agreement, except for transfers pursuant to Section 11.4 below;

(j) that assignor sign a general release, in a form satisfactory to us, of any and all claims against us and our affiliates and our and their respective shareholders, officers, directors, employees, representatives, agents, successors and assigns; and

(k) that assignor will not directly or indirectly at any time or in any manner identify himself, herself or itself or any business as a current or former Auto-Lab Stores or as one of our franchisees or Area Developers, use any Mark, any colorable imitation of a Mark, or other indicia of Auto-Lab Stores in any manner or for any purpose, or utilize for any purpose any trade name, trademark, service mark, or other commercial symbol that suggests or indicates a connection or association with us.

Area Developer shall not in any event have the right to pledge, encumber, charge, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without our express prior written permission, which permission may be withheld for any reason whatsoever in our sole subjective judgment.

11.4. Assignment to Entity Principally Controlled By You

The franchise or this Area Developer and its assets and liabilities may be assigned to a newly-formed corporation or other legal entity that conducts no business other than the operation of the franchise, and Area Developer Business and in which you and any of your principals own and control in the aggregate not less than sixty-seven percent (67%) of the equity and voting power of all outstanding capital stock or ownership interest, provided as follows:

(a) that the proposed transferee complies with the provisions of this Agreement;
and

(b) that you are empowered to act for said corporation or other legal entity; and

(c) that you shall submit to us documentation that we may reasonably request to effectuate the transfer, including the approving and acknowledging execution of this Agreement; and

(d) that you shall submit to us a true and complete list of the shareholders, members or partners, showing number of shares or interests owned, and a list of the officers and directors if a corporation, or managers if a limited liability company, or managing partners if a partnership. You shall promptly notify us of any changes in said lists; and

(e) that all certificates of shares or interests issued by transferee at any time shall have endorsed thereon an appropriate legend to conform with state law, referring to this Agreement by date and name of parties hereto, and stating “Transfer of This Certificate is Limited by the Terms and Condition of an Area Development Agreement Dated _____;” and

(f) that a copy of this Agreement shall be given to every shareholder, member or partner; and

(g) that a copy of the organizational documents and any corporate resolutions, and a Certificate of Good Standing, will be furnished to us at our reasonable request, and prompt notification in writing of any amendments thereto will be provided to us; and

(h) That the number of shares or interests issued or outstanding in the transferee will not be increased or decreased without prior written notice to us, which notice will in its terms guarantee compliance with this Agreement. In addition, new shareholders, members or partners must agree to be bound by this entire Agreement. Shareholders, members or partners may make a separate agreement among them providing for purchase by the survivors among them of the shares of any shareholders or interests of any members or partners upon death, or other agreements affecting ownership or voting rights, so long as voting control and a majority representation of the board of directors or members or partners remains with those individuals who initially applied for and were approved as franchisees under this Agreement. Shareholders, members or partners must notify us in writing of any such agreement which affects control of the transferee.

11.5. Death or Disability.

(a) Upon the death or disability of Area Developer or an Owner, the executor, administrator, conservator, guardian or other personal representative must transfer Area Developer’s interest in this Agreement, the Area Developer Business and its assets, or the Owner’s ownership interest in Area Developer, to a third party. That transfer (including, without limitation, transfer by bequest or inheritance) must occur, subject to our rights, within a reasonable time, not to exceed nine (9) months from the date of death or disability, and is subject to all of the terms and conditions in this Section 11. A failure to transfer such interest within this time period is a breach of this Agreement. The term “disability” means a mental or physical disability, impairment or condition that is reasonably expected to

prevent or actually does prevent Area Developer from supervising the Territory management and operation for ninety (90) or more consecutive days.

(b) If, upon the death or disability of Area Developer or an Owner, a trained manager who we approve is not managing the day-to-day operations, then the executor, administrator, conservator, guardian or other personal representative must, within a reasonable time not to exceed thirty (30) days from the date of death or disability, appoint a manager that we must approve to operate the Area Developer Business. The manager must, at Area Developer's or the Owner's estate's expense, satisfactorily complete the training that we designate within the specified time period.

11.6. Company's Right of First Refusal. If Area Developer at any time determines to sell or transfer an interest in this Agreement or the Area Developer Business, or if an Owner determines to sell or transfer a controlling ownership interest in Area Developer, then Area Developer or the Owner, as applicable (the "Seller") must obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer relating exclusively to an interest in Area Developer or this Agreement and the Area Developer Business. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a fixed dollar amount and without any contingent payments of purchase price (such as earn-out payments).

We may, by delivering written notice to the Seller within thirty (30) days after we receive both an exact copy of the offer and all other information requested, elect to purchase the interest for the price and on the terms and conditions contained in the offer, provided that: (1) we may substitute cash for any form of payment proposed in the offer; (2) our credit will be deemed equal to the credit of any proposed buyer; (3) the closing will be not less than thirty (30) days after notifying the Seller of our election to purchase or, if later, the closing date proposed in the offer; and (4) we must receive, and the Seller agrees to make, all customary representations and warranties given by the seller of the assets of a business or ownership interests in a legal entity, as applicable, including, without limitation, representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests and validity of contracts and the liabilities, contingent or otherwise, relating to the assets or ownership interests being purchased. If we exercise our right of first refusal, the Seller agrees that, for two (2) years beginning on the closing date, the Seller and members of its immediate family will be bound by the non-competition covenant contained in Section 12.2 below.

If we do not exercise our right of first refusal, the Seller may complete the sale to the proposed buyer on the original offer's terms, subject to our approval of the transfer as provided above. If the Seller does not complete the sale to the proposed buyer within sixty (60) days after we notify the Seller that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which the Seller must tell us promptly), we will have an additional right of first refusal during the thirty (30) day period following either the expiration of the sixty (60) day period or receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our option.

11.7. Ownership Structure. Area Developer represents and warrants that all persons holding direct or indirect, legal or beneficial ownership interests in Area Developer (“Owners”) are listed on Exhibit C and that its ownership structure is as set forth on Exhibit C. Area Developer shall not change its ownership structure without complying with all of the terms and conditions of this Section 11. Within ten (10) days of any change in Area Developer’s ownership structure, Area Developer shall submit a revised Exhibit C to us and any new Owners shall sign a Continuing Guaranty in the form attached to this Agreement as Exhibit D.

12. NON-COMPETITION

12.1. In Term. During the term of this Agreement, neither Area Developer, any of the Owners, nor any member of Area Developer’s or a Owners’ immediate family will have any direct or indirect interest (e.g., through a spouse) as a disclosed or beneficial owner, investor, partner, director, officer, controlling shareholder, employee, consultant, representative or agent, or in any other capacity, in a Competitive Business (defined below), whether located within or outside the Territory, unless we shall first consent thereto in writing.

12.2. Post-Term. For a two (2) year period following the assignment, expiration or termination of this Agreement, for any reason, neither Area Developer, any Owner, nor any member of Area Developer’s or an Owner’s immediate family will have any direct or indirect interest (e.g., through a spouse) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business located or operating: (a) within the Territory, (b) within the Territory of any of our other Area Developers, or (c) within thirty (30) miles of any Auto-Lab Store.

The term “Competitive Business” means any business which derives revenue from the performance of diagnostic and automotive repair services, or any business which grants franchises or licenses to others to operate such a business, other than an Auto-Lab Store operated under a franchise agreement with us.

Area Developer, its Owners, directors, officers, agents and representatives agree and acknowledge that if Area Developer, its Owners, directors, officers, agents or representatives should violate the provisions of this Article 12 with respect to the operation of a Competitive Business following assignment, expiration or termination of this Agreement, then the period for which the prohibition stated therein shall be applicable shall be extended until two (2) years following the date the party violating these provisions ceases all activities that are in violation of such provisions.

12.3. Scope. The parties have attempted in Sections 12.1 and 12.2 above to limit the Area Developer’s and its Owners’ right to compete only to the extent necessary to protect the us from unfair competition. The parties expressly agree that if the scope or enforceability of Sections 12.1 or 12.2 is disputed at any time by Area Developer, a court or arbitrator, as the case may be, may modify either or both of such provisions to the extent that it deems necessary to make such provisions enforceable under applicable law. In addition, we reserve the right to reduce the scope of either, or both, of said provisions without the Area Developer’s consent, at any time or times, effective immediately upon notice to Area Developer. Area Developer agrees that the restrictions

contained in this section 12 are reasonable and necessary in order to protect our business interests, which business interests the Area Developer acknowledges to be valuable and legitimate.

12.4. Injunctive Relief. Area Developer acknowledges that it will be difficult to measure accurately the damages to us from any breach of Area Developer of the covenants and restrictions set forth in this section 12, that the injury to us from any such breach would be incalculable and irreparable and the damages would not, therefore in and of themselves, be an adequate remedy. Area Developer therefore agrees that if it shall breach or attempt to breach any of the terms of this section 12, we shall be entitled as a matter of right to obtain from any court of competent jurisdiction an injunction (i) prohibiting Area Developer from any further breaches of this Agreement, (ii) rescinding any action taken by Area Developer contrary to the terms of this Agreement, and (iii) authorizing us to recover from Area Developer any and all salaries, fees, commissions, income, profits or other remuneration or gain that Area Developer may have received or to which it may have become entitled to receive by reason of the conducting of any activity in violation of the terms, conditions or covenants of this section 12. The issuance of such an injunction will not prevent us from obtaining such other relief as is appropriate under the circumstances, such as the award of other monetary damages.

13. TERMINATION

13.1. Termination by Company.

We may terminate this Agreement, effective upon written notice of termination to Area Developer, if:

- (a) Area Developer or one of its Owners makes or attempts to make a transfer in violation of Section 11;
- (b) Area Developer fails to meet the Minimum Development Obligation for any Development Period.
- (c) Area Developer has made or makes a material misrepresentation or omission in acquiring the rights under this Agreement or in operating the Area Developer Business;
- (d) Area Developer does not satisfactorily complete initial training;
- (e) Area Developer is convicted by a trial court of, or pleads no contest to, a felony;
- (f) Area Developer fails to maintain the insurance we require from time to time;
- (g) Area Developer or an Owner engages in any dishonest, unethical or illegal conduct or any other conduct which, in our opinion, adversely affects the our reputation, the reputation of other Auto-Lab Stores or the goodwill associated with the Marks;
- (h) Area Developer knowingly makes any unauthorized use or disclosure of any part of the Manuals or any other Confidential Information;

(i) Area Developer (a) fails on three (3) or more separate occasions within any twenty four (24) consecutive month period to submit when due reports or other data, information or supporting records, pay when due any amounts due to us (or our affiliates), or otherwise comply with this Agreement, whether or not Area Developer corrects any of these failures after we deliver written notice to Area Developer or (b) fails on two (2) or more separate occasions within any twelve (12) consecutive month period to comply with the same obligation under this Agreement, whether or not Area Developer corrects either of the failures after we deliver written notice to Area Developer;

(j) Area Developer makes an assignment for the benefit of creditors or admits in writing insolvency or inability to pay debts generally as they become due; Area Developer consents to the appointment of a receiver, trustee or liquidator of all or the substantial part of the assets of the Area Developer Business; the assets of the Area Developer Business are attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee or liquidator of Area Developer or the Area Developer Business or its assets is not vacated within thirty (30) days following the order's entry;

(k) Area Developer fails to comply with any other provision of this Agreement and does not correct the failure within thirty (30) days after we deliver written notice of the failure to Area Developer; or

(l) Area Developer fails to pay any sums due to us and does not correct the failure within ten (10) days after we deliver written notice of that failure to Area Developer.

(m) Area Developer closes or loses possession of any Auto-Lab store it owns or operates or that is owned or operated by any entity affiliated with or controlled or owned by Area Developer or any owner of Area Developer.

(n) Area Developer breaches and fails to cure any default under any single unit franchise agreement to which Area Developer is a party or to which any entity controlled, affiliated, or owned by Area Developer is a party or to which any owner of Area Developer is a party or guarantor.

We have the right to terminate this Agreement and any other agreement between us and Area Developer or an affiliate of Area Developer due to a default of this Agreement or any other agreement between us and Area Developer or an affiliate of Area Developer.

