

## FRANCHISE DISCLOSURE DOCUMENT

Auto-Lab Franchising, LLC  
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This Disclosure Document describes an Auto-Lab Express franchise. Auto-Lab Express franchises will offer quick oil changes, certain routine vehicle maintenance checks, and related products and automotive services we may designate and approve.

The total investment necessary to begin operation of a single unit Auto-Lab Express franchise is from \$119,250 to \$255,500. This includes \$13,750 to \$27,500 that must be paid to the franchisor or its affiliates. If you convert an existing facility to an Auto-Lab Express single unit franchise, the total investment necessary is from \$57,000 to \$222,500, which includes \$19,500 that must be paid to the franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient 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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: December 21, 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
<b>How much can I earn?</b>	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 K.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets
<b>Will my business be the only Auto-Lab Express business in the area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be an Auto-Lab Express franchisee?</b>	Item 20 or Exhibit K lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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 SECTION, G. MENNEN WILLIAMS BUILDING, 525 W. OTTAWA STREET, P.O. BOX 30212, LANSING, MICHIGAN 48909, TELEPHONE (517) 335-7576.

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## **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 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 N. Adams Road, Suite 255, Bloomfield Hills, Michigan 48304. We are wholly owned by Wilson Holdings, L.L.C., a Michigan limited liability company (“Parent”). Our Parent’s principal place of business 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 an Auto-Lab Express.

We operate under our corporate name, “Auto-Lab,” and the “Auto-Lab Express” name. Our agents for service of process are disclosed in Exhibit I. 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 and sell full service “Auto-Lab Complete Car Care Centers” single-unit franchises and “Auto-Lab Complete Car Care Centers” area representative franchises under separate franchise disclosure documents. We do not currently have any other business activities. Except for the sale of full service “Auto-Lab Complete Car Care Centers” single-unit and area representative franchises, we have not offered franchises in other lines of business. We currently do not have any affiliates that provide products or services to our franchisees or that offer franchises in any line of business.

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 “Auto-Lab Complete Car Care Centers” franchises. Our Predecessor did not offer or sell Auto-Lab Express franchises. Our Predecessor never offered franchises in any other line of business.

### **Franchisor’s Business**

We are offering, under the terms of this disclosure document, the opportunity to become a franchisee and to develop and operate an Auto-Lab Express franchise. Auto-Lab Express franchises provide consumers a range of quick-service automotive maintenance services, including full service engine oil changes, oil, air, and cabin filter checks and changes, battery and wiper blade checks and replacement, air conditioning checks and recharges, headlight and taillight checks and replacement, belts and hoses checks and replacement, oil and fuel additives, coolant flush, oil and gas cap checks and replacement, washer fluid and antifreeze checks and replacement, and other quick-service routine automotive maintenance. Auto-Lab Express franchises operate

according to a unique and distinctive system (“System”), whose distinguishing characteristics include distinctive exterior and interior design and layout, procedures and techniques for quick service automotive checks and maintenance. We have described our mandatory standards and recommended operations, specifications and procedures in our confidential set of Brand Standards Manuals (collectively referred to as “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.

Separately, we also offer Auto-Lab Complete Car Care Centers® single unit franchises and area representative franchises. Auto-Lab Complete Car Care Centers® outlets offer consumers a wider range of parts and services than Auto-Lab Express outlets, including comprehensive automotive and engine analysis for all makes and models of cars, SUVs, and light-duty trucks. Auto-Lab Complete Car Care Centers® franchises are offered under the terms of a separate disclosure document, franchise agreement, and area representative agreement than Auto-Lab Express franchises.

### **The Auto-Lab Express Single Unit Franchise and Conversion**

The Auto-Lab Express single unit franchise (“single unit franchise” or “Franchise Store”) is a business offering quick-service automotive checks and maintenance services. You will typically operate your Franchise Store in a stand-alone building or in a retail location that contains several related, non-competitive auto service businesses. The Franchise Store must operate under the Auto-Lab Express trademarks, which are described in Item 13 (“Trademarks”) and in accordance with our standards and specifications (our “System”). You acquire the right to operate a Franchise Store by signing our standard Franchise Agreement (see Exhibit B).

We also offer an existing independently operated quick-service automotive maintenance 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 (see Items 5, 6 and 7).

Your franchise may be located within a geographical area allocated to an area representative. If this is the case, the area representative may perform some of the following services on our behalf: (i) solicit prospective franchisees and, as we request, assist in the franchise sales process (“sales services”); (ii) perform certain site acquisition and development services (“site services”); (iii) perform certain pre-opening training services (“training services”); and (iv) render compliance and enforcement services for and on behalf of us, and provide additional marketing, operational, training and field support services to franchisees (“support services”). Area representatives are not authorized, and area representatives’ sales services do not include the right to approve prospects as Auto-Lab Express franchisees, offer or sell franchises, or negotiate or sign franchise agreements on our behalf. Area representatives are not party to contracts between us and you. The full disclosures required for area representatives are contained in a separate Franchise Disclosure Document.

## **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 services 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), other quick lube or quick-service automotive maintenance stores or operations (both independent and franchised), full service automotive repair shops (both independent and franchised), and other similar businesses. The nature of certain types of maintenance services may vary with the season (i.e. antifreeze in the winter and air conditioning in the summer) but, on the whole, the automotive quick 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**

Many areas of law or regulation may affect your specific industry and business apart from general business regulations, including those laws or regulations regulating the storage, management and/or disposal of used oil, used (spent) antifreeze, and other automotive products or substances. Your specific state or local authorities may also have their own environmental laws and ordinances that apply to automotive maintenance businesses, such as hazardous and solid waste laws, air emissions laws, occupational safety laws, right to know requirements and used oil and oil filter regulations. You should consult your attorney to see which laws apply. Some laws that may apply to your franchise include the Resource Conservation Recovery Act, 43 U.S.C. 6901 et. seq.; Clean Water Act, 33 U.S.C. 1251 et. seq.; Clean Air Act, 42 U.S.C. 7401 et. seq.; Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601 et. seq.; Occupational Safety and Health Act, 29 U.S.C. 651 et. seq.; and Toxic Substance Control Act 7 U.S.C. 136 et. seq.

Some states require licenses for the operation of quick lube businesses under a Motor Vehicle Repair Shop Act or similar law. A few of these states' laws provide exemptions for quick lube businesses, but still require certain documents to be filed.

## **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 Express 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 actions 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 Auto-Lab Complete Car Care Center 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, 6<sup>th</sup> 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 Auto-Lab Complete Car Care Center 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 a non-refundable initial franchise fee of \$27,500 for a single unit franchise, which is due in full when you execute the Franchise Agreement. If you choose to open additional franchises, the initial franchise fee will be 50% of the initial franchise fee we are offering at that time. If you are an Area Developer, the initial franchise fee will be 50% of the initial franchise fee we are offering at that time. The Initial Franchise Fee for a Conversion is \$19,500 which is due in full when you execute the Franchise Agreement. The initial franchise fee is fully earned by us when you sign the Franchise Agreement and is not refundable under any circumstances.

## ITEM 6--OTHER FEES

If you purchase a single franchise, you will or may incur the following additional fees.

Type of Fee	Amount	Due Date	Remarks
Royalty <sup>(1)</sup>	6% on weekly Gross Sales. (Note 1)	Payable weekly by electronic funds transfer	“Gross Sales” includes all revenue generated at Franchise Location.
Regional or National Advertising <sup>(2)</sup>	Up to 3% of weekly Gross Sales	Every other week with the Royalty Fee see Item 11 for more detailed discussion	See Note 1, Note 2
Local Advertising <sup>(3)</sup>	6% of Gross Sales		See Note 3
Targeted Marketing Fee <sup>(4)</sup>	Up to \$500 per month	1 <sup>st</sup> day of each month	See Note 4
Software Licenses <sup>(5)</sup>	\$250 per month	When invoiced	See Exhibit G
FAST START	\$11,500	When you order your computer system	Note 6
Additional Training/Assistance <sup>(7)</sup>	\$600 per day per trainer, plus expenses	When performed	We perform initial training program for free. Item 11 (Note 7)
Late Charge <sup>(8)</sup>	1.5% per month or maximum legal rate, whichever is lesser amount	When billed	Payable if you make payments late
Audit	Cost of audit <sup>(9)</sup> , plus Royalty and Advertising Fees due on understatements, plus Late Charges	10 days after billing payable to us and non-refundable	Payable if 2% understatement of gross sales
Vendor and/or Product Approval	\$500-\$1,000 payable to us and non-refundable	When you request approval of a vendor and/or product	See Item 8
Transfer <sup>(10)</sup>	50% of the then initial franchise fee charged to new franchisees	payable to us and non-refundable	You incur no transfer fee if you transfer to a corporation that you control, or to your spouse or children. See Item 17.
Management Fee <sup>(11)</sup>	10% of weekly Gross Sales	paid at the same time as Royalty Fee	See Note 11

Type of Fee	Amount	Due Date	Remarks
Renewal	50% of the initial Franchise Fee for new franchisees	At renewal, payable to us and non-refundable	
Attorneys' Fees <sup>(12)</sup>	Actual expenses	When awarded	See Note 12
Liquidated Damages	4 times the previous year's Royalty	As incurred	You pay us for breach of the franchise agreement, as part of the damages we are due, liquidated damages for our lost future royalties. We are also due all other remedies available in law and equity.
Not-Sufficient Funds Fee <sup>(13)</sup>	\$75.00 per occurrence	When billed	Payable if your account does not contain sufficient funds (Note 13)

Notes:

(1) Royalty is paid to us and is non-refundable. Gross Sales are gross sales for all automotive maintenance services and products you sell to customers less refunds to customers, allowances and sales tax. If you purchase a Conversion, we will discount the Royalty due by 50% for the first year, after which you will pay the same Royalty as all other single-unit franchisees. If your state, or any governmental body in your state, charges us a tax on the Royalty we receive from you, then we require you to pay an additional amount equal to the amount of this tax. This does not apply to any federal income tax we have to pay. You must pay a Royalty on Gross Sales received by you during the entire term of the Agreement and any renewal terms.

(2) This is the amount that you may be required to pay to us as advertising fees for regional or national advertising. We currently do not collect these fees. See Item 11. If collected, these amounts will not be refundable.

(3) You must spend 6% of your annual Gross Sales on advertising in your local market. We may require you to participate in a local advertising cooperative that is established in your Area of Dominant Influence ("ADI"). The advertising cooperative will establish the level of contributions and the contribution to the Advertising Cooperative will be included in your 6% Local Advertising obligation. Each cooperative may determine its own voting procedures; however, each company-owned Auto-Lab in the ADI will be entitled to one vote in any local advertising cooperative. If requested by the Advertising Cooperative, we may collect your contributions with your Royalty Payments and pass these collections through to the Advertising Cooperative. If we assist in the administration of an Advertising Cooperative, we will charge and collect a management fee equal to 15% of the contributions owed to the Advertising Cooperative.

(4) You must pay us a monthly targeted marketing fee for targeted display advertising and marketing on the internet. Currently the monthly fee is \$100.00. We reserve the right to charge up to \$500.00 per month. This fee is not refundable.

(5) You must purchase from us the right to use the Auto-Lab Business Management System (ALBMS®) and all updates as they are developed and such amounts are non-refundable.

ALBMS® performs invoicing, inventory control, accounting, customer database management and reporting functions. ALBMS® is proprietary to us, and you must sign a separate software license agreement for its use and use it only in accordance with the license agreement's terms. See Exhibit G. You are charged \$250.00 monthly to use the ALBMS®, which rate may increase from time to time as we determine in our discretion.

(6) You must purchase from us the Auto-Lab "FAST START" computer system, which includes two Desktop PCs, CD-Rewritable Drive, monitors, printers, cash drawer, router and additional software, supplies and related services. This computer will run business software and will allow you to use our Auto-Lab Business Management System ("ALBMS®"). This computer will have Next Day Parts & Labor On-Site 1 Year Warranty. Except for this warranty, neither we, nor any affiliate or third party has any obligation to provide ongoing maintenance, repairs, upgrades or updates. You are obligated to upgrade or update the computer system during the term of the franchise if we specify and there are no contractual limitations on the frequency or cost of that requirement.

(7) We do not collect any fee beyond the initial franchise fee for the initial 30-day training program. See Item 11. If we determine, in our sole discretion, that your operations need additional training, or if you ask us to perform additional training, we will charge you a per diem fee per trainer as adjusted from time to time as we determine in our discretion (currently \$600), plus expenses, payable to us and non-refundable. We may also offer refresher courses and seminars to keep you up to date, and you must attend these refresher courses at no extra charge to you. You will, however, be responsible for all travel, lodging, meal, and other personal expenses. We currently do not mandate refresher courses but we do provide them sometimes at your site at no extra charge to you.

(8) Interest begins after the due date of payment, payable to us and non-refundable.

(9) We estimate the cost of the audit to range between \$2,500 and \$5,000.

(10) We will provide training to the transferee similar to the initial training we provide you.

(11) We may manage your business on a temporary basis if you request us to do so. The management fee is payable to us and is non-refundable.

(12) The Franchise Agreement provides that the prevailing party in any dispute will be paid its attorneys' fees.

(13) You must make payments by electronic funds transfer. If your account does not contain sufficient funds for your required payments, or if you otherwise provide payment with an instrument that is returned for insufficient funds or if the funds are not otherwise immediately available to us, you will pay us \$75.00 per occurrence.

**ITEM 7--ESTIMATED INITIAL INVESTMENT  
YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>New Single Unit Amount</b>	<b>Conversion Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Initial Franchise Fee (Note 1)	\$13,750 to \$27,500	\$19,500	Lump sum	Franchise Agreement execution	Auto-Lab
Equipment (Note 2)	\$50,000 to \$100,000	\$0 to \$75,000	Lump sum or monthly payments	Before opening	Third party vendors
Inventory (Note 3)	\$10,000 to \$15,000	\$10,000 to \$15,000	Lump sum or monthly payments	Before opening	Third party vendors
Leasehold Improvements (Note 4)	\$15,000 to \$50,000	\$15,000 to \$50,000	Lump sum	Before opening	Third party vendors
Training Expenses (Note 5)	\$3,000 to \$5,000	\$0 to \$5,000	As incurred	As incurred	Third party vendors
Pre-Opening Expenses (Note 6)	\$10,000 to \$20,000	\$10,000 to \$20,000	As incurred	As incurred	Third party vendors
Real Estate Costs (Note 7)	\$0 to \$15,000 (3 months)	\$0 to \$15,000	As incurred	As incurred	Third party vendors
Additional Funds (3 months) (Note 8)	\$15,000 to \$20,000	\$0 to \$20,000	As incurred	As incurred	Third party vendors
Insurance (3 months) (Note 9)	\$2,500 to \$3,000	\$2,500 to \$3,000	As arranged	Before opening	Insurance (3 months, we approve)
<b>TOTAL</b>	<b>\$119,250 to \$255,500 (Note 10)</b>	<b>\$57,000 to \$222,500</b>			

Our estimate of your initial investment to develop a single unit franchise is described in the table above. The estimate covers the period before the opening of your franchise and includes a category for additional expenses you may incur during the initial three month phase after the opening of your franchise. The estimate does not include an owner's salary or draw. The estimates also do not reflect an amount for investment in real estate, since it is assumed that you will lease your premises. We urge you to retain the services of an experienced accountant or financial adviser in order to develop a business plan and financial projections for your franchise.

Your actual investment may vary depending on local conditions peculiar to your geographic area or market, for example, real estate demand, availability and occupancy rates. Additional variables that may impact your initial investment may be: the size of your facility; age of the structure; length of your lease or other instrument granting you the right to occupy the premises; if your space is to be built out by the landlord with no initial out-of-pocket costs to you;



lease arrangements; location in the market; whether you are converting existing premises and whether in the same business; costs of demolishing existing leasehold improvements; construction costs; other variable expenses and whether you currently hold a lease for an acceptable location.

You should consider having additional sums available, whether in cash or through a bank line of credit, or have other assets that you may liquidate or against which you may borrow to cover other expenses and any operating losses you may sustain, whether during your start-up or thereafter.

Notes:

(1) As more fully described in Item 5, you pay this amount to us. You are not entitled to a refund once you sign the Franchise Agreement.

(2) The cost of the equipment package may range from \$50,000 to \$100,000. The equipment cost may be substantially reduced if you purchase a Conversion and your entire equipment package meets our specifications. The equipment package will primarily consist of various components needed to service vehicles. In addition, the equipment package includes the purchase of certain computer hardware and software, which must comply with our "FAST START" specifications described in Item 11, and the associated first 3 months of software licensing fees. For a Conversion we provide the "FAST START" as part of your Initial Franchise Fee. While we do not guarantee you can purchase these items at the above price, we believe this amount is a reasonable price at the time of this Franchise Disclosure Document. The equipment must meet our specifications and be purchased from approved Vendors. You are responsible for financing. We anticipate you will not be able to get a refund for any payments you make for equipment to third party vendors.

(3) You must purchase your inventory from Vendors we approve, and must have an adequate inventory to ensure you can perform the services offered to your customers, and to sell related merchandise to them. The exact amount of investment in inventory will depend on the type of location you operate and the nature of your trade area.

(4) You must comply with our specifications relating to leasehold improvements. Under certain circumstances, you may have to make minimal leasehold improvements, such as in the conversion of an existing facility. In other instances, you will have to make a substantial investment in leasehold improvements to get the premises in compliance with our appearance and operational standards. For this reason, we have included a wide range of expected costs in the table above. For a Conversion, up to \$5,000 of your signage expense is included in your Initial Franchise Fee.

(5) Training costs will vary depending upon where you live, the type of transportation you use, where you stay, whether you incur payroll expense and any other personal expenses. We assume that we will provide training to only 1 person.

(6) Pre-opening expenses will vary among franchisees depending on lease and utility deposits; pre-opening payroll costs; professional fees; business licenses and permits; fixtures; signage; insurance; any additional leasehold expenses that may be needed, any additional site selection

expenses; out-of-pocket costs for travel, lodging and meals; more than one visit from us to approve your proposed site; and printing costs and media expenditures during the first few months of operation. We require you to spend \$3,500 on grand opening advertising, which amount is included in this estimate of pre-opening expenses. No expenditures from the pre-opening expense component will be refundable unless for deposits and on terms negotiated with third party Vendors.

(7) You do not have to invest in or purchase real property. If you do, your real estate costs could be significantly higher. You must, however, obtain a lease for the franchised location unless you already own the property. The rental rate and the term of the lease are negotiable based upon the location and building size to be used. We anticipate the monthly rental rate may range from \$2,500 to \$4,000 per month for a location containing from 2,500 to 4,000 square feet of rentable space. You will normally sign a lease after signing the Franchise Agreement.

(8) We estimate you may need an additional \$15,000 to \$20,000 to operate the business during the initial 3-month period after you start your business. This should cover fixed expenses that you will incur such as payroll, utilities, telephone, advertising, and financing costs during that initial period. This figure also includes the first 3 payments for the monthly Targeted Marketing Fee, which is currently \$100, and the monthly High Level Marketing Fee in the amount of \$125. This fee is for the operation and maintenance of a separate full-service micro-website and domain name for your Franchise Store. We own the domain name and it is operated and maintained in conjunction with our main corporate website. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your Franchise Store. 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 Express franchisees; the prevailing wage; competition; and the sales level reached during the initial period.

(9) You must obtain and maintain, for the life of your Franchise Store, insurance coverage at levels provided in the Manual, which may change periodically. At present, you must obtain Comprehensive General Liability Insurance including product liability coverage for bodily injury and property damage for an amount not less than \$1,000,000 per occurrence, with \$2,000,000 aggregate; Owned, Non-Owned and Hired Automobile Liability Insurance for an amount not less than \$1,000,000, combined single limit; Building, Personal Property and Leasehold Improvements Insurance, if applicable, under an "all risk" property form with replacement costs endorsement in an amount equal to 100% of the values of these items; Business Interruption Insurance covering earnings on an "actual loss sustained basis" for a minimum of 12 months; or, if "actual loss sustained" coverage is not obtainable, you must obtain Business Insurance (and extra expense) coverage (utilizing a valuation that will include the equivalent of net income before taxes); Workers' Compensation Insurance as required by law; Employer Practices Liability Insurance for amounts not less than \$500,000 per accident, \$500,000 per employee and \$500,000 policy limit; an Umbrella Liability Coverage for an amount not less than \$3,000,000 per occurrence; and Employee dishonesty coverage of not less than \$20,000 per occurrence; money and securities coverage of inside and outside of not less than \$10,000 per occurrence. You must obtain this insurance coverage from a reputable insurance company (with Best's analytical rating of "A" and the financial size category of VIII). You must include Auto-Lab as an additional insured on all applicable policies, protecting Auto-Lab from any liability by reason of ownership, maintenance

or operation by you of your Franchise Store. You must annually provide Auto-Lab with evidence of the required insurance coverage by proper certificates of insurance, and such insurance policies must require the insurer to provide Auto-Lab with not less than 30 days prior written notice of any cancellation, non-renewal or material changes in such policy. The amount estimated for your insurance for the Franchise Store is for approximately 25% of an annual premium. The balance of the annual premium is generally payable over a 9-month period. The cost of insurance will vary based on factors such as physical assets, number of employees, square footage, contents of the business, geographic location and other factors bearing on the risk of exposure.

(10) We relied on our experience in operating a franchise network of Auto-Lab Complete Car Care Center® franchisees to compile these estimates. These estimates are based upon our existing experience in assisting franchisees in our existing markets. If you propose to open in a market other than a market in which we have opened an affiliate-owned or franchise outlet, you may experience significantly different initial investment expenses. You should review these figures carefully with a business advisor before deciding to acquire an Auto-Lab Express franchise. We do not offer financing, directly or indirectly, for any part of the initial investment (see Item 10). The availability and terms of financing depend on many factors, including the availability of financing generally, your credit worthiness and collateral, and lending policies of financial institutions from which you request a loan.

#### **ITEM 8--RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

We may require you to purchase equipment, inventory, products, services, or merchandise from us or a single approved vendor ("Designated Vendor"). You must purchase or lease all equipment, uniforms, apparel, promotional items, fixtures, cash registers and furniture from a vendor approved by us ("Approved Vendor"). Other than "FAST START" and ALBMS®, we do not require you to purchase any category of goods and services from us.

We 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 franchise ("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 an Manual update. We may issue and modify other modifications to the system by revisions to the Manual.

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.

At this time, we require that you purchase “FAST START” and ALBMS® from us and your micro-website, phone systems, and electronic menu boards from Designated Vendors.

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 vendors who can match the exact standards, overall quality and appearance standards required by the Auto-Lab Express 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 Brand Standards Manual, we do not issue these specifications and standards to 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. In 2020, we negotiated purchasing programs with AutoZone, O’Reilly, Snap-on, 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. At this time, no purchasing or distribution cooperatives exist. We do not provide material benefits to our franchisees based on a franchisee'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.