13.2. Rights and Obligations Upon Termination or Expiration. Upon the expiration of the Term, or upon the earlier termination of this Agreement, Area Developer shall have no further right to construct, equip, own, open or operate additional Stores (except pursuant to a Franchise Agreement between Area Developer and us which is in full force and effect on the date of expiration or termination). Upon expiration or termination of this Agreement, we may construct, equip, open, own or operate, or license others to construct, equip, open, own or operate Auto-Lab

Stores in the Territory, except as provided in any Franchise Agreement executed pursuant to this Agreement. When this Agreement expires or is terminated for any reason, and except as required to perform Area Developer's obligations under a valid Franchise Agreement with us, Area Developer shall:

(a) not directly or indirectly at any time thereafter or in any manner: (a) identify itself or any business as a current or former Area Developer of ours; (b) use any Mark, any colorable imitation of a Mark, any trademark, service mark or commercial symbol that is confusingly similar to any Mark, or other indicia of an Auto-Lab Stores in any manner or for any purpose; or (c) use for any purpose any trade name, trademark, service mark or other commercial symbol that indicates or suggests a connection or association with us;

(b) take the actions required to cancel all fictitious or assumed name or equivalent registrations relating to Area Developer's use of any Mark;

(c) deliver to us within thirty (30) days all advertising, marketing and promotional materials, forms, and other materials containing any Mark or otherwise identifying or relating to the Area Developer Business or to an Auto-Lab Stores;

(d) immediately cease using any of our Confidential Information in any business or otherwise and return to us all copies of the Manuals and any other confidential materials that we have loaned Area Developer.

(e) give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of Area Developer's compliance with these obligations;

(f) return the Manuals;

(g) permit us to make final inspection of Area Developer's financial records, books, tax returns and other accounting records;

(h) if applicable, completely de-identify the Area Developer's place of business at Area Developer's sole cost and expense, including without limitation, removal of all signage or indicia of the fact that Area Developer is or was a Area Developer of ours, dispose of all stationery, printed matter, and advertising materials containing a reference to the Marks associated with the System; and

(i) undertake such other reasonable and necessary steps to complete the termination process.

14. ARBITRATION

We and Area Developer agree that, except for controversies, disputes, or claims related to or based on use of the Marks or the enforcement of non-competition provisions, with respect to which we and Area Developer may seek judicial remedies, all controversies, disputes, or claims between us and our affiliates, and Area Developer's and its affiliates' respective shareholders,

officers, directors, agents, and/or employees, and Area Developer (and/or its owners, guarantors, affiliates, and/or employees) arising out of or related to:

- (a) this Agreement or any other agreement between Area Developer and us;
- (b) Our relationship with Area Developer; or
- (c) the validity of this Agreement or any other agreement between Area Developer and us; and
- (d) any claim related to the offer and/or sale of this Agreement to you.

must be submitted for binding arbitration to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator at a location selected by the arbitrator that is within twenty (20) miles of our then-current principal place of business and, except as this Section otherwise provides, according to the then current commercial arbitration rules of the American Arbitration Association. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

We and Area Developer agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Area Developer or us.

We and Area Developer agree that arbitration will be conducted on an individual, not a class-wide, basis and that we (and/or our affiliates and our and their respective shareholders, officers, directors, agents, and/or employees) and Area Developer (and/or its owners, guarantors, affiliates, and/or employees) shall be the only parties to any arbitration proceeding described in this Section and that no such arbitration proceedings may be consolidated with any other arbitration proceeding, nor shall any other person be joined as a party to such arbitration proceeding.

Despite the agreement to arbitrate, we and Area Developer each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that we and Area Developer must contemporaneously submit the dispute for arbitration on the merits as provided in this Section.

The provisions of this Section are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

15. GENERAL CONDITIONS AND PROVISIONS

15.1. Relationship of Area Developer to Company. Area Developer is exclusively and solely responsible for the control of his or her business and operations, subject only to the conditions and obligations created by this Agreement. Area Developer further agrees to indicate his or her business is independently owned and operated in such a manner that neither Area Developer's employees nor customers will confuse such business with that of the Franchisor or other franchise owners of the franchise system. Neither we nor Area Developer shall have authority to act for the other in any manner to create obligations or debts that would be binding on the other. Similarly, neither we nor Area Developer shall be responsible for any obligations or expenses of the other unless specifically agreed to in writing. Neither Area Developer nor any persons performing any duties or engaged in any work for Area Developer at his or her request shall be considered to be an employee, agent, or representative of us. Nothing contained in this Agreement may be construed to create a partnership, joint venture, agency, employment, partnership, servant, independent contractor, joint employer, fiduciary relationship, or other special relationship of any kind between us and Area Developer. No agency, employment, or partnership is created or implied by the terms of this Agreement, and Area Developer shall not represent or imply or hold itself out to third parties that Area Developer is an agent, fiduciary, legal representative, joint venture, partner, employee, servant, independent contractor, joint employer, or other special relationship of or with us, and Area Developer is in no way authorized to make any contract, agreement, warranty or representation on behalf of us, or to create any obligation, express or implied, on our behalf. Neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are Area Developer's employer or the employer of Area Developer's employees and or independent contractors, nor vice versa. Neither Area Developer nor any of its employees whose compensation Area Developer pays may in any way, directly or indirectly, expressly or by implication, be construed to be our employee for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any local, state, or federal government agency. We shall not have the power to hire or fire Area Developer's employees or determine any of the terms or conditions of Area Developer's employees' employment. Area Developer acknowledges and agrees, and will never contend otherwise, that Area Developer alone will exercise day-to-day control over all operations, activities and elements of its business and that under no circumstance shall we do so or be deemed to do so. Area Developer acknowledges that we may, from time-to-time, make certain recommendations as to employment policies and procedures, including without limitation, a sexual harassment policy. Area Developer has the sole discretion as to adoption of any such policies and procedures and the specific terms of such policies and procedures. Training with respect to all such policies and procedures shall be Area Developer's sole responsibility. It is acknowledged that Area Developer is the sole and independent owner of its business, shall be in full control thereof, and shall conduct such business solely in accordance with its own judgment and discretion, subject only to the provisions of this Agreement. Area Developer further acknowledges and agrees, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which Area Developer is required to comply with under this Agreement, whether set forth in the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of Area Developer's business, which Area Developer alone controls, but only constitute brand standards Area Developer must adhere to when exercising its control of the day-to-day operations of its business.

Except as expressly provided in this Agreement, we may not control or have access to Area Developer's funds or the expenditure of Area Developer's funds or in any other way exercise dominion or control over Area Developer's business. Except as otherwise expressly authorized by this Agreement, neither party will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or in behalf of the other party, or represent that the relationship between us and Area Developer is other than that of franchisor and franchisee. We do not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by Area Developer which are not expressly authorized under this Agreement. We will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to Area Developer's operation of Area Developer's business. Area Developer is solely responsible for all aspects of the development and operation of Area Developer's business, subject only to the conditions and covenants established by this Agreement. Area Developer acknowledges that we have no responsibility to ensure that Area Developer's business is developed and operated in compliance with all applicable laws, ordinances, and regulations and that we shall have no liability in the event the development or operation of Area Developer's business violates any law, ordinance, or regulation. Area Developer's business is, and shall be kept, totally separate and apart from any that may be operated by us. In all public records, in relationships with others, and on letterhead and business forms, electronic communications, bulletins and posters to Area Developer's employees, paychecks, checks, and other communications to potential prospects, Area Developer shall indicate that Area Developer is solely an area developer of ours.

15.2. Indemnification To the fullest extent permitted by law, Area Developer agrees to indemnify, defend and hold harmless us, our affiliates, and our and their respective shareholders, directors, officers, employees, agents, representatives, independent contractors, successors and assigns (the "Indemnified Parties") from and against, and to reimburse any one or more of the Indemnified Parties for, any and all claims, obligations and damages directly or indirectly arising out of: (1) the Area Developer Business conducted by Area Developer pursuant to this Agreement, (2) Area Developer's breach of this Agreement, (3) Area Developer's noncompliance or alleged noncompliance with any law, ordinance, rule or regulation or (4) any personal injury, death or property damage suffered by any customer, visitor, operator, employee or guest of Area Developer; crimes committed on or near any of the premises, facilities of Area Developers or vehicles used by the Area Developer, (5) any violation of any federal, state, or local labor and employment law for acts or omissions of Area Developer or Area Developer's employees or cybersecurity breaches or violations of any privacy laws; or (5) acts, errors, or omissions of Area Developer, any of Area Developer's affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of each of them in connection with the establishment and operation of the Area Developer, including, but not limited to, any acts, errors or omissions of any of the foregoing in the operation or maintenance of any motor vehicle., whether in connection with the Area Developer or otherwise, including without limitation any property damage, injury or death suffered or caused by any delivery person or vehicle serving the Area Developer, all liabilities arising from or related to Area Developer's offer, sale and/or delivery of products and/or services as contemplated by this Agreement; and any action by any customer of Area Developer or visitor or guest of the Area Developer. The parties understand and agree that we cannot and do not exercise control over the manner of operation of any motor vehicles used by, or on behalf of, Area Developer or any employee, agent or independent

contractor of Area Developer and that the safe operation of any motor vehicle is, therefore, Area Developer's responsibility. For purposes of this indemnification, "claims" include all obligations, damages (actual, consequential, punitive or otherwise) and costs that any Indemnified Party reasonably incurs in investigating or defending any claim against it, including, without limitation, reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses and other expenses of litigation, arbitration or alternative dispute resolution, regardless of whether litigation, arbitration or alternative dispute resolution is commenced or reduced to judgment or decision; all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, court costs, settlement amounts, judgments, compensation for damages to our reputation and goodwill, costs of or resulting from delays, travel, food, lodging and other living expenses necessitated by the need or desire to appear before (or witness the proceedings of) courts or tribunals (including arbitration tribunals), or government or quasi-governmental entities (including those incurred by Indemnified Parties' attorneys and/or experts), financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described. All such losses and expenses incurred under this indemnification provision will be chargeable to and paid by Area Developer pursuant hereto, regardless of any actions, activity or defense undertaken by us or the subsequent success or failure of the actions, activity or defense. Specifically excluded from the indemnity Area Developer provides hereby is any liability associated with our or other Indemnified Parties' gross negligence, willful misconduct or criminal acts (except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative or contributory negligence attributable to Area Developer). Each Indemnified Party may defend and control the defense of any claim against it which is subject to this indemnification at Area Developer's expense, and Area Developer may not settle any claim or take any other remedial, corrective or other actions relating to any claim without our consent. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from an insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against Area Developer. Area Developer agrees that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from Area Developer.

15.3. Waiver and Delay. Except as otherwise expressly provided to the contrary, no waiver by us of any breach or series of breaches or defaults in performance by the Area Developer, and no failure, refusal or neglect of or by us to exercise any right, power or option given to us under this Agreement or under any other agreement between us and Area Developer, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to this Agreement) or to insist upon strict compliance with or performance of the Area Developer's obligations under this Agreement or any other agreement between us and Area Developer, whether entered into before, after or contemporaneously with the execution of this Agreement (and whether or not related to this Agreement), shall constitute a novation, or a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver of our right at any time thereafter to require exact and strict compliance with the provisions thereof. In no event may Area Developer make any claim for money damages based upon any claim or assertion that we have unreasonably withheld or delayed any consent or approval under this

Agreement. Area Developer waives any such claim for damages. Area Developer may not claim any such damages by way of set off, counterclaim, or defense. Area Developer's sole remedy for the claim will be an action or proceeding to enforce the Agreement provisions consistent with the terms of this Agreement.

15.4. Survival of Covenants. The covenants contained in this Agreement which, by their terms, require performance by the parties after the expiration or termination of this Agreement or ancillary agreements, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

15.5. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the legal representatives, successors and assigns of us and Area Developer.

15.6. Joint and Several Liability. If either party consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to the other under this Agreement are joint and several.