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 Auto-Lab Complete Car Care Centers 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. If you do not use these vendors, you must use vendors approved by us as required in our Manual. 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.

Auto-Lab is the sole vendor of the ALBMS®, which assists you in the operation of your business. The most recent version of the Auto-Lab Business Management System is provided to you with the purchase of your franchise. You must pay a monthly licensing fee pursuant to the Software License Agreement (Exhibit G) for the right to use the system. You must also sign the Software License Agreement attached as Exhibit G. Auto-Lab is also the sole vendor of the "FAST START" computer system described in Item 11. Other than Auto-Lab, there are no vendors to our franchisees in which any of our officers owns an interest.

The cost of equipment and supplies purchased in accordance with our specifications represents approximately 50% of your total cash purchases needed to begin operations. The purchase of required products from approved sources will represent approximately 60% of your overall purchases in operating the Franchise Store.

### ITEM 9--FRANCHISEE'S OBLIGATIONS

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

Obligation	Section of Franchise Agreement	Disclosure Document Item
A. Site selection and acquisition/lease	Article 5.1 of Franchise Agreement	Items 7 and 11
B. Pre-opening purchases/leases	Article 5 of Franchise Agreement	Item 8
C. Site development and other pre-opening requirements	Article 5 of Franchise Agreement	Items 7 and 11
D. Initial and ongoing training	Articles 5.4 and 5.5 of Franchise Agreement	Item 11
E. Opening	Article 5.1 of Franchise Agreement	Item 11
F. Fees	Articles 4, 8 and 10 of Franchise Agreement	Items 5, 6 and 7
G. Compliance with standards and policies/operating manual	Article 6.18 of Franchise Agreement	Item 11
H. Trademarks and proprietary information	Articles 1, 2, 6.12, and 9 of Franchise Agreement	Items 13 and 14
I. Restrictions on products/ services offered	Article 6.15 of Franchise Agreement	Item 16
J. Warranty and customer service requirements	Article 6 of Franchise Agreement	Item 16
K. Territorial development and sales quotas	Article 6 of Franchise Agreement	Items 12 and 17
L. Ongoing product/ service purchases	Article 6.1 of Franchise Agreement	Item 8
M. Maintenance, appearance and remodeling requirements	Articles 3.2.3 and 6.16 of Franchise Agreement	Items 6 and 17
N. Insurance	Articles 6.13 and 21 of Franchise Agreement	Item 7
O. Advertising	Articles 4.3, 4.4, 6.14 and 10 of Franchise Agreement	Items 6 and 11
P. Indemnification	Articles 1.5 and 19 of Franchise Agreement	Item 6

Obligation	Section of Franchise Agreement	Disclosure Document Item
Q. Owner's participation/management/staffing	Article 6.3 of Franchise Agreement	Items 11 and 15
R. Records and reports	Articles 6.9 and 7 of Franchise Agreement	Item 6
S. Inspections and audits	Articles 6.7 and 8 of Franchise Agreement	Items 6 and 11
T. Transfer	Article 11 of Franchise Agreement	Item 17
U. Renewal	Article 3 of Franchise Agreement	Item 17
V. Post-termination obligations	Articles 16 and 17 of Franchise Agreement	Item 17
W. Non-competition covenants	Article 17 of Franchise Agreement	Item 17
X. Dispute Resolution	Article 19 of Franchise Agreement	Item 17

## ITEM 10--FINANCING

We do not offer direct or indirect financing for single unit franchises. 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 franchisee'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

**Except as listed below, Auto-Lab and/or its Area Developers are not required to provide you with any assistance.**

### Pre-opening Assistance

Before you open your business, we or our Area Developer will:

1. Approve the location selected by you in your designated area for your Franchise Store and approve your lease (Franchise Agreement, Article 5.1).

You must have a site approved by us and open for business within 180 days (365 days for new construction) of signing a Franchise Agreement. You cannot open for business until we have approved a location. The initial franchise fee covers any expenses we incur for the first visit during the site approval process. You must reimburse us for our expenses if you request us to make additional visits during the site approval process. We suggest you employ the services of a local real estate broker to identify possible alternatives, in accordance with our site criteria, before our visit. 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 your proposed site. Our site approval process typically takes about 30 days. If you fail to select a site that we approve and open for business within 180 days (or 365

days if applicable) of executing a Franchise Agreement, we may terminate the Franchise Agreement. The initial franchise fee is non-refundable.

2. Provide you with an Approved Vendor List and an Approved Supplies List from which you must purchase or lease all of the equipment and supplies you must use for operation of your Franchise Store. (Franchise Agreement, Article 5.2). See Item 8 of this Franchise Disclosure Document for more detailed discussion.

3. Lend you our Manual to advise you about franchise standards, policies, recommendations, and procedures (Franchise Agreement, Article 5.2). This Manual is confidential and remains our property. We may amend and revise this Manual in our discretion (Franchise Agreement, Article 5.2). The Table of Contents for the Manual is attached as Exhibit J.

4. Conduct an extensive course of instruction that includes pre-training information and assignments that must be completed prior to attending initial training at a designated location that will cover all operating phases of the Franchise Store (Franchise Agreement, Article 5.4). The training program is described in more detail below in this Item under the subheading "Training."

#### Time to open

Typically, it takes between 3 and 6 months to open your business after you sign the Franchise Agreement or first pay any consideration for the franchise. You may have to wait up to a year to open if the site you choose is a location that requires new construction. You must be open within 30 days after you complete our initial training program.

#### Ongoing Assistance

After you open your franchise, we or our Area Representative will:

1. Consult with you regarding approval of vendors (Franchise Agreement, Article 5.3). See Item 8 of this Franchise Disclosure Document for more detailed discussion.

2. Visit your business at any time we deem appropriate to assist you, as well as to conduct compliance audits. We will also offer advice to you regarding any necessary matters via telephone consultation, written communications and periodic meetings. You may ask us about any technical or administrative questions you may have (Franchise Agreement, Article 5.6).

3. Lend you our Manual, and update the Manual to reflect current practices in the industry, as well as our own business methods and procedures (Franchise Agreement, Article 5.2). The Table of Contents for the Manual is attached as Exhibit J.

4. Provide additional assistance in your designated area at your request. The current fee for this assistance is \$600/day, plus out-of-pocket expenses. We reserve the right to adjust the rate as we determine and to schedule such assistance at our convenience. (Franchise Agreement, Section 5.9).

5. Hold non-mandatory workshops, seminars and/or conferences to discuss sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, advertising programs and merchandising procedures. There is no fee, but you must pay all your travel and living expenses. These programs are held at various locations.

### Advertising

We have the right to collect up to 3% of your Gross Sales as an advertising fee to use for regional or national advertising (“Advertising Fees”). We do not currently exercise our right to collect Advertising Fees and did not collect advertising fees in 2020 from our Auto-Lab Complete Car Care Centers® franchisees. All Advertising Fees we collect will be applied to our costs of maintaining, administering, directing and preparing national or regional advertising (including, without limitation, marketing research, public relations activities, marketing programs and initiatives, including, but not limited to, administrative costs and overhead related to the administration or direction of such funds and programs, production and media placement costs, and employing advertising agencies to assist therein); provided, however, that Advertising Fees will not be used to defray our general operating expenses. Advertising Fees will be maintained in a separate account and an annual statement of fund expenditures will be delivered to you on request.

If we begin to collect Advertising Fees, our accounting and marketing personnel will administer the Advertising Fees. In administering the Advertising Fees, we will have no obligation to make expenditures in the area where your Franchise Store is located that are equivalent or proportionate to your contributions or to insure that any particular franchise benefits directly or pro rata from the placement of the advertising. If all of the Advertising Fees are not spent in the year they are collected, we may spend those funds in subsequent years.

Although we are not required to, we may provide advertising materials and services to you, including creative layout and design, flyer(s) and other hard copy material, at our expense. We may charge these expenses to your Advertising Fees if we begin to collect Advertising Fees in the future.

You may develop advertising materials for your own use, at your own cost. We must approve the advertising materials in advance and in writing. Our approval process typically takes about 30 days. Except for requiring our advance written approval, we currently have no restrictions concerning your use of advertising on the Internet or a World Wide Web page.

We occasionally provide for placement of advertising on behalf of the entire Auto-Lab Express System, including you. However, most placement is done on a local basis, typically by local advertising agencies hired by you or advertising cooperatives. We reserve the right to use advertising fees from the Auto-Lab Express System to place advertising in national media (including broadcast, print or other media). Advertising funds are used to promote the products and services sold by you, but not to sell additional franchises.



You must also participate in Local Advertising to market your Franchise Store in your local market (See Item 6). If you fail to spend the required amount in Local Advertising, we may collect the difference as additional Royalty or, if applicable additional Advertising Fees.

If an Advertising Cooperative exists in the Area of Dominant Influence (“ADI”) where your Franchise Store is located, you must participate in the local advertising cooperative. The amount of your contribution to the local advertising cooperative is described in Item 6 under “Advertising.” We can establish the local advertising cooperative. Each local advertising cooperative, if one has been established, must adopt written governing documents. A copy of the governing documents of the cooperative for your ADI is available upon request. Each cooperative may determine its own voting procedures; however, each company-owned Auto-Lab will be entitled to one vote in any local advertising cooperative. The cooperative’s members and elected officers administer the cooperative and may delegate the authority to administer the cooperative to us. Advertising cooperatives must prepare quarterly and annual financial statements. Contributions to a local Advertising Cooperative are included in your Local Advertising obligation. If requested by the Advertising Cooperative, we may collect your Local Advertising contributions similar to our collection of Royalties and pass these collections through to the Advertising Cooperative.

#### Computers, Software and Point of Sale Systems

You must purchase from us the Auto-Lab “FAST START” computer system, which includes all-in-one unit Dell computers, Samsung Galaxy tablets, printers, a cash drawer, and an oil change sticker printer with oil change stickers, invoice paper, and business cards. The current cost of the FAST START package is \$11,500. This computer will run business software and will allow you to use our Auto-Lab Business Management System (“ALBMS®”). This computer will have Next Day Parts & Labor On-Site 3 Year Warranty. Except for this warranty, neither we, nor any affiliate or third party has any obligation to provide ongoing maintenance, repairs, upgrades or updates. You are obligated to upgrade or update the computer system during the term of the franchise if we specify and there are no contractual limitations on the frequency or cost of that requirement.

You must use ALBMS® which will perform invoicing, inventory control, accounting, customer data base management and reporting functions for your Franchise Store. This information is stored on our server, which is located at the corporate office. We will have unlimited access to this information. You must allow us to load the ALBMS® onto your computer. You are currently charged \$250 per month to use the system, which may change from time to time as we determine. ALBMS® software programs are proprietary in nature. You must sign the Software License Agreement attached as Exhibit G to use the ALBMS® software.

In addition, you must subscribe to a technical support software called ALLDATA. The technical support service will provide you with specifications for each vehicle you may service. We estimate that the annual cost for this technical support service is approximately \$1,500, which includes software upgrades.

You must have a DSL line or other reliable high speed internet connection to connect to the Auto-Lab main office.

Training

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours or On-The-Job Training</b>	<b>Location</b>
Pre-training	40		Independently by You
Initial Operations	8		Home Office
The Sales Experience	4		Home Office
Sales Application	4		Home Office
Auto-Lab Business Management System	8		Home Office
Business Administration	18	8	Home Office and Your Franchise Location
Store Opening Training		56	Your Franchise Location
Follow Up Visit		8	Your Franchise Location

We provide you an initial training program that covers material aspects of the operation of the Franchise Store and is provided to protect our brand and the Trademarks and not to control the day-to-day operations of the Franchised Store.

Auto-Lab will provide you with pre-training materials that you must complete prior to attending the initial training program, which we administer from our home office and/or at an Auto-Lab location. Currently, you and we mutually agree on the dates for training. 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 do not charge you for the pre-training or initial training program apart from the initial franchise fee. You are responsible for all personal costs associated with training such as travel, living and employee expenses of those persons attending the training. You must attend the training program unless we waive this requirement in writing. To receive a waiver, you must normally establish, to our satisfaction, that you have substantial familiarity with our business methods and systems. This requirement has never been waived.

We may also honor your request for additional training after completion of the initial training program, or we may require that you obtain additional training. In either event, the current charge for this additional training is \$600 per day per trainer, which per diem may increase in the future as we determine in our discretion, in addition to any reasonably related travel and lodging costs incurred by our personnel.

We may offer refresher courses and seminars to keep you up to date, and you will be required to attend these refresher courses at no extra charge to you. The refresher training will be held on an as needed basis, but no more than 2 times per calendar year, and will generally be held in our offices in Bloomfield Hills, Michigan. The frequency with which this refresher training is

conducted will be as needed. You will, however, be responsible for all travel, lodging, meal, and other personal expenses. Currently we do not mandate any refresher courses, but we do provide these courses sometimes at your site for no additional charge.

## **ITEM 12--TERRITORY**

Your franchise will be for a specific location in the designated area specified in your Franchise Agreement (“Designated Area”). We must approve your location. We use geographic considerations, such as streets or highways, mountains, rivers, lakes, etc., demographics of the area, and other pertinent criteria in determining the size of your Designated Area, which will generally consist of a minimum of a 3-mile radius from your Location, depending upon the demographics of the region. You may not relocate your franchise within your Designated Area without obtaining our prior written consent. The factors we consider for relocating franchises are the same factors we consider for your initial location (see Item 11). You do not receive any options, rights of first refusal or similar rights to acquire additional franchises.

Except for the limited rights we grant you in your Designated Area as described below, you will not receive an exclusive territory. You may face competition from other franchises, from outlets that we own, or from other channels of distribution or competitive brands that we control, including Auto-Lab Complete Car Care Centers.

Neither we nor our affiliates will establish or operate units, or grant to any person or entity the right to establish or operate any other Franchise Store within your Designated Area using the Auto-Lab system.

Beginning in the second full calendar year of operation of your Franchise Store, you must, on an annual calendar year basis, achieve annual total Gross Sales of at least \$250,000 for the full calendar year in question. If you fail to achieve this minimum sales requirement during a calendar year, we may notify you of the failure within 90 days of the end of the calendar year. If you are notified of a failure to meet the minimum sales requirement, you will be on probation for the calendar year in which you receive the notice. If you fail to achieve the minimum sales requirement again in that calendar year, then we may, by written notice to you, elect to: (a) terminate your Franchise Agreement; or (b) terminate your exclusive rights in your Designated Area.

Except as provided above, you do not have to meet certain sales volume, market penetration or other contingencies to continue your rights in your Designated Area and we do not have the right to modify your Designated Area because of population increases or any other circumstances.

We and our affiliates are not prohibited from establishing or operating, or granting the right to establish or operate, businesses using the Auto-Lab Express System or a similar system outside of your Designated Area, or marketing other products or services that are not a part of the Auto-Lab Express System under dissimilar names and marks within your Designated Area. We reserve the exclusive right to sell prepackaged products or other trademarked items from other locations within your Designated Area, including auto stores, convenience stores or other retail stores, or through other media, such as the Internet, worldwide web, or any other publicly accessible computer network, and we have no obligation to account for, or share, any profits with you. We

reserve all rights not expressly granted in the Franchise Agreement or Area Development Agreement.

We currently and plan to continue to operate and franchise business outlets under the Auto-Lab Complete Car Care Center® trademark and related trademarks licensed for use by Auto-Lab Complete Car Care Centers, which businesses sell goods and services similar to those offered by your business. Auto-Lab Complete Car Care Centers® outlets are full service and diagnostic-oriented automotive repair and maintenance facilities, which offer some of the same or similar services as those offered by your business. These Auto-Lab Complete Car Care Centers® stores may be owned by us or our franchisees and will not accept orders within your Designated Area. If any problems arise due to the proximity of an Auto-Lab Express franchise or a franchise owned, franchised, or licensed by us, we will act as we determine is appropriate under the circumstances. Our principal business address used in connection with Auto-Lab Complete Car Care Centers® stores is the same address stated in Item 1. We do not maintain or plan to maintain physically separate offices and training facilities for Auto-Lab Complete Car Care Centers® franchises.

Your Designated Area does not give you exclusivity of marketing territory or customers. We and other Auto-Lab franchisees can market and sell products and services under the Auto-Lab trademarks to customers located in your Designated Area if those services are not provided from a location in your Designated Area. Although we have not done so in the past, the Franchise Agreement does not prohibit us or our affiliates from selling products under the Auto-Lab trademarks inside or outside your Designated Area through any method of distribution other than a dedicated Franchise Store, including, sales through the Internet, catalog sales, telemarketing, or other direct marketing sales (together “alternative distribution channels”). Although we have not done so in the past, the Franchise Agreement does not prohibit us or our affiliates from selling products under different trademarks inside your Designated Area through alternative distribution channels. You will not receive any compensation if we, our affiliates or franchisees solicit or accept customers or orders from inside your Designated Area.

As long as you provide your services from your franchise location, you are not limited in the area from which you may draw your customers. However, you do not have the right to use alternative channels of distribution to make sales inside or outside of your Designated Area.

### **ITEM 13--TRADEMARKS**

We grant you a non-exclusive license which allows you to use our existing trademarks, service marks and related names, as well as any future trademarks we develop which form a part of the Auto-Lab Express System. By trademark, we mean trade names, trademarks, service marks and logos used to identify your business. You acknowledge you will not assert ownership rights to any trademarks, service or trade names.

The principal trademarks licensed to you under the Franchise Agreement 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, as applicable.

<u>Trademark or Service Mark Principal Register</u>	<u>Registration No.</u>	<u>Serial No.</u>	<u>Date Registered</u>	<u>Filing Date</u>
Auto-Lab® (Standard Character Mark)	3,018,023		11/22/ 2005	
Auto-Lab Business Management System (ALBMS)® (Standard Character Mark)	3,560,272		1/13/2009	
<b>AUTO-LAB Express</b> ® (Design Plus Words, Letters, and/or Numbers)	3,672,591		8/25/2009	
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	
"We Can Do That" (Standard Character Mark)		90,641,108		4/13/2021
"It's A Good Day . . . Savign Our Way!" (Standard Character Mark)		97,148,595		11/30/2021
"Effort Equals Results" (Standard Character Mark)		90,544,036		02/24/2021

The Express 30 trademark listed in the table above is not registered on the USPTO's Principal Register. We also have not received federal registrations for the bottom 3 trademarks listed in the above table. As such, we do not have federal registrations for those principal trademarks. Therefore, those trademarks do not have as many legal benefits and rights as federally registered trademarks. If our right to use any of those trademarks 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 Brand Standards Manual and Franchise Agreement. 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 Franchise Agreement 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 Franchise Agreement 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.

#### **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 Brand Standards Manual and similar materials, although these materials are not registered with the United States Registrar of Copyrights.

Our Brand Standards Manual and other aspects of the Auto-Lab Express 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 Brand Standards Manual and the other aspects of Auto-Lab Express System only as provided in the Franchise Agreement. You may not use our Brand Standards Manual or any other aspect of the Auto-Lab Express 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 Franchise Agreement 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 Franchise Agreement 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**

You do not have to personally supervise your Franchise Store, although we recommend it. The business must be directly supervised “on-premises” by a manager who has successfully completed our training program. The on-premises manager cannot have an interest or business relationship with any of our business competitors. The manager need not have an ownership interest in the franchisee’s business. The manager must sign a written agreement to maintain confidentiality of the trade secret and proprietary information described in Item 14 and to comply with the covenants not to compete described in Item 17. See Exhibit C.

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

You must grant a security interest in all of your assets, equipment, accounts, and other collateral to us and authorize us to file a financing statement to perfect our security interest upon our request.

#### **ITEM 16--RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer and sell only those goods and services that we have approved (see Item 9). You must offer all goods and services that we designate as required for all Auto-Lab Express franchisees. These services currently include full service engine oil changes; oil, air, and cabin filter checks and changes; battery and wiper blade checks and replacement; air conditioning checks

and recharges; headlight and taillight checks and replacement; belts and hoses checks and replacement; oil and fuel additives; coolant flush; oil and gas cap checks and replacement; washer fluid and antifreeze checks and replacement; and other quick-service routine automotive maintenance. Parts, supplies and equipment used in your Franchise Store must be approved by us (see Item 8). We have the right to add additional authorized products and services that you must offer. There are no limits on our right to do so. You may sell your products and services to any customers, no matter who they are or where they are located, as long as your services are provided from your franchise location (see Item 12). You must not solicit customers through alternative distribution channels because we have reserved the exclusive right to do so (see Item 12).

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

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

Provision	Section in Franchise or Other Agreement	Summary
A. Length of the franchise term	Article 3	15 years.
B. Renewal or extension of the term	Article 3	If in good standing, you can renew for an additional 10 year period.
C. Requirements for you to renew or extend	Article 3	Sign new agreement, sign release, adopt modifications to premises and pay Renewal Fee. As a condition for renewal, you may be asked to sign a Franchise Agreement with materially different terms and conditions than your original Franchise Agreement.
D. Termination by you	Article 15.2	You can only terminate if we fail to cure default after written notice, giving at least 30 days.
E. Termination by Auto-Lab without cause	None	None
F. Termination by Auto-Lab with cause	Article 14	We can only terminate you with cause.
G. "Cause" defined – curable defaults	Article 14.2, 15.1	You have at least 30 days to cure after written notice: non-payment of fees; misrepresentation of Gross Sales; failure to abide by advertising requirements; failure to comply with governmental requirements; failure to open within 30 days of initial training; failure to effectuate a transfer after death of franchisee; failure to maintain System; and any other material breach.



<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
H. "Cause" defined – non-curable defaults	Article 14.1	Trademark or confidential information misuse; bankruptcy; apportionment of receiver; assignment for benefit of creditors; you dissolve; you demonstrate you are financially incapable; unapproved transfers; felony conviction; you lose any required governmentally issued license; misrepresentation on franchise application, repeated defaults; your failure of 2 or more inspections in any 12 month period; we determine that your continued operation will cause imminent danger to the public health or safety; you close or lose possession of the real estate; you default under other agreements with us, fail to pay taxes, or breach agreements material to your operation; or failure to open for business within specified period.
I. Your obligation on termination/non-renewal	Article 16	Obligations include total de-identification, payment of amounts due; assign telephone number, return all our property, assign lease to us, sell as business assets to us.
J. Assignment of contract by Auto-Lab	Article 12	No restriction on Auto-Lab's right to assign.
K. "Transfer" by you – defined	Article 11	Includes transfer of ownership or assets.
L. Auto-Lab's approval of transfer by franchisee	Article 11	Auto-Lab has the right to approve transfers but consent will not be unreasonably withheld.
M. Conditions for Auto-Lab approval of transfer	Article 11.1-11.6	Purchaser qualifies as franchisee, transfer and training fees paid, purchaser signs new contract and related agreements, training scheduled, release signed by you and Auto-Lab after you are in compliance with terms of contract you sign a release, transferee updates, remodels, and modernizes the Franchise Store within 18 months of transfer. No transfer fee applies for a transfer to your spouse or children.
N. Auto-Lab's right of first refusal to acquire your business	Article 11.8	We can match any offer for your business.
O. Auto-Lab's option to purchase your business	Article 16.7	Upon termination we have 15 days to make an offer if we want to purchase your business.
P. Your death or disability	Article 11.7	Your business must be assigned to qualified franchisee within 120 days.
Q. Non-competition covenants during the term of the franchise	Article 17	No involvement in competing business.
R. Non-competition covenants after the franchise is terminated or expires	Article 17.1	No involvement in competing business for two years within 30 miles of any Auto-Lab (Exhibit C).
S. Modification of the agreement	Article 23.3	By mutual agreement only, but we reserve the right to make changes to Franchise System (see Article 1.4 of Franchise Agreement).