15.7. Governing Law. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 *et. seq.*). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 *et. seq.*), or other federal law, this Agreement and all claims arising from the relationship between us and Area Developer will be governed by the laws of the State of Michigan, without regard to its conflict of laws rules, except that any Michigan law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section 15.7. The parties agree, however, that if Area Developer Business is not located in Michigan or if Area Developer is not a resident of Michigan, the provisions of the Michigan Franchise Investment Law and the regulations promulgated thereunder shall not apply to this transaction or this agreement.

15.8. Consent to Jurisdiction Subject to Section 14 and the provisions below, Area Developer and its owners agree that all actions arising under this Agreement or otherwise as a result of the relationship between Area Developer and us must be commenced in the state or federal court of general jurisdiction in the state of Michigan. Specifically, no action or proceeding involving this Agreement or any aspect of the relationship between the parties shall be commenced by any party except in Oakland County, Michigan or in the United States District Court for the Eastern District of Michigan. Area Developer (and its owners) irrevocably submits to the jurisdiction of those courts and waives any objection Area Developer (or its owners) might have to either the jurisdiction of or venue in those courts. Nonetheless, Area Developer and any of its owners agree that we may enforce this Agreement and any arbitration orders and awards in the courts of the state or states in which Area Developer or its owners are domiciled.

15.9. Waiver of Punitive Damages and Jury Trial Except for Area Developer's obligation to indemnify us under Section 15.2 above and except where authorized by federal statute, we and Area Developer and its Owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us and Area Developer, the party making a claim will be limited to equitable relief and to

recovery of any actual damages it sustains. We and Area Developer irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either party.

15.10. Limitations of Claims. Any and all claims arising out of or relating to this Agreement or our relationship with Area Developer except for claims for indemnification under Section 15.2 above will be barred unless a judicial or arbitration proceeding is commenced within one (1) year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claims.

15.11. Entire Agreement. This Agreement, the Exhibits incorporated in this Agreement, and the Franchise Disclosure Agreement contain all of the terms and conditions agreed upon by the parties to this Agreement with reference to the subject matter of this Agreement. No other agreements, written or oral, shall be deemed to exist or to bind any of the parties to this Agreement and all prior agreements, understandings, inducements, and representations, are merged in this Agreement and superseded by this Agreement. Each party represents to the other that there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Agreement that are not contained in this Agreement. This Agreement cannot be modified or changed except by written instrument signed by all of the parties to this Agreement. Nothing in this or any related agreement is intended to disclaim the representations we made in the latest franchise disclosure document that we furnish to you.

15.12. Titles for Convenience. Article and Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

15.13. Gender. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any section or paragraph hereof may require.

15.14. Severability. Except as expressly provided to the contrary in this Agreement, each Section, paragraph, term and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties. If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, we and Area Developer agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a successor agreement, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement is invalid, unenforceable or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. Area Developer agrees to be bound by

any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

15.15. Fees and Expenses. Should any party to this Agreement commence any action or proceeding for the purpose of enforcing, or preventing the breach of, any provision of this Agreement, whether by arbitration, judicial or quasi-judicial action or otherwise, or for damages for any alleged breach of any provision of this Agreement, or for a declaration of such party's rights or obligations under this Agreement, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorneys' fees for the services rendered to such prevailing party.

15.16. Notices. Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the parties pursuant to this Agreement shall be deemed so delivered at the time delivered by hand, one (1) business day after transmission by facsimile, telegraph or other electronic system; three (3) days after deposit in the United States mail, via registered or certified mail, return receipt requested; or one (1) business day after placement with Federal Express, or other reputable air courier service, requesting delivery on the most expedited basis available, postage prepaid and addressed as follows:

If to Company: Auto-Lab Franchising, LLC
6001 North Adams Road, Suite 255
Bloomfield Hills 48304
Phone: (248) 994-0206
Attn: Stephen Wilson

With a copy to: Mark J. Burzych
Fahey Schultz Burzych Rhodes PLC
4151 Okemos Road
Okemos, MI 48864

If to Area Developer: _____

With a copy to: _____

or to such other address as any such party may designate by ten (10) days' advance written notice to the other party.

15.17. Time of Essence. Time shall be of the essence for all purposes of this Agreement.

16. SUBMISSION OF AGREEMENT

This Agreement shall not be binding upon us unless and until it shall have been submitted to and signed by our President, and the date of said signing as set forth on the first page of this Agreement shall be the effective date of this Agreement.

17. ACKNOWLEDGMENTS

To induce us to sign this Agreement and grant Area Developer the Franchise, Area Developer acknowledges:

(a) That Area Developer has independently investigated the Auto-Lab Franchising, LLC Area Developer Business franchise opportunity and recognizes that, like any other business, the nature of the Area Developer Business may, and probably will, evolve and change over time.

(b) That an investment in an Area Developer Business involves business risks.

(c) That Area Developer's Business abilities and efforts are vital to Area Developer's success.

(d) That performing Area Developer's obligations will require a high level of customer service and strict adherence to the System.

(e) That Area Developer has not received or relied upon, and we expressly disclaim making, any representation, warranty or guaranty, express or implied, as to the revenues, profits or success of an Auto-Lab Franchising, LLC Area Developer Business or any Auto-Lab Stores.

(f) That any information Area Developer has acquired from other Auto-Lab Stores franchisees or Area Developers regarding their sales, profits or cash flows is not information obtained from us, and we make no representation about that information's accuracy.

(g) That Area Developer has no knowledge of any representations made about the Auto-Lab Stores franchise opportunity by us, our subsidiaries or affiliates or any of their respective officers, directors, shareholders or agents that are contrary to the statements made in our Franchise Disclosure Document or to the terms and conditions of this Agreement.

(h) That in all of their dealings with Area Developer, our officers, directors, employees and agents act only in a representative, and not in an individual, capacity and that business dealings between Area Developer and them as a result of this Agreement are only between Area Developer and us.

(i) That Area Developer has represented to us, to induce us to enter into this Agreement, that all statements Area Developer has made and all materials Area Developer has given to us in acquiring the franchise are accurate and complete and that Area

Developer has made no misrepresentations or material omissions in obtaining the franchise.

(j) That Area Developer has read this Agreement and our Franchise Disclosure Document and understands and accepts that the terms and covenants in this Agreement are reasonably necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards at each Auto-Lab Stores, and to protect and preserve the goodwill of the Marks.

(k) That Area Developer acknowledges he or she has conducted an independent investigation of the business franchised pursuant to this Agreement and recognizes the business venture contemplated by this agreement involves the normal business risks associated with beginning a new business. As part of such investigation, Area Developer acknowledges he or she has had ample opportunity to consult with advisors of his or her own choosing about the potential benefits and risks of entering into this agreement. Area Developer acknowledges that it is entering into this Agreement based upon its own investigation and not as a result of any representations about Franchisor made by Franchisor's shareholders, members, officers, directors, employees, agents, representatives, independent contractors, or franchisees which are contrary to the terms set forth in this Agreement or any franchise disclosure document required or permitted to be given to Area Developer pursuant to applicable law.

(l) That Area Developer acknowledges that the only financial performance information Franchisor furnished is set forth in Item 19 of the Franchise Disclosure Document; that no officer, director, member, employee, agent, representative or independent contractor of Franchisor is authorized to furnish Area Developer with any other financial performance information; that if they nevertheless do, Area Developer will not rely on any such financial performance information given to Area Developer by any such individual; and that if any such individual attempts to or actually does give Area Developer any such financial performance information in contravention of this provision, Area Developer will immediately communicate such activity to Franchisor. For the purpose of this Agreement, "financial performance information" means information given, whether orally, in writing or visually which states, suggests or infers a specific level or range of historic or prospective sales, expenses and/or profits of franchised or non-franchised Stores.

(m) That Area Developer represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Area Developer represents that it has either consulted with such advisors or has deliberately declined to do so.

(n) That Area Developer represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, and Area Developer acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

(o) That Area Developer has carefully considered the nature and extent of the restrictions upon Area Developer set forth in this Agreement (including without limitation, the covenants not to compete, confidentiality restrictions and the restrictions on assignment) and the rights and remedies conferred upon Area Developer and Franchisor under this Agreement. Such restrictions, rights and remedies: (a) are reasonable, including, but not limited to, their term and geographic scope; (b) are designed to preclude competition which would be unfair to Franchisor and the System; (c) are fully required to protect Franchisor's legitimate business interests; and (d) do not confer benefits upon Franchisor that are disproportionate to Area Developer's detriment. The covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on Area Developer, since Area Developer has other considerable skills, experience and education which afford Area Developer the opportunity to derive income from other endeavors.

(p) That Area Developer acknowledges that we intend to enter into agreements with other franchise owners and Area Developers that may contain certain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other franchise owners or Area Developers may have different rights and obligations do not affect the duties of the parties to this Agreement to comply with the terms of this Agreement. Area Developer further acknowledges that because uniformity under many varying conditions may not be possible or practical, we reserve the right to materially vary our standards or franchise agreement terms for any Auto-Lab Store or Area Developer, based upon the timing of the grant of the franchise, the peculiarities of the particular territory or circumstances, business potential, population, existing business practices, other non-arbitrary distinctions or any other condition which we consider important to the successful operation of the System. Area Developer has no right to require us to disclose any variation or to grant the same or a similar variation to Area Developer.

(q) That Area Developer acknowledges that we have the right to prescribe additions to, deletions from or revisions of the Manuals as Supplements to the Manuals as we deem necessary, in our discretion, all of which will be considered a part of the Manuals. Area Developer acknowledges that Area Developer shall implement such Supplements to the Manuals as we direct.

(r) That Area Developer acknowledges that you are an independent contractor and responsible for running your own business and that we do not have any authority to hire or fire your employees.

(s) That Area Developer acknowledges and agrees, and will never contend otherwise, that Area Developer alone will exercise day-to-day control over all operations, activities, and elements of its business and that under no circumstances shall we do so or be deemed to do so.

(t) That Area Developer acknowledges and agrees and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and

procedures of the System which you are required to comply with under this Agreement, whether set forth in our Brand Standards Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your business, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of your business, but rather are to protect the Auto-Lab System and brand.

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

COMPANY:

AREA DEVELOPER:

AUTO-LAB FRANCHISING, LLC
a Michigan limited liability company

By: _____
Its: _____

By: _____
Its: _____

AREA DEVELOPER DATA SHEET (Schedule A)

The Legal name of the Area Developer is: _____

Which conducts business as a _____ Sole Proprietorship
_____ Corporation
_____ Partnership
_____ Limited Liability Company

The assumed name of the Area Developer is: _____

The telephone number used by the Area Developer Business is: _____.

The name, home address, phone, title and % of ownership of each individual having an ownership interest in Area Developer is attached hereto. For purposes of the Area Development Agreement, the Owners are listed as follows:

Name:	_____	Name:	_____
Home Address	_____ _____	Home Address	_____ _____
Phone	_____	Phone	_____
Cell Phone	_____	Cell Phone	_____
Fax Number	_____	Fax Number	_____
Email	_____	Email	_____
Title	_____	Title	_____
% Ownership	_____	% Ownership	_____
Name:	_____	Name:	_____
Home Address	_____ _____	Home Address	_____ _____
Phone	_____	Phone	_____
Cell Phone	_____	Cell Phone	_____
Fax Number	_____	Fax Number	_____
Email	_____	Email	_____
Title	_____	Title	_____
% Ownership	_____	% Ownership	_____

Attached hereto is evidence of the legal form of Area Developer ownership, such as articles of incorporation or organization or partnership registration, whichever apply, the operating agreement, bylaws or partnership agreement and stock certificates. In addition, evidence of assumed name registration for a sole proprietorship, corporation or partnership is also attached to verify the trade name being used by Area Developer.

The undersigned represent and warrant that the information contained in this Area Developer data sheet is true and correct as of the date indicated by each Owner's signature. The undersigned acknowledge any changes in the information set forth in this Area Developer Data Sheet, other than the information relating to the home address and home telephone number, require the written approval of the Company. The undersigned further acknowledge the Company relies upon the accuracy of the information contained in the Area Developer Data Sheet and may, therefore, treat any negligent or willful withholding of pertinent information as a material breach of the Area Development Agreement. Area Developer hereby agrees to reimburse the Company for any additional costs for printing or other expenses which the Company must incur as a result of inaccurate information being conveyed by Area Developer to the Company. As such, the information contained in this Area Developer Data Sheet shall be incorporated by reference into the Area Development Agreement executed between the Company and the named Area Developer on _____, 20____, as if set forth therein for purposes of interpreting the Area Development Agreement with respect to the information regarding the owners of the franchised business.

Owner's Signature

Date of signature

LOCATION AND TERRITORY DESIGNATION (Schedule B)

Auto-Lab Franchising, LLC, the Franchisor, hereby gives its approval for the Area Developer to operate his or her franchise at the location whose legal address is:

Auto-Lab Franchising, LLC, the Franchisor, hereby grants to Area Developer the Territory described below:

The information contained in this Location and Territory Designation Form shall be incorporated into the Area Development Agreement by reference as if set forth therein for purposes of interpreting the Area Development Agreement executed by the Franchisor and _____, the Area Developer, on _____, 20__.

Auto-Lab Franchising LLC

Dated: _____

By: _____

Its: _____

Area Developer

Dated: _____

By: _____

Its: _____

MINIMUM DEVELOPMENT OBLIGATIONS (Schedule C)

_____ (“Area Developer”) and Auto-Lab Franchising, LLC (the “Company”) hereby agree to the following Minimum Development Obligation for the Territory. Area Developer acknowledges that the Company relies upon this Minimum Development Obligation and the Area Developer’s failure to meet these Minimum Development Obligations shall be considered a material breach of the Area Development Agreement.

<u>Year of Agreement</u>	<u>Number of Franchises Opened And Operating During Period</u>	<u>Cumulative Number of Franchises Opened and Operating</u>
First Year		
Second Year		
Third Year		
Fourth Year		
Fifth Year		
Sixth Year		
Seventh Year		
Eighth Year		
Ninth Year		
Tenth Year		
Eleventh Year		
Twelfth Year		
Thirteenth Year		
Fourteenth Year		
Fifteenth Year		

If Area Developer does not meet the Minimum Development Obligation for any period or cumulative obligations, Company may terminate the Area Development Agreement, resell the Territory and seek any and all remedies available to the Company under the Area Development Agreement. If at any time, Area Developer may defer the Company’s right to terminate the Area Development Agreement and seek other remedies by paying to the Company an amount equal to twice the difference between the total of the Area Developer Fees paid to date and the total amount due to the Company on or before the date listed in the table above.

Auto-Lab Franchising, LLC

By: _____

Dated: _____

Its: _____

Area Developer:

By: _____

Dated: _____

Its: _____

SCHEDULE D TO AREA DEVELOPMENT AGREEMENT

MULTI-STATE ADDENDA

**ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT
AUTO-LAB FRANCHISING, LLC**

FOR THE STATE OF CALIFORNIA

This Addendum to the Area Development Agreement is agreed to this ____ day of _____, 20____, is by and between Auto-Lab Franchising, LLC and _____
_____.

1. In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-31516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Area Development Agreement for Auto-Lab Franchising, LLC is amended as follows:

- The California Franchise Relations Act provides rights to Area Developer concerning termination or non-renewal of the Area Development Agreement, which may supersede provisions in the Area Development Agreement, specifically Sections 4 and 13.
- Section 13.1, which terminates the Area Development Agreement upon the bankruptcy of Area Developer, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).
- Section 12 contains a covenant not to compete that extends beyond the expiration or termination of the Agreement; this covenant may not be enforceable under California Law.
- The Area Development Agreement requires litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of action arising under California law.
- The Area Development Agreement requires application of the laws of a state other than California. This provision might not be enforceable under California law.
- Section 14 requires binding arbitration. The arbitration will occur at the forum indicated in Section 14, with the costs being borne by the non-prevailing party. Prospective Area Developers are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Area Development Agreement restricting venue to a forum outside of the State of California.

2. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Area Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Auto-Lab Franchising, LLC

By: _____

Dated: _____

Its: _____

Area Developer:

By: _____

Dated: _____

Its: _____

FOR THE STATE OF HAWAII

This Addendum to the Area Development Agreement is agreed to this ___ day of _____, 20___, is by and between Auto-Lab Franchising, LLC and _____.

1. In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E *et seq.*, the Area Development Agreement for Auto-Lab Franchising, LLC is amended as follows:

- The Hawaii Franchise Investment Law provides rights to Area Developer concerning non-renewal, termination and transfer of the Area Development Agreement. If the Agreement, and more specifically Sections 4 and 13 contain a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.
- Sections 4 and 11.3 require Area Developer to sign a general release as a condition of renewal or transfer of the Franchise. Such release shall exclude claims arising under the Hawaii Franchise Investment Law.
- Section 13.1, which terminates the Area Development Agreement upon the bankruptcy of Area Developer, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Area Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Auto-Lab Franchising, LLC

By: _____

Dated: _____

Its: _____

Area Developer:

By: _____

Dated: _____

Its: _____

FOR THE STATE OF ILLINOIS

The Auto-Lab Franchising, LLC Area Development Agreement between _____ (“Franchisee” or “You”) and Auto-Lab Franchising, LLC, a Michigan limited liability company (“Auto-Lab”) dated _____, 20____ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the “Addendum”):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General’s Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Rev. Stat. ch. 815 para. 705/1 - 705/44 (1994). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to You concerning non-renewal and termination of this Agreement. If this Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. Any release of claims or acknowledgments of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act shall be void and are hereby deleted with respect to claims under the Act.

c. If this Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void with respect to claims under Illinois law.

d. Illinois law will govern this Agreement.

e. Illinois law requires Auto-Lab to provide you with its Uniform Franchise Disclosure Document at least 14 calendar days prior to you sending any money or signing any agreement.

2. Section 15.10 is revised to comply with Section 705/27 of the Franchise Disclosure Law. Any action that may arise under the Illinois Franchise Disclosure Law must be brought before the expiration of 3 years after the act or transaction constituting the violation upon which it is based, the expiration of one year after the franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by this Act, or 90 days after delivery to the franchisee of a written notice disclosing the violation, whichever shall first expire. No cause of action barred under existing law on the effective date of this Act shall be revived by this Act. Every cause of action under this Act survives the death of any person who might have been a plaintiff or defendant.

3. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such

provision, are met independent of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its officers, directors, owners, agents and assigns acknowledges that it has read and understands the contents of this Addendum, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Addendum and be bound thereby. The parties have duly executed and delivered this Addendum to the Agreement on _____, 20__.

Auto-Lab Franchising, LLC

By: _____

Dated: _____

Its: _____

Area Developer:

By: _____

Dated: _____

Its: _____

FOR THE STATE OF INDIANA

This Addendum to the Area Development Agreement is agreed to this ___ day of _____, 20___, is by and between Auto-Lab Franchising, LLC and _____.

1. In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, IC 23-2.2.7 and the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Area Development Agreement for Auto-Lab Franchising, LLC is amended as follows:

- Sections 4, and 11.3 do not provide for a prospective general release of claims against Franchisor that may be subject to the Indiana Deceptive Franchise Practices Law or the Indiana Franchise Disclosure Law.
- Section 13 is amended to prohibit unlawful unilateral termination of a Franchise unless there is a material violation of the Area Development Agreement and termination is not in bad faith.
- Section 15.2 is amended to provide that Area Developer will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Area Developer's reliance upon or use of procedures or products which were required by Franchisor, if such procedures or products were utilized by Area Developer in the manner required by Franchisor.
- Section 15.8 is amended to provide that Area Developer may commence litigation in Indiana for any cause of action under Indiana law.
- Section 14 is amended to provide that arbitration between Franchisor and Area Developer, shall be conducted at a mutually agreed upon location.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Indiana Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Area Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Auto-Lab Franchising, LLC

By: _____

Dated: _____

Its: _____

Area Developer:

By: _____

Dated: _____

Its: _____

FOR THE STATE OF MARYLAND

This Addendum to the Area Development Agreement is agreed to this ____ day of _____, 20 ____, is by and between Auto-Lab Franchising, LLC and _____.

1. In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. §§14-201-14-233, the Area Development Agreement for Auto-Lab Franchising, LLC is amended as follows:

- Sections 4, and 11.3 require Area Developer to sign a general release as a condition of renewal or transfer of the Franchise. Such release shall exclude claims arising under the Maryland Franchise Registration and Disclosure Law.
- Section 13.1, which terminates the Area Development Agreement upon the bankruptcy of Area Developer, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).
- Sections 14 and 15 require litigation or arbitration to be conducted in the State of Michigan; the requirement shall not limit any rights Area Developer may have under the Maryland Franchise Registration and Disclosure Law to bring suit in the State of Maryland.
- Any Section of the Area Development Agreement requiring Area Developer to assent to any release, estoppel or waiver of liability as a condition of purchasing the Franchise 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.

2. Any portion of the Area Development Agreement which requires prospective Area Developers to disclaim the occurrence and/or acknowledge the non-occurrence of acts would constitute a violation of the Maryland Franchise Registration and Disclosure Law. Any such representations 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.

3. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Area Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Auto-Lab Franchising, LLC

By: _____

Dated: _____

Its: _____

Area Developer:

By: _____

Dated: _____

Its: _____

FOR THE STATE OF MINNESOTA

This Addendum to the Area Development Agreement is agreed to this ____ day of _____, 20 ____, is by and between Auto-Lab Franchising, LLC and _____.

1. In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the parties to the attached Area Development Agreement agree as follows:

- Section 13 is amended to comply with the Minnesota Franchise Law that requires, except in certain specified cases, that Area Developer be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Agreement.
- Sections 4, and 11.3 do not provide for a prospective general release of any claims against Franchisor that may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a Area Developer to assent to a general release.
- The Area Development Agreement is amended to add that as required by Minnesota Franchise Act, Auto-Lab Franchising, LLC will reimburse you for any costs incurred by you in the defense of your right to use the Marks, so long as you were using the Marks in the manner authorized by Auto-Lab Franchising, LLC, and so long as Auto-Lab Franchising, LLC is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.
- Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Area Development Agreement can abrogate or reduce any of Area Developer's rights as provided for in Minnesota Statutes, Chapter 80C, or Area Developer's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. However, Franchisor may seek such relief through the court system with or without a bond as determined by a court. Minn. Rule Part 2860.4400J prohibits Area Developer from waiving its rights to a jury trial or waiving its rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. To the extent that the Area Development Agreement requires Area Developer to waive these rights, the Area Development Agreement will be considered amended to the extent necessary to comply with the Minnesota Rule.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota Franchise Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Area Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Auto-Lab Franchising, LLC

By: _____

Dated: _____

Its: _____

Area Developer:

By: _____

Dated: _____

Its: _____

FOR THE STATE OF NEW YORK

This Addendum to the Area Development Agreement is agreed to this ___ day of _____, 20 ___, is by and between Auto-Lab Franchising, LLC and _____.

1. In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§ 680 through 695, the Area Development Agreement for Auto-Lab Franchising, LLC is amended as follows:

- Sections 4, and 11.3 require Area Developer to sign a general release as a condition of renewal, transfer. Such release shall exclude claims arising under the General Business Laws.
- Under Section 11, Franchisor shall not transfer and assign its rights and obligations under the Area Development Agreement unless the transferee will be able to perform Franchisor’s obligations under the Area Development Agreement, in Franchisor’s good faith judgment, so long as it remains subject to the General Business Laws of the State of New York.
- The Area Development Agreement is amended to provide that Area Developer will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Area Developer’s reliance upon or use of procedures or products that were required by Franchisor, if such procedures or products were utilized by Area Developer in the manner required by Franchisor.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the New York Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Area Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Auto-Lab Franchising, LLC

By: _____

Dated: _____

Its: _____

Area Developer:

By: _____

Dated: _____

Its: _____

FOR THE STATE OF NORTH DAKOTA

This Addendum to the Area Development Agreement is agreed to this ___ day of _____, 20___, is by and between Auto-Lab Franchising, LLC and _____.