Provision	Section in Franchise or Other Agreement	Summary
T. Integration/merger clause	Article 23.3	Only terms of Franchise Agreement and related agreements are binding. Any other promises may not be 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	Article 19	Except for injunctive proceedings pursued by Auto-Lab, all claims must be arbitrated in Oakland County, Michigan.
V. Choice of forum	Article 19	Litigation must be in Oakland County, Michigan (subject to state law - see any applicable state specific addendum).
W. Choice of law	Article 23.2	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 do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised Auto-Lab Express 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 Stephen Wilson, 6001 N. Adams Road, Suite 255, Bloomfield Hills, MI 48304 ((248) 994-0206), the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20-- OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**Auto-Lab Express Outlets**  
**Systemwide Outlet Summary**  
**For Years 2018 to 2020**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2018	0	0	0
	2019	0	0	0
	2020	0	0	0
Company-Owned	2018	0	0	0
	2019	0	0	0
	2020	0	0	0
<b>Total Outlets</b>	2018	0	0	0
	2019	0	0	0
	2020	0	0	0

**Table No. 1**  
**Auto-Lab Complete Car Care Center Outlets**  
**Systemwide Outlet Summary**  
**For Years 2018 to 2020**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2018	26	24	-2
	2019	24	21	-3
	2020	21	17	-4
Company-Owned	2018	0	0	0
	2019	0	0	0
	2020	0	0	0
<b>Total Outlets</b>	2018	26	24	-2
	2019	24	21	-3
	2020	21	17	-4

**Table No. 2**  
**Auto-Lab Express Outlets**  
**Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor)**  
**For Years 2018 to 2020**

State	Year	Number of Transfers
Michigan	2018	0
	2019	0
	2020	0
<b>Totals</b>	<b>2018</b>	<b>0</b>
	<b>2019</b>	<b>0</b>
	<b>2020</b>	<b>0</b>

**Table No. 2**  
**Auto-Lab Complete Car Care Center Outlets**  
**Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor)**  
**For Years 2018 to 2020**

State	Year	Number of Transfers
Michigan	2018	1
	2019	1
	2020	1
<b>Totals</b>	<b>2018</b>	<b>1</b>
	<b>2019</b>	<b>1</b>
	<b>2020</b>	<b>1</b>

**Table No. 3**  
**Auto-Lab Express Outlets**  
**Status of Franchised Outlets**  
**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
FL	2018	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-
IN	2018	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-
IL	2018	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-
IA	2018	-	-	-	-	-	-	-

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
	2019	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-
MI	2018	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-
TX	2018	-	-	-	-	-	-	-
	2019	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-
<b>Totals</b>	<b>2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table No. 3**  
**Auto-Lab Complete Car Care Center Outlets**  
**Status of Franchised Outlets**  
**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
FL	2018	1	-	-	-	-	-	1
	2019	1	-	-	-	-	-	1
	2020	1	-	-	-	-	-	1
IN	2018	1	-	-	-	-	-	1
	2019	1	-	-	-	-	-	1
	2020	1	-	-	-	-	-	1
IL	2018	0	1	-	-	-	-	1
	2019	1	-	-	-	-	-	1
	2020	1	-	-	-	-	-	1
IA	2018	1	-	-	-	-	-	1
	2019	1	-	1	-	-	-	0
	2020	0	-	-	-	-	-	0
MI	2018	21	1	3	1	-	-	18
	2019	18	1	1	-	-	2	16
	2020	16	-	1	-	-	1	14
TX	2018	2	-	-	-	-	-	2
	2019	2	-	-	-	-	-	2
	2020	2	-	-	-	-	2	0
<b>Totals</b>	<b>2018</b>	<b>26</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>24</b>
	<b>2019</b>	<b>24</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>21</b>
	<b>2020</b>	<b>21</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>17</b>

**Table No. 4**  
**Auto-Lab Express Outlets**  
**Status of Company-Owned Outlets**  
**For Years 2018 to 2020**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
None	2018	-	-	-	-	-	-
	2019	-	-	-	-	-	-
	2020	-	-	-	-	-	-
<b>Totals</b>	<b>2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table No. 4**  
**Auto-Lab Complete Car Care Center Outlets**  
**Status of Company-Owned Outlets**  
**For Years 2018 to 2020**

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

**Table No. 5**  
**Auto-Lab Express Outlets**  
**Projected Openings as of December 31, 2020**

State	Franchise Agreements Signed But Outlet Not Yet Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Arizona	0	0	0
Connecticut	0	0	0
Illinois	0	0	0
Wisconsin	0	0	0
Michigan	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table No. 5**  
**Auto-Lab Complete Car Care Center Outlets**  
**Projected Openings as of December 31, 2020**

State	Franchise Agreements Signed But Outlet Not Yet Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Arizona	1	1	0
Connecticut	4	1	0
Illinois	1	1	0
Wisconsin	1	1	0
Michigan	0	1	0
<b>Totals</b>	<b>7</b>	<b>5</b>	<b>0</b>

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

The names of all current single unit franchisees and the address and telephone number of each of their outlets as well as former franchisees are listed on Exhibit K.

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 Express 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 the Unaudited Financial Statements as of October 31, 2021, and the Audited Financial Statements as of December 31, 2020, December 31, 2019, and December 31, 2018.

## **ITEM 22--CONTRACTS**

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

Exhibit B	Franchise Agreement
Exhibit C	Confidentiality and Non-Disclosure Agreement and Covenant not to Compete (Individual Owner)
Exhibit D	Principal Owner's Guaranty and Assumption of Obligations
Exhibit E	Conditional Assignment of Lease Agreement
Exhibit F	Real Estate Option to Purchase
Exhibit G	Software License Agreement
Exhibit H	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 O. You must date and sign one copy of the Receipt and deliver it to us.



# **EXHIBIT A**

THE INTERIM FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Auto-Lab Franchising LLC  
**Balance Sheet**  
As of October 31, 2021

Oct 31, 2021

**ASSETS**

Current Assets

Total Checking/Savings 70,749.67

Total Accounts Receivable 23,150.77

Other Current Assets

1110 · A/R - Auto-Lab Frch Adv Fee 1,772.29

Total 1200 · Prepaid expenses 10,138.20

Total Other Current Assets 11,910.49

Total Current Assets 105,810.93

Fixed Assets

Total 1400 · Equipment 73,025.08

1490 · A/D - Equipment -56,604.98

Total Fixed Assets 16,420.10

Other Assets

1601 · Deposit - RE Lease (Adams) 2,679.00

1500 · Notes receivable

1589 · Notes Receivable - Interest 24,360.13

1522 · Illinois Master Franchise 128,500.00

1518 · Marshall 11,000.00

1105 · Allowance for doubtful accounts -14,226.95

Total 1500 · Notes receivable 149,633.18

Total 1900 · Intangibles 396,547.35

Total Other Assets 548,859.53

**TOTAL ASSETS 671,090.56**

**LIABILITIES & EQUITY**

Liabilities

Current Liabilities

Total Accounts Payable 21,394.99

Total Credit Cards 4,638.66

Other Current Liabilities

2061 · A/P - Simon Stores Ad Fund Fees 553.00

2111 · Deferred Lease Liability (6001) 13,027.16

2350 · Accrued Payroll 10,290.52

Total Other Current Liabilities 23,870.68

Total Current Liabilities 49,904.33

Long Term Liabilities

2600 · Unearned Revenue (ASC 606) 283,885.47

2605 · Paycheck Protection Program 0.00

Total Long Term Liabilities 283,885.47

Total Liabilities 333,789.80

Total Equity 337,300.76

**TOTAL LIABILITIES & EQUITY 671,090.56**

Auto-Lab Franchising LLC  
**Profit Loss**  
 October 2021

	<u>Oct 21</u>	<u>Jan - Oct 21</u>
<b>Ordinary Income/Expense</b>		
<b>Income</b>		
Total 4200 · Franchise fees	2,372.99	23,729.89
Total 4000 · Royalties, net	54,345.16	505,641.78
Total 4100 · Management fee income	1,772.29	13,639.37
Total 4219 · Other Sales	<u>4,585.65</u>	<u>49,971.24</u>
<b>Total Income</b>	<u>63,076.09</u>	<u>592,982.28</u>
<b>Gross Profit</b>	63,076.09	592,982.28
<b>Expense</b>		
5210 · Franchise Owner Finder's Fee	0.00	0.00
6220 · Charitable Contributions	0.00	0.00
6785 · Security System	114.68	1,146.80
5220 · Fast Start Kit Exp	0.00	6,844.31
5300 · ALBMS Software	2,545.00	25,720.50
5900 · Customer relations/warranty	0.00	158.25
Total 6001 · Marketing/Advert	11,246.21	64,731.61
6100 · Amortization	5,590.00	55,900.00
6200 · Bank charges	638.14	6,469.91
6210 · Bad debt expense	0.00	-1,758.53
Total 6225 · Computer supplies & Internet	1,068.47	11,612.49
6300 · Depreciation	127.39	1,273.90
6350 · Dues, fees & subscriptions	2,209.40	9,097.00
Total 6500 · Insurances	3,335.95	23,297.12
6605 · Meals and entertainment	996.08	9,424.15
66600 · Payroll Expenses	314.00	2,932.16
Total 6700 · Office lease	2,289.02	22,890.20
6710 · Office supplies	126.20	2,712.37
6712 · Office Equipment Leases	582.07	6,113.03
6715 · Postage and freight	0.00	843.39
6750 · Professional services	0.00	0.00
6751 · Accounting and audit	2,400.00	33,410.00
6752 · Legal services	550.00	29,896.11
6770 · Repairs & maintenance	0.00	1,972.47
Total 6782 · Salaries	20,934.34	195,477.44
Total 6795 · Taxes - payroll	1,579.96	17,929.26
Total 6850 · Travel and lodging	0.00	227.00
6890 · Utilities	405.88	3,966.73
Total 6900 · Vehicle expense	<u>1,384.75</u>	<u>11,165.81</u>
<b>Total Expense</b>	<u>58,437.54</u>	<u>543,453.48</u>
<b>Net Ordinary Income</b>	<u>4,638.55</u>	<u>49,528.80</u>
<b>Total Other Income</b>	<u>1,070.83</u>	<u>89,697.57</u>
<b>Total Other Expense</b>	<u>0.00</u>	<u>296.88</u>
	<u>1,070.83</u>	<u>89,400.69</u>
<b>Net Other Income</b>	<u><u>5,709.38</u></u>	<u><u>138,929.49</u></u>



# AUTO-LAB FRANCHISING, LLC

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## FINANCIAL STATEMENTS

*Year Ended  
December 31, 2020*

## AUTO-LAB FRANCHISING, LLC

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## Independent Auditor's Report

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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	<b>\$</b>	<b><u>717,991</u></b>

**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	<b>\$</b>	<b><u>717,991</u></b>

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.

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**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.