1. The North Dakota Securities Commission requires that certain provisions contained in the Agreement be amended to be consistent with North Dakota Law, including the North Dakota Franchise Investment Law, North Dakota Century Code Addendum, Chapter 51-19, Sections 51-19-01 *et seq.* Such provisions in the Agreement are hereby amended as follows:

- Sections 4, and 11.3 require the execution of a general release upon renewal or transfer. Such requirement shall be inapplicable to Franchises operating under the North Dakota Franchise Investment Law to the extent that such a release excludes claims arising under the North Dakota Franchise Investment Law.
- Section 12 is amended to add that covenants not to compete upon termination or expiration of the Area Development Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.
- Section 15 is amended to add that any action may be brought in the appropriate state or federal court in North Dakota with respect to claims under North Dakota Law.
- Section 14 is amended to state that arbitration involving a Franchise purchased in North Dakota must be held either in a location mutually agreed upon prior to the arbitration, or if the parties cannot agree on a location, the arbitrator will determine the location.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the North Dakota Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Area Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Auto-Lab Franchising, LLC

By: _____

Dated: _____

Its: _____

Area Developer:

By: _____

Dated: _____

Its: _____

FOR THE STATE OF RHODE ISLAND

This Addendum to the Area Development Agreement is agreed to this ___ day of _____, 20___, is by and between Auto-Lab Franchising, LLC and _____.

1. In recognition of the requirements of The Rhode Island Franchise Investment Act §19-28.1-14, the Area Development Agreement for Auto-Lab Franchising, LLC is amended as follows:

- Sections 4, and 11.3 require Area Developer to sign a general release as a condition of renewal, or transfer. Such release shall exclude claims arising under The Rhode Island Franchise Investment Act.
- Sections 114 and 15 are amended to state that restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under The Rhode Island Franchise Investment Act.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Area Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Auto-Lab Franchising, LLC

By: _____

Dated: _____

Its: _____

Area Developer:

By: _____

Dated: _____

Its: _____

FOR THE COMMONWEALTH OF VIRGINIA

This Addendum to the Area Development Agreement is agreed to this ____ day of _____, 20 ____, is by and between Auto-Lab Franchising, LLC and _____ to amend and revise said Area Development Agreement as follows:

- Section 11.3, which terminates the Area Development Agreement upon the bankruptcy of Area Developer, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Auto-Lab Franchising, LLC

By: _____

Dated: _____

Its: _____

Area Developer:

By: _____

Dated: _____

Its: _____

FOR THE STATE OF WASHINGTON

This Addendum to the Area Development Agreement is agreed to this ___ day of _____, 20___, is by and between Auto-Lab Franchising, LLC and _____.

1. In recognition of the requirements of the Washington Franchise Investment Protection Act, Washington Rev. Code §§19.100.010 – 19.100.940, the Area Development Agreement for Auto-Lab Franchising, LLC is amended as follows:

- The Washington Franchise Investment Protection Act provides rights to Area Developer concerning non-renewal and termination of the Area Development Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act shall control.
- Sections 4 and 11.3 require Area Developer to sign a general release as a condition of renewal or transfer. Such release shall exclude claims arising under the Washington Franchise Investment Protection Act.
- Sections 14 and 15 require litigation or arbitration to be conducted in the State of Washington; the requirement shall not limit any rights Area Developer may have under the Washington Franchise Investment Protection Act to bring suit in the State of Washington.
- Provisions such as those that unreasonably restrict or limit the statute of limitations period for claims under the Act, or restrict or limit rights or remedies available to a Area Developer under the Act, such as a waiver of the right to a jury trial, may not be enforceable.
- Transfer fees are collectable to the extent that they reflect Franchisor's reasonable estimated or actual costs in effecting a transfer.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Washington Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Area Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Auto-Lab Franchising, LLC

By: _____

Dated: _____

Its: _____

Area Developer:

By: _____

Dated: _____

Its: _____

FOR THE STATE OF WISCONSIN

This Addendum to the Area Development Agreement is agreed to this ___ day of _____, 20___, is by and between Auto-Lab Franchising, LLC and _____ to amend and revise said Area Development Agreement as follows:

1. The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Sec. 135.01-135.07 shall supersede any conflicting terms of the Area Development Agreement.

2. This provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Wisconsin Fair Dealership Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Area Development Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Auto-Lab Franchising, LLC

By: _____

Dated: _____

Its: _____

Area Developer:

By: _____

Dated: _____

Its: _____

EXHIBIT C

**CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT AND
COVENANT NOT TO COMPETE
(Owner)**

This Confidentiality and Nondisclosure Agreement and Covenant Not to Compete is entered into as of the date or dates set forth below by and between _____ located at _____ (“Area Developer”), _____, owner of an equity interest in Area Developer (“Owner”), and Auto-Lab Franchising, LLC located at 6001 North Adams Road, Suite 255, Bloomfield Hills 48306 (“Auto-Lab”).

WHEREAS, Auto-Lab is the Franchisor of “Auto-Lab” automotive diagnostic and repair facility franchises and has the authority to disclose and discuss all information relating to the operations of a Franchise Store and Area Developer business (hereinafter referred to as “Auto-Lab’s Business,” “Business,” or “Franchise Store”);

WHEREAS, confidential information will be disclosed to Area Developer and Owner; and

WHEREAS, such confidential information gives Auto-Lab, Area Developer and Owner a competitive advantage over those who do not know it and who may compete with Auto-Lab, its affiliates or its Area Developers by operating automotive diagnostic and repair facilities that may or may not utilize a similar concept.

NOW, THEREFORE, in order to induce Auto-Lab to transmit the aforesaid Information to it, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owner hereby agrees as follows:

1. The term “Information” shall mean, but shall not be limited to, all information, knowledge, trade secrets or know-how utilized or embraced by the Franchise System or which otherwise concerns the Franchise System, its operations, programs, services, products, customers, practices, materials, books, records, manuals, computer files, databases or software. Confidential Information includes, without limitation: all elements of the Franchise System and all products, services, equipment, technologies, policies, standards, requirements, criteria and procedures that now or in the future are part of the Franchise System; the Operations Manual (including Supplements to the Operations Manual); all specifications, sources of supply, all procedures, systems, techniques and activities employed by Auto-Lab, Auto-Lab franchisees, or Area Developer in the offer and sale of products and/or services at or from the Franchise Store; all pricing paradigms established by Auto-Lab or Area Developer; all of Auto-Lab’s sources (or prospective sources) of supply and all information pertaining to same (including wholesale pricing structures, the contents of sourcing agreements and the identity of suppliers); Auto-Lab’s specifications, and Area Developer’s final plans, for construction, buildout, design, renovation décor, equipment, signage, furniture, fixtures, and trade dress elements of the Franchise Store, the identity of, and all information relating to, the computer hardware and software utilized by the Franchise System; all information pertaining to advertising, marketing, promotion, and merchandising campaigns, activities, materials, specifications and procedures; all customer lists and records generated and/or otherwise maintained by the Franchise Store; all franchisee prospect

lists and records generated by Area Developer in the performance of its sales functions under the Area Development Agreement, internet and Website protocols, procedures and content; training and other instructional programs and materials; all elements of the recommended staffing, staff training and staff certification policies and procedures; all communications between Auto-Lab and Area Developer (including the financial and other reports required to be submitted under this Agreement); additions to, deletions from and modifications and variations of the components of the Franchise System and the other systems and methods of operations which Auto-Lab employs now or in the future; and all other information, knowledge and know-how which either Auto-Lab or its affiliates now or in the future, designate as confidential, which is disclosed to or acquired by Area Developer or Owner directly or indirectly from Auto-Lab in the course of activities related to the purchase and sale of a franchise of said Business, or which is obtained by Area Developer through an inspection of any facility employing Information. Information will not, however, include information that Area Developer or Owner can demonstrate came to Area Developer's or Owner's attention before Auto-Lab disclosed it to Area Developer or Owner (unless illegally or improperly procured by Area Developer or Owner before disclosure) or which, at or after the time of disclosure, such information has become part of the public domain through publication or communication by others, but not through any Area Developer or Owner act.

2. Owner agrees to retain all Information in strict confidence and not use it or disclose it to any third party, except as otherwise provided herein and Owner agrees not to claim any right or interest in or to disclose Information to others. Except as authorized in this Agreement, Owner agrees never to copy, duplicate, record or otherwise reproduce any of the Information, in whole or in part; otherwise share it with any third party; store it in a computer or other electronic format; or otherwise make it available to any third party by any other means whatsoever.

3. Owner shall have the right to communicate Information to its shareholders, officers, directors, members, managers, employees, agents, and its attorneys and other representatives approved in advance by Auto-Lab to the extent necessary for such person to perform his/her functions in the operation of the Franchise Store. Owner agrees to cause any person to whom Information is disclosed to maintain the strict confidentiality of such Information and cause such persons to execute a written Confidentiality and Nondisclosure Agreement in a form prescribed by Auto-Lab.

4. This Confidentiality and Nondisclosure Agreement and Covenant Not to Compete is to be executed by all partners if Area Developer is a partnership or limited partnership, all officers and shareholders if Area Developer is a corporation, and all members if Area Developer is a limited liability company. This Confidentiality and Nondisclosure Agreement and Covenant Not to Compete must also be executed by Area Developer's sales persons, trainers, field representatives, employees, managers and any other person with access to any Information.

5. In the event the relationship contemplated by the Franchise Agreement between Area Developer and Auto-Lab terminates or expires without renewal, then to such extent, Owner agrees not to use any of the Information to own, operate or develop automotive repair services facilities, similar to the Business. Owner shall also return to Auto-Lab all Information supplied to it by Auto-Lab pertaining to the business or Franchise Store, and shall not retain any copies or other reproductions, or extracts thereof, prepared by Area Developer or Owner or any of its

officers, employees, attorneys, representatives or consultants, in connection with the Franchise Store. Owner, or an authorized representative of Owner shall provide a certificate to Auto-Lab that all of the foregoing have in fact been destroyed.

6. (a) Owner acknowledges that the Information disclosed to Owner and all other aspects of the Franchise System are highly valuable assets of Auto-Lab, and Owner agrees that it shall not, without the prior written consent of Auto-Lab (i) during the term of the Area Development Agreement, directly or indirectly, including, without limitation, individually or in partnership or jointly or in conjunction with any person, as principal, agent, shareholder or in any other manner whatsoever, carry on, be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of, or permit its name or any part thereof to be used or employed by any person or entity engaged in or concerned with or interested in any business competitive with or similar to the Area Developer Business or Franchise Store unless such other business is operated pursuant to a written license or other agreement with Auto-Lab, and (ii) for a period of 2 years from the date of the termination or expiration without renewal of the Area Development Agreement, directly or indirectly, including, without limitation, individually or in partnership or jointly or in conjunction with any person, as principal agent, shareholder or in any other manner whatsoever, carry on, be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of, or permit its name or any part thereof to be used or employed by any person or entity engaged in or concerned with or interested in any business competitive with or similar to the Area Developer Business or Franchise Store (a) within the Area Developer Area, (b) within the Area Developer Area of any of our other Area Developers, or (c) within thirty (30) miles of any Auto-Lab Store, unless such other business is operated pursuant to a written license or other agreement with Auto-Lab. Owner agrees to cause all persons to whom it has disclosed such Information to execute a written Covenant Not to Compete in a form prescribed by Auto-Lab.

(b) Owner also acknowledges and agrees that if Owner should violate the provisions of Section 6 of this Confidentiality and Nondisclosure Agreement and Covenant not to Compete with respect to the operation of a competing business following expiration or termination of this Confidentiality and Nondisclosure Agreement and Covenant not to Compete, then the period for which the prohibition stated therein shall be applicable shall be extended until two (2) years following the date Owner ceases all activities that are in violation of such provision.

7. Owner acknowledges that it will be difficult to measure accurately the damages to Auto-Lab from any breach of Owner of the covenants and restrictions set forth herein, that the injury to Auto-Lab from any such breach would be incalculable and irremediable and the damages would not, therefore in and of themselves, be an adequate remedy. Owner therefore agrees that in the event it shall breach or attempt to breach any of the terms of this Agreement, Auto-Lab shall be entitled as a matter of right to obtain from any court of competent jurisdiction an injunction (i) prohibiting Owner from any further breaches of this Agreement; (ii) rescinding any action taken by Owner contrary to the terms of this Agreement; and (iii) authorizing Auto-Lab to recover from Owner any and all salaries, fees, commissions, income, profits or other remuneration or gain which Owner may have received or to which it may have become entitled to receive from or by reason of the conducting of any activity in violation of the terms, conditions or covenants of this Agreement. The issuance of such an injunction will not prevent Auto-Lab from obtaining such

other relief as is appropriate under the circumstances, such as the award of other monetary damages.

8. This Agreement shall be governed in all respects, whether as to validity, construction, capacity, performance or otherwise by the laws of the State of Michigan.

9. In the event any Paragraph or portion of any Paragraph in this Agreement shall be determined to be invalid or unenforceable for any reasons, such invalidity or unenforceability shall not affect the validity and enforceability of the remaining valid and enforceable Paragraphs hereof, which shall be construed as if such invalid or unenforceable Paragraph or Paragraphs had not been inserted.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year written below.

AREA DEVELOPER:

By: _____

Title: _____

Dated: _____

AUTO-LAB:

AUTO-LAB FRANCHISING, LLC

By: _____

Title: _____

Dated: _____

OWNER:

By: _____

Title: _____

Dated: _____

EXHIBIT D

PRINCIPAL OWNER'S GUARANTY AND ASSUMPTION OF OBLIGATIONS

This Guaranty must be signed by the principal owners (referred to as "Guarantor") of (the "Area Developer") under the Area Development Agreement dated _____, 20____ (the "Area Development Agreement") with Auto-Lab Franchising, LLC ("Auto-Lab").

1. **Scope of Guaranty.** The shareholders, partners, or members ("Principal Owners" of any entity that signs an Area Development Agreement must personally guarantee the Area Developer's performance under the Area Development Agreement. In consideration of and as an inducement to Auto-Lab signing and delivering the Area Development Agreement, each Guarantor signing this Guaranty personally and unconditionally: (a) guarantees to Auto-Lab and its successors and assigns that the Area Developer will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Area Development Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of each and every provision in the Area Development Agreement.

2. **Waivers.** Each Guarantor waives: (a) acceptance and notice of acceptance by Auto-Lab of Guarantor's obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by Guarantor; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by Guarantor; (d) any right Guarantor may have to require that an action be brought against the Area Developer or any other person as a condition of Guarantor's liability; (e) all rights to payments and claims for reimbursement or subrogation which Guarantor may have against the Area Developer arising as a result of Guarantor's execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which Guarantor may be entitled in Guarantor's capacity as guarantor.

3. **Consents and Agreements.** Each Guarantor consents and agrees that (a) Guarantor's direct and immediate liability under this Guaranty are joint and several; (b) Guarantor must render any payment or performance required under the Area Development Agreement upon demand if the Area Developer fails or refuses punctually to do so; (c) Guarantor's liability will not be contingent or conditioned upon Auto-Lab's pursuit of any remedies against the Area Developer or any other person; (d) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Auto-Lab may from time to time grant to Area Developer or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence shall in any way modify or amend this Guaranty; and (e) this Guaranty will continue and is irrevocable during the term of the Area Development Agreement and, if required by the Area Development Agreement, after its termination or expiration.

4. **Enforcement Costs.** If Auto-Lab is required to enforce this Guaranty in any judicial or arbitration proceeding or any appeals, Guarantor must reimburse Auto-Lab for its enforcement costs. Enforcement costs include reasonable accountants', attorneys', attorney's assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

5. **Effectiveness.** Guarantor's obligations under this Guaranty are effective on the effective date of the Area Development Agreement, regardless of the actual date of signature. Terms not otherwise defined in this Guaranty have the meanings as defined in the Area Development Agreement. This Guaranty is governed by Michigan law and Auto-Lab may enforce its rights regarding it in the courts of Oakland County, Michigan. Each Guarantor irrevocably submits to the jurisdiction and venue of such courts.

Each Guarantor now signs and delivers this Guaranty effective as of the date of the Area Development Agreement regardless of the actual date of signature.

GUARANTOR

(print name)

_____ (print address)

(city, state, zip)

_____ (phone)

(% owned)

GUARANTOR

(print name)

_____ (print address)

(city, state, zip)

_____ (phone)

(% owned)

GUARANTOR

(print name)

_____ (print address)

(city, state, zip)

_____ (phone)

(% owned)

GUARANTOR

(print name)

_____ (print address)

(city, state, zip)

_____ (phone)

(% owned)

DATE _____, 20____

EXHIBIT E

TELEPHONE NUMBER ASSIGNMENT

THIS ASSIGNMENT is made and entered into by and between Auto-Lab Franchising, LLC. ("Auto-Lab") of 6001 North Adams Road, Suite 255, Bloomfield Hills 48304, and _____ located at _____, hereinafter referred to as "Area Developer."

WHEREAS, Area Developer has obtained a certain rights from Auto-Lab to become an Area Developer for the Auto-Lab System consistent with the Area Development Agreement between the parties dated the ____ day of _____, 20__ (hereinafter referred to as the "Area Development Agreement");

WHEREAS, in consideration of Auto-Lab granting the certain rights to Area Developer, Area Developer agreed in the Area Development Agreement to execute an assignment to Auto-Lab of its telephone number upon the termination or expiration without renewal of the Area Development Agreement, or transfer of the Area Development Agreement;

NOW THEREFORE, it is hereby agreed as follows:

1. Telephone Information.

Area Developer represents and warrants that the telephone number(s) set forth in the attached Exhibit "A," from time to time, shall constitute all of the telephone numbers to be used in its advertising and marketing of its Area Developer Area licensed by the above-referenced Area Development Agreement. It is hereby agreed that this assignment covers not only the telephone numbers set forth in Exhibit "A," but also any other telephone number used by Area Developer in its advertising or marketing of its "Auto-Lab Complete Car Care Centers" Area Developer Area.

2. Assignment.

Area Developer hereby assigns to Auto-Lab all of its right, title and interest in and to the telephone numbers described above in Paragraph 1 effective upon the expiration without renewal or termination of the Area Development Agreement.

3. Consent.

Area Developer hereby consents and authorizes any and all telephone companies, telephone directory services, and other public or private business containing, using, or authorizing any of the telephone numbers described above in Paragraph 1 to immediately recognize this assignment upon receipt of written notice from Auto-Lab. Such companies and services shall construe this Assignment as Area Developer's immediate cancellation and surrender of the numbers in Exhibit A, thereby permitting the immediate re-assignment of the numbers by said companies and services to Auto-Lab. A copy of this Assignment, certified by an officer of Auto-Lab, is agreed to be as valid and binding as the original.

4. Notice.

Auto-Lab shall give notice of its acceptance of the assignment of the telephone numbers pursuant to this agreement by either delivering them personally or sending them by first class, certified or registered mail with postage fully paid and depositing them in a depository of the United States Postal Service. Notices shall be given to Area Developer and to all other telephone companies and other businesses who are to recognize the assignment. All notices to Area Developer shall be addressed to the address indicated in this Agreement, or to any subsequent address of which Auto-Lab is notified in writing. Any notice delivered by mail in the manner set forth above shall be deemed delivered and received 2 days after mailing.

5. Cooperation.

Area Developer shall cooperate with Auto-Lab, including but not limited to, executing any and all documents reasonably necessary to effectuate this Assignment, and to cause the telephone company or companies to recognize this Assignment.

6. Proration.

All telephone charges, including charges for classified advertising in the telephone directory, shall be prorated as of the time of Assignment, with Area Developer paying for all charges prior to the effectiveness of the assignment, and Auto-Lab paying for all charges incurred thereafter.

IN WITNESS WHEREOF, the parties have entered into this agreement on the _____ day of _____, 20__.

AUTO-LAB FRANCHISING, LLC

By: _____
Its: _____

AREA DEVELOPER

By: _____
Its: _____

EXHIBIT A TO TELEPHONE NUMBER ASSIGNMENT

TELEPHONE NUMBER: _____

EXHIBIT F

**LIST OF STATE ADMINISTRATORS
AND AGENTS FOR SERVICE OF PROCESS**

State Administrator	Agent for Service of Process in State
<p>California (filing required) Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, California 94104</p> <p>Department of Financial Protection and Innovation 320 W. 4th Street, Suite 750 Los Angeles, California 90013</p> <p>Department of Financial Protection and Innovation 2101 Arena Blvd. Sacramento, California 95834 (866) 275-2677</p>	<p>California Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, California 94104</p> <p>Department of Financial Protection and Innovation 320 W. 4th Street, Suite 750 Los Angeles, California 90013</p> <p>Department of Financial Protection and Innovation 2101 Arena Blvd. Sacramento, California 95834 (866) 275-2677 Toll Free</p>
<p>Hawaii (filing required) Franchise & Securities Division State Department of Commerce P.O. Box 40 Honolulu, HI 96813 (808) 586-2722</p>	<p>Hawaii Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813</p>
<p>Illinois (filing required) Franchise Division Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465</p>	<p>Illinois Illinois Attorney General 500 South Second Street Springfield, Illinois 62706</p>
<p>Indiana (filing required) Franchise Division Office of Secretary of State 302 W. Washington St., Rm. E111 Indianapolis, IN 46204 (317) 232-6681</p>	<p>Indiana Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204</p>
<p>Maryland (filing required) Franchise Office Division of Securities 200 St. Paul Place - 20th Floor Baltimore, MD 21202 (410) 576-6360</p>	<p>Maryland Maryland Securities Commissioner 200 St. Paul Place, 20th Floor Baltimore, Maryland 21202-2020</p>
<p>Michigan (only notice required) Consumer Protection Division Franchise Section PO Box 30213 Lansing MI 48909</p>	<p>Michigan Michigan Department of Commerce Corporations and Securities Bureau 6546 Mercantile Way P.O. Box 30222 Lansing, Michigan 48910</p>
<p>Minnesota (filing required) Franchise Division Department of Commerce 85 Seventh Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600</p>	<p>Minnesota Minnesota Commissioner of Commerce 85 Seventh Place East, Suite 280 St. Paul, Minnesota 55101</p>

State Administrator	Agent for Service of Process in State
<p><u>New York (filing required)</u> Office of the New York State Attorney General Investor Protection Bureau Franchise Section 120 Broadway, 23rd Floor New York NY 10271 (212) 416-8236</p>	<p><u>New York</u> New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231</p>
<p><u>North Dakota (filing required)</u> Franchise Division Office of Securities Commission 600 East Boulevard - 5th Floor Bismarck, ND 58505 (701) 328-2910</p>	<p><u>North Dakota</u> Securities Department 600 East Boulevard, Fifth Floor Bismarck, North Dakota 58505</p>
<p><u>Oregon (no filing)</u> Corporate Securities Section Dept. of Insurance & Finance Labor & Industries Bldg. Salem, OR 97310 (503) 378-4387</p>	<p><u>Oregon</u> Director Department of Insurance and Finance 21 Labor and Industries Building Salem, Oregon 97310</p>
<p><u>Rhode Island (filing required)</u> Franchise Office Division of Securities 233 Richmond St. - Suite 232 Providence, RI 02903 (401) 222-3048</p>	<p><u>Rhode Island</u> Director of Department of Business Regulation Suite 232 233 Richmond Street Providence, Rhode Island 02903-4232</p>
<p><u>South Dakota (filing required)</u> Franchise Office Division of Securities 910 E. Sioux Avenue Pierre, SD 57501 (605) 773-4013</p>	<p><u>South Dakota</u> South Dakota Division of Securities 445 E. Capitol Avenue Pierre, South Dakota 57501</p>
<p><u>Virginia (filing required)</u> Franchise Office State Corporation Commission 1300 E. Main St. Richmond, VA 23219 (804) 371-9276</p>	<p><u>Virginia</u> Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219</p>
<p><u>Washington (filing required)</u> The Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 Voice: (360) 902-8760 Fax: (360) 586-5068</p>	<p><u>Washington</u> Director of Department of Financial Institutions General Administration Building Securities Division—3rd Floor West 210 – 11th Street, SW Olympia, Washington 98504</p>
<p><u>Wisconsin (filing required)</u> Franchise Office Wisconsin Securities Commission P.O. Box 1768 Madison, WI 53701 (608) 266-3364</p>	<p><u>Wisconsin</u> Department of Financial Institutions Division of Securities 4th Floor 345 W. Washington Avenue Madison, Wisconsin 53703</p>