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**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

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## 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>\$ 99,875</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	<u>17,416</u>
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

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## 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	<u>\$ 954,504</u>

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

## AUTO-LAB FRANCHISING, LLC

### Statement of Cash Flows

Year Ended December 31, 2018

<b>Cash flows from operating activities</b>	
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)
<b>Net cash provided by operating activities</b>	<b><u>172,659</u></b>
<b>Cash flows from investing activities</b>	
Purchases of property and equipment	(5,500)
Issuance of notes receivable	(3,873)
Collections of notes receivable	36,307
<b>Net cash provided by investing activities</b>	<b><u>26,934</u></b>
<b>Cash flows from financing activities</b>	
Repayment of shareholder note	(81,000)
Member distributions	(24,606)
<b>Net cash used in financing activities</b>	<b><u>(105,606)</u></b>
<b>Net increase in cash</b>	<b>93,987</b>
Cash, beginning of year	<u>346,734</u>
<b>Cash, end of year</b>	<b><u><u>\$ 440,721</u></u></b>

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:

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

<b>Intangible assets</b>	
Trademark	\$ 50,000
Franchise rights	<u>1,006,165</u>
Total	1,056,165
Less accumulated amortization	<u>469,558</u>
<b>Intangible assets, net</b>	<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	18,114
Total minimum payments due	<u>\$ 62,893</u>

### 7. SUPPLEMENTAL CASH FLOWS INFORMATION

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





# **EXHIBIT B**



AUTO-LAB FRANCHISING, LLC

**FRANCHISE AGREEMENT**

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**AUTO-LAB FRANCHISING, LLC  
FRANCHISE AGREEMENT**

THIS AGREEMENT is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, ("Effective Date") by and between Auto-Lab Franchising, LLC, a Michigan limited liability company, (hereinafter referred to as the "Franchisor") and \_\_\_\_\_ (hereinafter referred to as "Franchise Owner").

WITNESSETH:

WHEREAS, Franchisor has spent considerable time and money in originating, establishing and further developing a business system utilizing distinctive décor and certain, confidential business practices and procedures in outlets which offer a range of quick-service automotive maintenance services, featuring our proprietary operations software and offering customers and businesses quick-service automotive maintenance services, including full service engine oil changes, oil, air, and cabin filter checks and changes, battery and wiper blade checks and replacement, air conditioning checks and recharges, headlight and taillight checks and replacement, belts and hoses checks and replacement, oil and fuel additives, coolant flush, oil and gas cap checks and replacement, washer fluid and antifreeze checks and replacement, and other quick-service routine automotive maintenance under the name "Auto-Lab Express<sup>®</sup>", hereinafter collectively referred to as the "Franchise System;" and

WHEREAS, Franchisor is the owner of the Trademark and logo "Auto-Lab", together with any other trademarks, service marks, logos, commercial symbols and any other means of franchise system identification as may be used by Franchisor from time to time, hereinafter collectively referred to as "Trademarks;" and

WHEREAS, Franchisor will continue to improve, alter, adopt, expand and modify such knowledge relative to the methods of conducting the business associated with its Trademarks now in existence and those that might be created at some future date and incorporated into the franchise system; and

WHEREAS, Franchise Owner desires to obtain a franchise to use such Trademarks and Franchise System subject to the terms hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual agreements, covenants and undertakings herein contained and other valuable consideration, the parties hereby agree as follows:

**1. GRANT AND TRADEMARK USE**

Franchisor hereby grants to Franchise Owner, for the term and subject to the conditions set forth in this Agreement, the non-exclusive and non-transferable right to use the Trademarks, logos, and copyrights and the associated Franchise System in the operation of a single Auto-Lab Express facility ("Franchise Store") at a single location within the Designated Area specifically described in Schedule B to this Agreement ("Designated Area"). This license is for Franchise Owner's Franchise Store within the Designated Area only, and does not grant or imply

any area, market or territorial rights in addition to the Designated Area. Franchise Owner agrees that Franchisor and/or its affiliates may engage in any business activity whatsoever in or outside the Designated Area except as Franchisor is restricted by this section 1 of this Agreement, and that this Agreement does not confer upon Franchise Owner any right to participate in or benefit from any such other business activity, regardless of whether it is conducted under the Trademarks or not. Franchisor's rights to engage in other business activities are specifically reserved and may not be qualified or diminished in any way by implication. Franchisor may engage in, or authorize others to engage in, any form of business offering and selling any type of product or service except as restricted by this Section 1. By way of example, Franchisor and/or its affiliates may own, operate or authorize others to own or operate any type of business at any location whatsoever, including within the Designated Area, so long as the other business does not sell under the Trademarks the type of products or services which the Franchise Store offers and sells (except as permitted below). Further, Franchisor and/or its affiliates may own, operate or authorize others to own or operate Franchise Stores, Auto-Lab Express outlets, or Auto-Lab Complete Car Care Centers® outlets at any location outside of the Designated Area, including immediately proximate to the Designated Area. In addition, Franchise Owner understands and agrees that Franchisor and/or its affiliates alone have the right to offer and sell within and outside the Designated Area, and under the Trademarks, any and all products or services and/or their components or ingredients (including those used or sold by the Franchise Store), whether or not a part of the Franchise System, through any method of distribution other than a Franchise Store, Auto-Lab Express outlet, or Auto-Lab Complete Car Care Centers® outlet, situated within the Designated Area including without limitation, such alternative channels of distribution as the internet/worldwide web; any other form of electronic commerce; "800" or similar toll-free telephone numbers; supermarkets, convenience, or auto parts stores; mail order; catalogs; television sales (including "infomercials"); or any other channel of distribution whatsoever except for a Franchise Store, Auto-Lab Express outlet, or Auto-Lab Complete Car Care Centers® outlet. Franchise Owner also understands and agrees that Franchisor and/or its affiliates have the right to offer and sell (directly, or through other franchisees or licensees) Franchise System products and services at any and all nontraditional locations, including nontraditional locations situated in the Designated Area, through the establishments of kiosks, mobile units, or traditional franchise stores in nontraditional locations where Franchise Owner is precluded from engaging in such activity, such as, without limitation, military bases.

Franchise Owner further agrees that, both within and outside the Designated Area, Franchisor and/or its affiliates alone have the right to sell Franchise System products and services to national, regional and institutional accounts. "National, regional and institutional accounts" are organizational or institutional customers whose presence is not confined to the Designated Area, including without limitation, business entities with offices or branches situated inside and outside the Designated Area; governmental agencies, branches or facilities; the military, and any other customer whose presence is not confined to the Designated Area. Only Franchisor has the right to enter into contracts with national, regional and/or institutional accounts (which may include facilities within the Designated Area). If Franchisor receives orders for any products or services calling for delivery or performance in the Designated Area as a result of Franchisor's engaging in commerce with national, regional or institutional accounts, then Franchisor has the right but not the obligation, either to require Franchise Owner to fulfill such orders at the price agreed upon with the customer or to give Franchise Owner the opportunity to fulfill such orders at the price agreed upon with the customer. If Franchisor gives Franchise Owner the opportunity to fulfill such

orders and if, for any reason, Franchisor does not desire to or cannot serve the customer, or if the customer desires for any or no reason to deal exclusively with Franchisor or another franchise store, and not with Franchise Owner, then Franchisor or any other franchise store may serve the customer within the Designated Area, and you will not be entitled to any compensation. The procedures governing the national, regional and institutional accounts program are set forth in the Manual.

Franchise Owner also agrees that Franchisor may purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business' facilities, and that following such activity Franchisor may operate, franchise, license those other businesses and/or facilities under any names or marks other than (while this Agreement is in effect) the Trademarks, regardless of the location of these businesses and/or facilities, which may be within the Designated Area or immediately proximate to the Designated Area.

Franchise Owner waives and releases any claims, demands or damages arising from or related to any of the above activities and promise never to begin or join in any legal action or proceeding, or register a complaint with any governmental entity, directly or indirectly contending otherwise.

Franchise Owner agrees to use the Trademarks associated with the Franchise System only as authorized in writing by Franchisor and not to infringe upon Franchisor's rights to use and license others to use the Trademarks and other confidential information licensed as part of the Franchise System nor claim any ownership right to the goodwill associated therewith. This Agreement does not grant any right to use the name AUTO-LAB or other trade names, trademarks or logos of Franchisor at any other location or for any other purpose. Such use must be approved by Franchisor in a separate, written and executed document.

Franchisor and its affiliates shall not establish or operate units, or grant to any person or entity the right to establish or operate any other Franchise Store or Auto-Lab Complete Car Care Centers® store within Franchise Owner's Designated Area using the Franchise System or Auto-Lab Complete Car Care Centers® system. Nothing contained in this Agreement shall prevent Franchisor or its affiliates from establishing or operating, or granting the right to establish or operate, businesses using the Franchise System or a similar system outside of Franchise Owner's Designated Area, or marketing other products or services that are not a part of the System under dissimilar names and marks within Franchise Owner's Designated Area. Franchisor expressly reserves the exclusive right to sell prepackaged products or other trademarked items from other locations within your Designated Area, such as, without limitation, auto stores, convenience stores or other retail stores, or through other media, such as the Internet, worldwide web, or any other publicly accessible computer network, and Franchisor has no obligation to account for, or share, any profits with Franchise Owner. Franchisor reserves all rights, title and interest to any domain names that include any part of Franchisor's names or Trademarks.

Franchise Owner acknowledges that goodwill associated with the Trademarks results from uniformity in operation and quality service. This quality and uniformity can be achieved only by the adherence by all franchise owners to a consistent plan of operation. To this

end, Franchise Owner agrees to follow those procedures set forth by Franchisor in the initial training program, ongoing assistance, and the Manual. Franchise Owner acknowledges and agrees that all goodwill associated with Franchisor's Trademarks, including any goodwill that might be deemed to have arisen through Franchise Owner's activities, inures directly and exclusively to the benefit of Franchisor and is the sole and exclusive property of Franchisor, except as otherwise provided herein or by applicable law.

Franchise Owner agrees that, from time to time, Franchisor may reasonably change or modify the Franchise System including, but not limited to: (i) the implementation of new or modified operating procedures and standard franchise policies or (ii) the modification or adoption of new or modified trade names, Trademarks, service marks or copyrighted material. Franchise Owner agrees at its sole expense to adopt, use and display any such changes as if they were a part of the Franchise System at the time this Agreement was executed. It is further agreed that Franchisor shall be free to make such changes or modifications without incurring any liability to Franchise Owner.

Franchise Owner shall promptly notify Franchisor of any attempt by any person or business entity to use the Trademarks licensed hereby once Franchise Owner becomes aware of such use. Franchise Owner also agrees to notify Franchisor of any litigation instituted by any person, business entity or governmental agency against Franchise Owner or Franchisor if such litigation involves Franchisor's Trademarks. Franchise Owner acknowledges Franchisor has complete discretion to determine what legal action to undertake in relation to matters referred to in the Article.

In the event Franchisor undertakes the defense or prosecution of any litigation or administrative proceeding relating to these matters, Franchise Owner agrees to do such acts and things as may, in the opinion of Franchisor's counsel, be reasonably necessary to carry out such defense or prosecution. Franchisor shall be responsible for all costs of such litigation or administrative proceeding unless such dispute arises out of Franchise Owner's negligence or willful misconduct. In such instances Franchise Owner shall indemnify Franchisor for all costs, expenses, and damages resulting therefrom.

## **2. BUSINESS NAME OF FRANCHISE OWNER**

2.1 Franchise Owner must register his or her business under an assumed name which has received the prior written approval of the Franchisor. Franchise Owner agrees to send a copy of such registration certificate to Franchisor. If Franchise Owner is a corporation, then such entity shall not use the name AUTO-LAB or other names specified by Franchisor in its corporate name.