EXHIBIT G

Store Operations Manual

Table of Contents

1. <u>Overview</u>	page 3
2. <u>Daily Operations</u>	page 4
a) Opening the Store	
b) Customer Satisfaction	
c) Initial Customer Contact and Data Collection	
d) Quoting a Job / Opening a Ticket	
e) Diagnostic and Service Procedures	
f) Closing out a Ticket	
g) Customer Conflict Resolution	
h) Closing the Store	
3. <u>Ongoing Compliance Procedures and Training</u>	page 12
a) Required Reporting to Franchisor	
b) Suggested Filing and Record Keeping Procedures	
c) Periodic Store Reviews with Franchisor	
d) Ongoing Training and Support from Franchisor	
4. <u>Other Management Responsibilities</u>	page 20
a) Ongoing Vendor Management	
b) Managing the Digital Menu Board	
c) Warranty & Inter-Shop Policy	
d) Commercial Fleet Accounts	
e) Store Hours of Operation	
f) Employee Attire	
g) OSHA and Safety Best Practices	
h) Environmental Program Requirements	
i) Standard Service Offerings	

Table of Contents

Introduction	4
Starting Up the Management System	5
Front Desk	7
Creating a New Ticket	12
Customer Information Screen	13
Vehicle Information Screen	15
Cash Tickets	16
Ticket Summary Screen	17
Adding a Work Group	20
Master List	21
Diagnostic Sheets	22
Parts and Labor Screen	25
Assigning a Technician	31
Approved Jobs (Estimates)	33
Discounts and Quotes	35
Warranty and No Charge Work	37
Closing Out a Ticket	39
Ticket Adjustments	41
Deposits	42
Received on Account (ROA)	43
Totals Icon	45
Notes Tab	46
Customer Specific Price Levels and Discounts	47

History Screen	48
Scheduling Work	51
Inventory Icon	55
Vendors	61
Purchase Order Screen	62
Deliveries	67
Accounting - End of Day	75
Sales History	79
Backups	80
Deleted Reports	82
Adding Technicians	83
Core Charges	84
Fleet Accounts	93
No Charge - Labor	97
Job Setup	99
Adding Multi-Jobs in a Work Group	106
Texting Customers	108
ALBMS Video Library Links	111

Table of Contents

INTRODUCTION AND DISCLAIMER.....	4
Phase 1: Pilot Store Training and Start-Up	6
Phase 2: Area Developer Training.....	7
Phase 3: Franchise Solicitation & Area Development.....	8
1.0 Understanding the Federal Trade Commission Regulatory Framework.....	11
REGISTRATION / LICENSING	12
COMPLIANCE WITH FTC RULE ON FRANCHISING.....	14
The 14-Day Rule	14
The 7-Day Rule	17
Parties to Whom an FDD Must be Delivered	17
Proof of Compliance	17
COMPLIANCE WITH STATE FRANCHISE AND BUSINESS OPPORTUNITY LAWS.....	21
In General.....	21
State Specific Forms	26
Franchise Seller Disclosure Forms and Broker Registrations.....	26
Advertising and Websites.....	28
MISCELLANEOUS ISSUES	30
Financial Performance Representations	30
Education, Implementation, and Compliance.....	32
2.0 Understanding the 23 Items of the Franchise Disclosure Document.....	35
ITEM 1: THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES.....	36
ITEM 2: BUSINESS EXPERIENCE.....	37
ITEM 3: LITIGATION	38
ITEM 4: BANKRUPTCY.....	38
ITEM 5: INITIAL FEES.....	39
ITEM 6: OTHER FEES	40
ITEM 7: ESTIMATED INITIAL INVESTMENT	42
ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	44
ITEM 9: FRANCHISEE'S OBLIGATIONS	50
ITEM 10: FINANCING	51
ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, & TRAINING...	52
ITEM 12: TERRITORY	59
ITEM 13: TRADEMARKS	60
ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION.....	61
ITEM 15: OBLIGATION TO PARTICIPATE IN THE OPERATION OF THE FRANCHISE BUSINESS.	62
ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	63
ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION	63
ITEM 18: PUBLIC FIGURES	64
ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS.....	64
ITEM 20: OUTLETS AND FRANCHISEE INFORMATION	73
ITEM 21: FINANCIAL STATEMENTS	85
ITEM 22: CONTRACTS.....	85
ITEM 23: RECEIPTS	86
3.0 Franchise Solicitation and Area Development	89
FRANCHISEE RECRUITING PROCESS	90
Step 1: Initial Contact Generation	92

Step 2: Application.....	95
Step 3: Pre-Franchising Resource Reference Guide.....	96
Step 4: FDD Issuance and Receipt.....	96
Step 5: Validation Call.....	96
Step 6: Discovery Day.....	97
LEAD MANAGEMENT & REPORTING.....	98
PROSPECTIVE FRANCHISEE VETTING AND APPROVAL PROCESS.....	99
FRANCHISE AGREEMENT EXECUTION PROCEDURE.....	103
INDEPENDENT BUSINESS CONVERSION.....	103
SALE OF AN EXISTING AUTO-LAB FRANCHISE.....	105
4.0 Ongoing Franchise Support.....	106
AREA DEVELOPER STAFFING.....	108
SITE SELECTION ASSISTANCE.....	110
FRANCHISEE TRAINING.....	111
END CUSTOMER MARKETING AND ADVERTISING.....	115
FRANCHISE STORE VISITS & QUARTERLY REVIEWS.....	117
5.0 Reporting and Compliance.....	120
REPORTING.....	121
ROYALTY AND FEE REMITTANCE.....	121
OTHER AREA DEVELOPER OBLIGATIONS.....	121

Marketing and Advertising

Table of Contents

1. <u>Overview</u>	page 3
2. <u>Goals and Objectives</u>	page 5
3. <u>Brand Image and Messaging</u>	page 7
4. <u>The Auto-Lab Advertising Tool Kit</u>	page 10
<i>a. Campaigns</i>	
<i>b. Advertising Tiers</i>	
<i>i. At Your Location</i>	
<i>ii. In Your Community (“Own Your Neighborhood”)</i>	
<i>iii. Regional</i>	
<i>iv. Social Media and Website</i>	
<i>c. Other Ideas and Factors to Consider</i>	
5. <u>Pre-Opening Phase</u>	page 25
6. <u>Grand Opening Event</u>	page 26
7. <u>Rolling 12 Month Plan and Budget</u>	page 28
<i>a. Creating the Plan</i>	
<i>b. Measuring Effectiveness through Source of Lead Tool</i>	
8. <u>Advertising Cooperative</u>	page 31

Site Selection & Store Preparation

Table of Contents

- 1. The Site Selection Process** page 3
 - a. *Searching for a Site*
 - b. *Minimum Site Requirements*
 - c. *Other Site Considerations*
 - d. *Site Approval*
 - e. *Contracts Related to an Approved Site*

- 2. Store Preparation** page 12
 - a. *Required Licensing, Registrations, and Permits*
 - b. *Use of Approved Vendors*
 - c. *Insurance and Banking Services*
 - d. *Signage and Color Specifications*
 - e. *Customer Reception Area*
 - f. *Telephone and Internet System*
 - g. *Service Equipment Selection, Fit Up, and Installation*
 - h. *Vendor Engagement*
 - i. *Fast Start Kit*
 - j. *Technical Data Base*
 - k. *QuickBooks Set Up*
 - l. *Merchant Banking Services / Credit Card Processor*
 - m. *Initial Inventory*

- 3. Human Resources** page 30
 - a. *Employee Handbook*
 - b. *Organizational Structure and Job Descriptions*
 - c. *Employee Recruitment and Hiring*
 - d. *Compensation and Payroll Processing*
 - e. *Training*

EXHIBIT H

**LIST OF AREA REPRESENTATIVES AS OF THE ISSUANCE DATE OF
DISCLOSURE DOCUMENT**

AREA	NAME	PHONE NUMBER
Illinois & Milwaukee, Wisconsin	WLF Holdings, LLC Wanda and Larry Fullmer 382 N. Schuyler Ave. Kankakee, IL 60901	(815) 926-1250
Indiana	NDK, Inc. David Kimack 10750 E. US Hwy. 36 Avon, IN 46123	(317) 667-0211

**LIST OF FORMER AREA REPRESENTATIVES AS OF THE ISSUANCE DATE OF
THE DISCLOSURE DOCUMENT**

AREA	NAME	PHONE NUMBER
Texas	Communitas Auto Group, LLC Michael Humphrey, CEO 4140 Directors Row Suite A Houston, TX 77092	(832) 698-2384

EXHIBIT I

**STATE SPECIFIC ADDENDA TO THE
AUTO-LAB FRANCHISING, LLC
UNIFORM FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF CALIFORNIA

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

2. Section 31125 of the California Corporations Code requires us to give you a Disclosure Document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

You must sign a general release if you renew or transfer your franchise or master franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

Neither the franchisor, any person or franchise broker in ITEM 2 of the Disclosure Document is subject to any currently-effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 USC 78a *et. seq.*, suspending or expelling these persons from membership in the association or exchange.

3. ITEM 17 of the Disclosure Document is amended to add the following:

- The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
- The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 USC Sec. 101 *et. seq.*).
- The Franchise Agreement and Master Franchise Agreement contain a covenant not to compete that extends beyond the term of the agreement. This provision might not be enforceable under California law.
- The Franchise Agreement and Master Franchise Agreement require litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of action arising under California law.
- The Franchise Agreement and Master Franchise Agreement require application of the laws of a state other than the State of California. This provision might not be enforceable under California law.

- The Franchise Agreement requires binding arbitration. The arbitration will occur at the forum indicated in ITEM 17 with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.
- The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- The following URL address is for the franchisor's website:

www.autolabusa.com

FRANCHISOR'S WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT www.dfpi.ca.gov.

4. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

FOR THE STATE OF CONNECTICUT

1. ITEM 3 is amended to read as follows:

- Neither the Franchisor nor any person identified in ITEMS 1 or 2 above has any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, business opportunity law, securities law, misappropriation of property or comparable allegations.
- Neither the Franchisor nor any other person identified in ITEMS 1 or 2 above has during the ten (10) year period immediately preceding the date of this Disclosure Document, been convicted of a felony or pleaded *nolo contendere* to a felony charge or been held liable in any civil action by final judgment, or been the subject of any material complaint or other legal proceeding where a felony, civil action, complaint or other legal proceeding involved violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, business opportunity law, securities law, misappropriation of property or comparable allegations or which was brought by a present or former purchaser-investor or which involves or involved the business opportunity relationship.
- Neither the Franchisor nor any person identified in ITEMS 1 or 2 above is subject to any currently effective injunctive or restrictive order or decree relating to the franchise, or under any federal, state or Canadian franchise, securities, business opportunity, antitrust, trade regulation or trade practice law as a result of concluded or pending action or proceeding brought by a public agency, or is a party to a proceeding currently pending in which an order is sought, relating to or affecting business opportunity activities or the seller-purchaser-investor relationship, or involving fraud, including but not limited to, a violation of any business opportunity law, franchise law, securities law or unfair or deceptive practices law, embezzlement, fraudulent conversion, misappropriation of property or restraint of trade.
- Neither Company nor any person identified in ITEM 2 above is subject to any currently-effective order of any national securities association or national securities exchange (as defined in the Securities & Exchange Act of 1934) suspending or expelling these persons from membership in the association or exchange.

FOR THE STATE OF HAWAII

1. The following list reflects the status of our franchise registrations in the states that have franchise registration and/or disclosure laws:

- This registration is currently effective in Illinois, Indiana, Michigan, and Wisconsin.
- This proposed registration is not on file with the States of California, Connecticut, Hawaii, Maryland, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, or Washington.
- There are no states that have refused, by order or otherwise, to register these franchises.
- There are no states that have revoked or suspended the right to offer these franchises.