2.2 Franchise Owner shall not use the name AUTO-LAB or other trademarks used by the Franchise System in any manner in which the public might confuse the name with a business other than that franchised by Franchisor. Franchise Owner consents to the use of the name AUTO-LAB and other trade names authorized by Franchisor by other franchise owners as well as by the Franchisor.

2.3 In all public records and in Franchise Owner's relationships and dealings with all other persons, Franchise Owner shall indicate that it is an independent business and that it is only

a licensee of Franchisor. Franchise Owner shall prominently indicate on all letterheads, business forms, and the like that it is a licensee of Franchisor by placing thereon language that is in substance the same as the following: “an independently owned and operated licensee of Auto-Lab Franchising, LLC.”

### **3. TERM**

3.1 This Agreement shall continue for a term of fifteen (15) years from the execution date, unless it is terminated in accordance with its terms.

3.2 Upon expiration of the term of this Agreement, Franchise Owner may renew this Agreement for an additional term of ten (10) years if fully satisfies the following conditions:

3.2.1 Franchise Owner must have conducted his or her business in the manner prescribed in this Agreement in order to qualify for renewal of the franchise relationship. Franchisor will not unreasonably deny to Franchise Owner the right to continue as a member of the Franchise System should Franchise Owner properly comply with the terms of this Agreement and other agreements between the parties.

3.2.2 Franchise Owner shall give Franchisor a written notice with a minimum of one hundred twenty (120) days prior to the expiration date of this Agreement regarding his or her intention to renew. Franchisor must respond in writing within thirty (30) days after receipt of the renewal notice by Franchise Owner setting forth any alleged violations which might be grounds for denying Franchise Owner the right to execute a new franchise agreement.

Such notice shall give Franchise Owner sixty (60) days to cure the alleged violations. If Franchise Owner fails to cure such violations within the sixty-day period, Franchisor may rightfully decline to execute a new Franchise Agreement with Franchise Owner. The franchise relationship shall then automatically terminate upon completion of the fifteen (15) year term set forth in this Agreement.

3.2.3 As a condition of renewal, Franchisor may also require Franchise Owner to make such modifications to the premises as necessary to coincide with the format being utilized at the time the new Franchise Agreement is executed as a condition precedent to continuing the franchise relationship. Such modifications will be at Franchise Owner's expense.

3.2.4 If Franchise Owner qualifies for the issuance of new Franchise Agreement as herein provided, then the parties hereto shall execute the Franchise Agreement then in effect for new franchise owners. Franchise Owner shall also execute a release of all claims against Franchisor in a form as approved by Franchisor. Franchise Owner acknowledges such new Franchise Agreement may contain materially different terms than this Agreement. Franchise Owner agrees to surrender this Agreement to Franchisor upon its expiration and execute a mutual release with Franchisor regarding the preceding period of time.

3.2.5 The renewal fee shall be 50% of the Franchise Fee charged by Franchisor at the time that the notice of renewal is given.



#### **4. FEES AND ROYALTIES**

4.1 Franchise Owner shall pay to Franchisor, or persons designated by Franchisor, a non-refundable initial franchise fee (“Initial Franchise Fee”) in the amount of TWENTY-SEVEN THOUSAND FIVE HUNDRED DOLLARS (\$27,500.00). If this Agreement is Franchise Owner’s second or subsequent Franchise Agreement, the Initial Franchise Fee is THIRTEEN THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$13,750.00). If you are an Area Developer, the Initial Franchise Fee is THIRTEEN THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$13,750). The Initial Franchise Fee is due upon execution of this Agreement and shall be deemed fully earned on such execution date.

4.2 Franchise Owner shall pay to Franchisor, or persons designated by Franchisor, a weekly royalty for the use of the Trademarks and know-how amounting to six percent (6%) of all weekly gross sales for the duration of this Agreement (“Royalty”). “Gross Sales” shall be defined to include all revenue generated at the Franchise Store, including all products and services sold to customers less refunds to customers and sales taxes. Gross Sales shall also include the value of any barter transactions. The Royalty must be paid by pre-authorized electronic funds transfer on Monday for the preceding week’s (Monday-Sunday) Gross Sales. Franchise Owner will promptly execute and deliver to Franchisor appropriate pre-authorized check forms (or such other instruments or drafts that Franchisor’s bank requires) payable against Franchise Owner’s bank account, so that Franchisor may electronically collect (draft on Franchise Owner’s account by electronic withdrawal) the Royalty, Advertising Fee (as defined in Section 4.4) and other charges, fees, and required purchases due under this Agreement. Franchise Owner will report to Franchisor by the Monday of each week its Gross Sales for the previous week in a form prescribed by Franchisor. If Franchise Owner’s account has insufficient funds to pay the electronic transfer of Royalty, Advertising Fee, or other charges, fees, or required purchases due under this Agreement, Franchise Owner shall pay a fee to Franchisor of Seventy Five Dollars (\$75.00) per occurrence (“NSF Fee”). If Franchise Owner’s account has insufficient funds to pay the electronic transfer of Royalty, Advertising Fee, or other charges, fees, or required purchases due under this Agreement on two (2) or more occasions in any six (6) month period, Franchisor may terminate this Agreement. If Franchise Owner fails to report its Gross Sales on a timely basis, Franchisor may estimate Franchise Owner’s Gross Sales to prepare a provisional estimate for billing purposes for that week. On Monday of each week, Franchisor will bill Franchise Owner for all amounts due to Franchisor for Franchise Owner’s Royalty, Advertising Fee and other amounts due to Franchisor for the previous week and deposit into Franchisor’s account Franchise Owner’s pre-authorized check or other instrument for the amounts due either pursuant to Franchise Owner’s weekly Gross Sales Report or Franchisor’s estimate. Any unpaid Royalty, Advertising Fee or other amounts past due and owing to Franchisor will bear interest at the rate of 18% per annum or the maximum rate permitted by law, whichever is less. Franchise Owner will pay Franchisor for any and all costs Franchisor incurs in collecting any unpaid and past due Royalty, Advertising Fees, or other amounts due to Franchisor, including without limitation, reasonable attorneys’ fees. Franchise Owner’s weekly Gross Sales Report shall be accompanied by the appropriate state sales tax return if the state where Franchise Owner is located assesses a sales tax. If your state, or any governmental body in your state, charges us a tax on the Royalty we receive from you, then we require you to pay an additional amount equal to the amount of this tax. This does not apply to any federal income tax we have to pay.

4.3 Franchise Owner shall spend a minimum of 6% of its annual Gross Sales for the advertising and promotion of the Franchise Store within Franchise Owner's local market ("Local Advertising"). If Franchise Owner participates in an Advertising Cooperative under Section 10.2 of this Agreement, then all contributions made by Franchise Owner to the Advertising Cooperative will be considered contributions to Franchise Owner's Local Advertising requirements under this section. If Franchise Owner fails to provide Franchisor evidence that Franchise Owner spent the amount required by this Section for Local Advertising in any given calendar year, Franchise Owner shall pay the difference (amount required to be spent on Local Advertising under this Section for calendar year less Franchise Owner's actual Local Advertising expenditure) to Franchisor as an additional Royalty no later than January 31 of each year for the immediately preceding calendar year. Franchisor has no obligation to spend any amount collected from Franchise Owner that Franchise Owner does not spend on Local Advertising in Franchise Owner's local market.

4.4. Franchise Owner agrees to pay Franchisor on a weekly basis, in addition to any payments required under Section 4.3, an amount up to 3% of Gross Sales for the Franchisor Advertising Fund ("Advertising Fee") for national or regional advertising. This fee shall be due at the same time and paid in the same manner as the Royalty.

Franchisor or its designee shall (i) administer such funds, and (ii) direct all national and regional advertising programs and shall have sole discretion to consent to or reject all creative concepts, materials and media and the placement and allocation thereof. Franchisor shall not be a fiduciary to Franchise Owner with respect to the management of such funds. Franchisor and its designees undertake no obligation to (a) make expenditures in the area where the Franchise Store is located which are equivalent or proportionate to Franchise Owner's contribution, or (b) insure that any particular franchise benefits directly or pro rata from the placement of such advertising. Such funds may be applied to Franchisor's costs of maintaining, administering, directing and preparing national or regional advertising (including, without limitation, marketing research, public relations activities, marketing programs and initiatives, including, but not limited to, administrative costs and overhead related to the administration or direction of such funds and programs, production and media placement costs, and employing advertising agencies to assist therein); provided, however, that such funds shall not be used to defray Franchisor's general operating expenses. Any interest accruing to these funds will be used before application of principal. Such funds shall be maintained in a separate account and an annual statement of fund expenditures shall be delivered to Franchise Owner within a reasonable time upon request.

4.5 If Franchisor assumes responsibility for the day-to-day management of Franchise Owner's business, a management fee of ten percent (10%) of monthly Gross Sales shall be paid to Franchisor in addition to any other fees owed to Franchisor. Franchise Owner may request Franchisor to manage such business if Franchise Owner suffers a temporary disability which renders Franchise Owner unable to run the business. The legal representatives of Franchise Owner may ask Franchisor to act as an interim manager until the ownership interest can be transferred to a qualified owner if Franchise Owner dies or becomes permanently disabled.

4.6 Franchisor may engage in targeted marketing campaigns and charge Franchise Owner a monthly fee for the same. The fees, terms, and conditions are provided in the Manual. Franchise Owner must pay this fee for each calendar month by the 1<sup>st</sup> day of the calendar month

in the same manner as Franchise Owner pays its Royalty obligations. Franchise Owner acknowledges that Franchisor may develop new technology from time to time in its discretion and that this fee may increase over time irrespective of whether new technology is developed, as implemented through the Manual. This fee is not refundable.

4.7 Franchise Owner shall purchase from us the Auto-Lab “FAST START” computer system which composition is provided in the Manual. This computer will run business software and will allow you to use our Auto-Lab Business Management System (“ALBMS®”). This computer will have Next Day Parts & Labor On-Site 1 Year Warranty. Except for this warranty, neither we, nor any affiliate or third party has any obligation to provide ongoing maintenance, repairs, upgrades or updates. Franchise Owner is obligated to upgrade or update the computer system during the term of the franchise if we specify and there are no contractual limitations on the frequency or cost of that requirement. The cost of the “FAST START” computer system is provided in the Manual.

4.8 Franchise Owner shall pay a High Level Marketing Fee, which is currently one hundred twenty-five dollars (\$125.00) per month and due on the first day of each month and paid in the same manner as Royalties and Advertising Fees. Throughout the term of this Agreement, Franchisor may implement other system-wide fees, or increase these or other fees as market conditions warrant (as determined by Franchisor in its sole discretion) and Franchise Owner shall pay such fees to Franchisor on the terms as implemented by Franchisor through the Manual.

4.9 Any payments due for the Initial Franchise Fee, Royalties, Advertising Fees or otherwise shall be absolute and unconditional. Franchise Owner shall not delay or withhold the payment of all or part of such fees for any reason or set-off against any alleged claims Franchise Owner may assert against Franchisor.

4.10 Franchise Owner shall remit the full amount of the Royalty and any Advertising Fee applicable to the Gross Sales for each week consistently with this Agreement and the Manual. Franchise Owner shall not make any offset or claim against those fees unless otherwise expressly provided in this Agreement. Payments shall be made by electronic funds transfer.

## **5. FRANCHISOR’S OBLIGATIONS**

Franchisor or a party designated by Franchisor (e.g., an Area Developer) ("Franchisor Designate") shall provide the following services to Franchise Owner during the term of this Agreement. However, Franchisor or Franchisor Designate is not obligated to perform these services to Franchise Owner’s particular level of satisfaction, but as a function of Franchisor’s or Franchisor Designate's experience, knowledge and judgment.