2. The Franchise Agreement and Master Franchise Agreement have been amended as follows:

- The Hawaii Franchise Investment Law provides rights to the franchisee concerning non-renewal, termination and transfer of the Franchise Agreement. If the Franchise Agreement, and more specifically, Sections 3.2 and 14 and 17 contain a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.
- Sections 3.2.4a and 11.1(3) of the Franchise Agreement and Master Franchise Agreement require franchisee to sign a general release as a condition of renewal or transfer of the franchise. This release shall exclude claims arising under the Hawaii Franchise Investment Law.
- The Franchise Agreement and Master Franchise Agreement contain provisions that terminate the Agreements upon the bankruptcy of the franchisee and may not be enforceable under federal bankruptcy law (11 USC Section 101, *et. seq*).

3. The Receipt Pages are amended to add the following:

- THIS FRANCHISE 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 COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

- THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, 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 DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

- THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT AND 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.

FOR THE STATE OF ILLINOIS

- For choice of law purposes, and for the interpretation and construction of the Franchise Agreement, the Illinois Franchise Disclosure Act, 815 ILCS 705 governs.
- No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of 3 years after the act or transaction constituting the violation upon which it is based, the expiration of 1 year after the franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to the franchisee of a written notice disclosing the violation, whichever shall first expire.
- Illinois law governs the Franchise Agreement and Master Franchise Agreement (without regard to conflict of laws), and jurisdiction and venue for court litigation shall be in Illinois.
- Any provision in the Franchise Agreement or Master Franchise Agreement requiring a general release is void if the provision requires a waiver of compliance with the Illinois Franchise Disclosure Act.
- Any provision in the Franchise Agreement or Master Franchise Agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void.

ITEM 17 of the Disclosure Document is amended to add the following:

- The conditions under which a franchise can be terminated and your rights upon non-renewal, as well as the application by which you must bring any claims, may be affected by Sections 705/19 and 20 of the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/19 and 705/20.
- The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement or Master Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

FOR THE STATE OF INDIANA

1. ITEM 8 of the Disclosure Document is amended to add the following:
 - Under Indiana Code Section 23-2-2.7-1(4), the franchisor will not obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted by the franchisee.
2. ITEMS 6 and 9 of the Disclosure Document are amended to add the following:
 - The franchisee will not be required to indemnify franchisor for any liability imposed upon franchisor as a result of franchisee's reliance upon or use of procedures or products that were required by franchisor, if the procedures or products were utilized by franchisee in the manner required by franchisor.
3. ITEM 17 of the Disclosure Document is amended to add the following:
 - Indiana Code 23-2-2.7-1(7) makes unlawful unilateral termination of a franchise unless there is a material violation of the Franchise Agreement or Master Franchise Agreement and termination is not in bad faith.
 - Indiana Code 23-2-2.7-1(5) prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.
 - ITEM 17(r) is amended subject to Indiana Code 23-2-2.7-1(9) to provide that the post-term non-competition covenant shall have a geographical limitation of the territory granted to Franchisee.
 - ITEM 17(v) is amended to provide that Franchisees will be permitted to commence litigation in Indiana for any cause of action under Indiana Law.
 - ITEM 17(w) is amended to provide that in the event of a conflict of law, Indiana Law governs any cause of action that arises under the Indiana Disclosure Law or the Indiana Deceptive Franchise Practices Act.

FOR THE STATE OF MARYLAND

1. ITEM 17 of the Disclosure Document is amended to add the following:
 - Under the Maryland Franchise Registrations and Disclosure Law, Md Code Ann Bus Reg §14-201 *et. seq*, no general release shall be required as a condition of renewal, termination and/or transfer that is intended to exclude claims under the Maryland Franchise Registration and Disclosure Law.
 - Any litigation between Franchisee and Franchisor may be instituted in any court of competent jurisdiction, including a court in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
 - Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
 - In the event of a conflict of laws if required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.
 - The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 USC Section 101, *et. seq*).
2. ITEM 23 is amended to add the following:
 - The State of Maryland requires the delivery of the Disclosure Document to be at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

FOR THE STATE OF MICHIGAN

1. 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 prohibition of your right to join an association of Franchisees.
- A requirement that you assent to a release, assignment, novation, waiver or estoppel that deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- A provision that permits us to terminate a franchise prior to the expiration of this term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure the failure after being given written notice of the failure and a reasonable opportunity, which in no event need be more than 30 days, to cure the failure.
- A provision that permits us to refuse to renew a franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures and furnishings. Personalized materials that have no value to us and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the Franchised Store are not subject to compensation. This subsection applies only if: (a) the term of the franchise is less than 5 years, and (b) you are prohibited by the franchise agreement 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 you do not receive at least 6 months advance notice of our intent not to renew the franchise.
- A provision that permits us 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.
- A provision requiring that litigation be conducted outside this state. This shall not preclude you from entering into an agreement, at the time of litigation, to conduct litigation at a location outside this state.

- A provision that permits us to refuse to permit a transfer of ownership of a franchise, except for good cause. The subdivision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - The failure of the proposed transferee to meet our then-current reasonable qualifications or standards.
 - The fact that the proposed transferee is our or Subfranchisor's competitor.
 - The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - Your or proposed transferee's failure to pay us any sums or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.
- A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants us 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 us the right to acquire the assets of a franchise for the market or appraised value and has failed to cure the breach in the manner provided in ITEM 17 (g).
- A provision that permits us to directly or indirectly convey, assign or otherwise transfer our obligations to fulfill contractual obligations to you unless a provision has been made for providing the required contractual services.

2. If our most recent financial statements are unaudited and show a net worth of less than \$100,000.00, you may request that we arrange for the escrow of initial investment and other funds you paid until our obligations, if any, to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At our option, a surety bond may be provided in place of escrow.

3. 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.

4. Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attention: Franchise Bureau
525 West Ottawa Street
G. Mennen Williams Building, 6th Floor
Lansing, MI 48933
(517) 373-7117

FOR THE STATE OF MINNESOTA

1. ITEM 13 of the Disclosure Document is amended as follows:
 - As required by the Minnesota Franchise Act, Minn Stat Sec 80C.12(g), we will reimburse you for any costs incurred by you in the defense of your right to use the Marks, so long as you were using the Marks in the manner authorized by us, and so long as we are timely notified of the claim and given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

2. ITEM 17 of the Disclosure Document is amended as follows:
 - 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 the Agreement.
 - ITEM 17 shall not provide for a prospective general release of claims against us that may be subject to the Minnesota Franchise Law. Minn Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.
 - Minn Stat §80C.21 and Minn Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document, Franchise Agreement, or Master Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

FOR THE STATE OF NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national

securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

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

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

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

7. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

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

8. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

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

FOR THE STATE OF NORTH DAKOTA

1. ITEM 17 of the Disclosure Document is amended to add the following:
 - No general release shall be required as a condition of renewal, termination and/or transfer that is intended to exclude claims arising under North Dakota Law.
 - In the case of any enforcement action, the prevailing party is entitled to recover all costs and expenses including attorneys' fees.
 - The Franchise Agreement and Master Franchise Agreement are amended to state that the statute of limitations under North Dakota Law will apply.
 - ITEMS 17(i) and 17(q) are amended to state that covenants not to compete upon termination or expiration of the Franchise Agreement or Master Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.
 - ITEM 17(v) is amended to state a provision requiring litigation to be conducted in a forum other than North Dakota is void with respect to claims under North Dakota Law.
 - ITEM 17(w) is amended to state in the event of a conflict of laws, North Dakota Law will control.

FOR THE STATE OF RHODE ISLAND

ITEM 17 of the Disclosure Document is amended to add the following:

- The Rhode Island Franchise Investment Act, RI Gen Law Ch 395 Sec 19-28.1-14 provides that a provision in a Franchise Agreement or Master Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.
- Any general release as a condition of renewal, termination or transfer will be void with respect to claims under the Rhode Island Franchise Investment Act.

FOR THE STATE OF WASHINGTON

ITEM 17 of the Disclosure Document is amended to add the following:

- In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
- A general release or waiver of rights signed by you will not include rights under the Washington Franchise Investment Protection Act.
- Provisions that unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act, including the right to a jury trial may not be enforceable.
- Transfer fees are collectable if they reflect our reasonable estimated or actual costs in effecting a transfer.
- The Franchise Agreement and Master Franchise Agreement require any litigation to be conducted in a state other than Washington; the requirement shall not limit any rights Franchisee may have under the Washington Franchise Investment Protection Act to bring suit in the State of Washington.

FOR THE STATE OF WISCONSIN

ITEM 17 of the Disclosure Document is amended to add the following:

- The Wisconsin Fair Dealership Law Title XIV-A Ch 135, Section 135.01-135.07 may affect the termination provision of the Franchise Agreement and Master Franchise Agreement.

EXHIBIT J

STATE EFFECTIVE DATES

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

<u>State</u>	<u>Effective Date or Status</u>
California	
Hawaii	
Illinois	April 29, 2020
Indiana	December 4, 2020
Maryland	
Michigan	December 9, 2020
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	November 18, 2020

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 other seller-assisted marketing plans.

EXHIBIT K

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 we offer you a franchise, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

Iowa, Maryland, New York, Oklahoma and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days you sign a binding agreement or pay any consideration that relates to the franchise relationship.

Michigan, Oregon, Washington and Wisconsin require that we give you this disclosure document at least 10 business days before you sign a binding agreement or pay any consideration, whichever occurs first.

If we do 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 applicable state agency.

The name, principal business address and telephone number of each franchise seller offering the franchise *[you should write-in the names of any employees, agents or brokers of the franchisor if you have had significant contact with the person and the person is not otherwise listed]*:

Stephen R. Wilson
6001 North Adams Road
Suite 255
Bloomfield Hills 48304
(248) 994-0206

I received a Disclosure Document with an issuance date of May 3, 2021, which included the Exhibits listed below. For the effective date of this Disclosure Document in states requiring registration of the franchise, see the State Specific Dates on page ii of the Disclosure Document.

	Notice under Michigan Franchise Investment Law	F	List of State Administrators and Agents for Service of Process
A	Financial Statements	G	Brand Standards Manual Table of Contents
B	Area Development Agreement	H	List of Area Developers
C	Confidentiality and Non-Disclosure Agreement and Covenant Not to Compete	I	State Specific Addenda
D	Principal Owner's Guaranty and Assumption of Obligations	J	State Effective Dates
E	Telephone Number Assignment	K	Receipts

Please complete any applicable franchise seller information above and then sign and date this Receipt and mail it or fax it to Stephen R. Wilson at 6001 North Adams Road, Suite 255, Bloomfield Hills 48304, fax number (248) 994-0255.

Dated: _____

[sign]

[print name]

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 we offer you a franchise, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

Iowa, Maryland, New York, Oklahoma and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days you sign a binding agreement or pay any consideration that relates to the franchise relationship.

Michigan, Oregon, Washington and Wisconsin require that we give you this disclosure document at least 10 business days before you sign a binding agreement or pay any consideration, whichever occurs first.

If we do 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 applicable state agency.

The name, principal business address and telephone number of each franchise seller offering the franchise *[you should write-in the names of any employees, agents or brokers of the franchisor if you have had significant contact with the person and the person is not otherwise listed]*:

Stephen R. Wilson
6001 North Adams Road
Suite 255
Bloomfield Hills 48304
(248) 994-0206

I received a Disclosure Document with an issuance date of May 3, 2021, which included the Exhibits listed below. For the effective date of this Disclosure Document in states requiring registration of the franchise, see the State Specific Dates on page ii of the Disclosure Document.

	Notice under Michigan Franchise Investment Law	F	List of State Administrators and Agents for Service of Process
A	Financial Statements	G	Brand Standards Manual Table of Contents
B	Area Development Agreement	H	List of Area Developers
C	Confidentiality and Non-Disclosure Agreement and Covenant Not to Compete	I	State Specific Addenda
D	Principal Owner's Guaranty and Assumption of Obligations	J	State Effective Dates
E	Telephone Number Assignment	K	Receipts

Please complete any applicable franchise seller information above and then sign and date this Receipt and mail it or fax it to Stephen R. Wilson at 6001 North Adams Road, Suite 255, Bloomfield Hills 48304, fax number (248) 994-0255.

Dated: _____

[sign]

[print name]