5.1 Franchisor or Franchisor Designate will review the site within Franchise Owner’s Designated Area. Franchise Owner selects a potential location for Franchise Owner’s Franchise Store. Franchisor or Franchisor Designate takes into consideration for approval such things as, without limitation, lease terms, traffic patterns, visibility, demographic profiles, condition of the building, size of space, mix of tenants and the like. Franchise Owner agrees to abide by the site selection procedures adopted by the Franchisor in its Manual. Franchise Owner shall not open without Franchisor’s or Franchisor Designate's prior approval as to the location of the site.

Franchise Owner shall identify a site for the Franchise Store within four (4) months of executing this Agreement. Franchisor or Franchisor Designate shall make one (1) on-site or on-premises visit to review the qualities of Franchise Owner's proposed site, the cost of which is included within the Initial Franchise Fee. Franchise Owner shall, however, reimburse Franchisor or Franchisor Designate for its costs if Franchise Owner requests Franchisor or Franchisor Designate to make more than one (1) visit to the proposed Designated Area to assist in the site selection process or to any site after Franchisor or Franchisor Designate has visited one (1) site in the Designated Area. Franchisor or Franchisor Designate may terminate this Agreement without further obligation if Franchise Owner fails to open for business at a site having the approval of the Franchisor or Franchisor Designate within one hundred eighty (180) days after the execution date of this Agreement or three hundred sixty five (365) days if new construction is required. Franchisor or Franchisor Designate shall approve the opening date of the Franchise Store, in Franchisor's or Franchisor Designate's discretion.

5.2 Franchisor agrees to loan Franchise Owner one set of its Brand Standards Manuals, and other manuals Franchisor may develop (collectively referred to as "Manual" throughout this Agreement) and one set of its standard plans and specifications for the construction of a Franchise Store, which plans may be existing Auto-Lab plans or Franchisor's current prototype ("Plans"). The Manual 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 Manual's contents. The Manual will, among other things, set forth the Franchise System, the operating systems, procedures, policies, methods, standards, specifications and requirements for operating the Franchise Store, and protection of the brand. Franchise Owner agrees to operate the Franchise Store in strict compliance with the Manuals. Franchisor has the right to prescribe additions to, deletions from, or revisions of the Manuals (the "Supplements to the Manual") as Franchisor deems necessary, in Franchisor's discretion, all of which will be considered a part of the Manuals. Franchise Owner must comply with specifications, standards, procedures, and rules prescribed from time to time by Franchisor, including through the Manuals. Franchise Owner shall keep the Manuals and its contents confidential. Franchise Owner will not at any time copy any part of the Manuals, disclose any information contained in it to others, or permit others access to the Manuals. Franchise Owner acknowledges and agrees that Franchisor has the right to prescribe additions to, deletions from, or revisions to the Manuals as Supplements to the Manual in Franchisor's discretion, and Franchise Owner shall implement such Supplements to the Manual as directed by Franchisor. All references to the Manuals in this Agreement will include the Supplements to the Manual. Supplements to the Manual will become binding upon Franchise Owner as if originally set forth in the Manuals, upon being delivered to Franchise Owner. The Manuals and any Supplements to the Manual are material in that they will affect the protection of the brand and operation of the Franchise Store, but they will not conflict with or materially alter Franchise Owner's rights and obligations under this Agreement. The Plans and specifications may need to be altered or modified to meet Franchise Owner's brand protection standards and space requirements which modification will be at Franchise Owner's sole cost and expense. These Plans are not intended to replace engineered stamp and sealed blueprints for the construction of your Franchise Store. Franchisor will deliver the Manual and Plans within a reasonable time after the execution of this Agreement.

5.3 Franchisor or Franchisor Designate shall periodically provide Franchise Owner with an Approved Vendors List and Approved Supplies List. Such lists shall specify, without limitation, the approved architects, contractors, manufacturers, vendors, distributors, inventory, products, fixtures, furniture, equipment, signs, stationery, supplies, uniforms, proprietary apparel, proprietary promotional items, cash registers, computer hardware and software, and services that Franchisor has approved to be carried or used in the Franchise Store. Franchisor may, from time to time, in Franchisor's sole discretion, require that Franchise Owner purchase, use, offer, and/or promote, and maintain in stock at the Franchise Store in such quantities as are needed to meet reasonably anticipated customer demand, certain proprietary products that are manufactured in accordance with our specifications and/or uniquely specified or sourced ("Proprietary Products"). Franchise Owner shall purchase those Proprietary Products from us or a third party designated by us. We shall not be obligated to reveal such specifications for such Proprietary Products, or the terms and conditions of any vendor or other contracts, to you, non-designated vendors, or any third parties. With regard to non-proprietary products, Franchise Owner may use, offer, or sell only such non-proprietary products that Franchisor has specifically authorized and such products must be purchased from an Approved Vendor. Franchisor may revise the Approved Vendors List and the Approved Supplies List from time to time in its sole discretion. Such approved lists will be given to Franchise Owner as Franchisor deems advisable or at Franchise Owner's request.

If Franchise Owner wants to (i) offer for sale at the Franchise Store any brand of product, not then approved by Franchisor, (ii) use any brand material or supply in the operation of Franchise Store that is not then approved by Franchisor as meeting its minimum specifications and quality standards, (iii) purchase any product from a vendor that is not then designated by Franchisor as an Approved Vendor, or (iv) offer any service not then approved by Franchisor, then Franchise Owner must first notify Franchisor in writing and, if requested by Franchisor, submit samples and such other information as Franchisor requires for examination and/or testing or to otherwise determine whether such product, service, material or supply, or such proposed vendor meets its specifications and quality standards. Franchise Owner may be requested to pay a charge not to exceed the reasonable cost of the inspection and evaluation and the actual cost of the test. Franchisor's review is typically completed in thirty (30) days. Franchisor reserves the right, at its option, to re-examine or re-test the facilities and products of any vendor of an approved item and to revoke such approval if such item or vendor fails to continue to meet any of Franchisor's criteria. Franchisor will send written notice of any revocation.

All equipment, signs, fixtures, inventory, products and materials, and other items and supplies used in the construction and operation of the Franchise Store that are not specifically required to be purchased in accordance with Franchisor's Approved Supplies List and Approved Vendors List must conform to the specifications and quality standards established by Franchisor from time to time.

Franchisor approves vendors who can match the exact standards, overall quality and appearance standards required by the Franchise System. Franchisor applies the following general criteria in approving a proposed vendor: (i) ability to make products in conformity with Franchisor's specifications; (ii) willingness to protect the trade secrets of a product without

dissemination to others; (iii) production and delivery capability; (iv) reputation and integrity of vendor; and (v) financial condition and insurance coverage of the vendor.

Franchisor may, in the exercise of its business judgment, enter into supply contracts either for all Stores or a subset of Stores situated within one or more geographic region(s) (each, a “system-wide supply contract”). Franchisor may enter into system-wide supply contracts with one or more vendors or products, services or equipment that all Franchise Stores in a geographic area will be required to purchase, use or sell. If Franchisor does so, then immediately upon notification to Franchise Owner, Franchise Owner and all other franchise stores in the geographic area must purchase the specified product, service or equipment only from the designated vendor. However, if at the time of the notification to Franchise Owner, Franchise Owner is already a party to a non-terminable supply contract with another vendor or vendor for the product, service or equipment, then Franchise Owner’s obligation to purchase from the designated vendor under the system-wide supply contract will not begin until the scheduled expiration (or earlier termination) of the pre-existing contract. Franchisor makes no representation that Franchisor will enter into any system-wide supply contracts or other exclusive supply arrangements or, if Franchisor does so, that Franchise Owner would not otherwise be able to purchase the same products and/or services at a lower price from another vendor. Franchisor may add to, modify, substitute or discontinue system-wide supply contracts or exclusive supply arrangements in the exercise of Franchisor’s business judgment.

Franchisor has the right to retain volume rebates, markups and other benefits from vendors or in connection with the furnishing of vendors. Franchisee shall have no entitlement to or interest in any such benefits.

5.4 Franchisor or Franchisor Designate shall provide up to thirty (30) days of instruction and training at a location chosen by Franchisor or Franchisor Designate in its sole discretion. Such training will instruct the Franchise Owner as to the general aspects of the business and is provided to protect Franchisor’s brand and the marks and not to control the day-to-day operations of the Franchise Store. The initial training will also include information related to customer sales and service techniques; and methods of operating a diagnostic auto repair and maintenance business, including trade secrets and other confidential information. Franchise Owner shall be responsible for all personal costs of training, including payroll expenses, travel, lodging, meals and other incidental expenditures.

5.5 Franchisor or Franchisor Designate shall provide additional assistance within thirty (30) days after completion of such initial training upon request of Franchise Owner. Franchisor or Franchisor Designate agrees to provide such additional assistance and Franchise Owner shall pay Franchisor or Franchisor Designate a per diem charge for each Franchisor or Franchisor Designate staff person as provided in the Manual plus any additional travel, meals and lodging costs associated with the rendering of such assistance. Franchisor or Franchisor Designate reserves the right to adjust the per diem charge in its sole discretion at any time. Furthermore, Franchisor or Franchisor Designate reserves the right to schedule such assistance at its sole convenience.

5.6 Franchisor or Franchisor Designate may visit your Franchise Store at any time in our sole discretion to assist you, as well as possibly to conduct compliance audits. During such

compliance audits, Franchisor or Franchisor's designees have the right at any reasonable time, and without prior notice to: (a) inspect the Franchise Store; (b) observe, photograph, video tape, and/or audio tape the operations at the Franchise Store for any purpose, including marketing; (c) remove samples of products, materials, or supplies for testing and analysis; and (d) interview personnel and customers of the Franchise Store. Franchise Owner agrees to cooperate fully with such activities. Upon notice from Franchisor or Franchisor's designee and without limiting Franchisor's other rights under this Agreement, Franchise Owner shall take such steps as may be necessary to protect the brand and to correct immediately any deficiencies detected during any such compliance audit. If Franchise Owner, for any reason, fails to implement such brand protection standards or correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right and authority (without, however, any obligation to do so) to correct such deficiencies and to charge you a reasonable fee for our expenses in so acting, payable by Franchise Owner immediately upon demand, in the same manner as Franchise Owner pays Royalty. Franchisor or Franchisor Designate may also offer advice to you regarding certain matters via telephone consultation, written communications, and periodic meetings. Provided, however, that neither Franchisor nor Franchisor Designate shall offer any advice or guidance related to any employment issues of Franchise Owner. Any guidance, suggestions, or advice provided to Franchise Owner 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 Franchise Owner in Franchise Owner's sole discretion. Franchise Owner may ask Franchisor or Franchisor Designate about any technical or administrative questions Franchise Owner may have and Franchisor or Franchisor Designate will, if possible, provide these answers by phone or electronic mail. If Franchisor or Franchisor Designate determines that additional assistance is required pursuant to Article 5.5, those provisions will apply.

5.7 Because enhancing the Franchise System's competitive position and consumer acceptance for the Franchise System's products and services is a paramount goal of Franchisor and the Franchise System's franchisees, and because this objective is consistent with the long-term interest of the Franchise System overall, Franchisor may exercise rights with respect to the pricing of products and services to the fullest extent permitted by then-applicable law. These rights may include (without limitation) prescribing the maximum and/or minimum retail prices which Franchise Owner may charge customers for the products and/or services offered and sold at the Franchise Store; recommending retail prices; advertising specific retail prices for some or all products or services sold by the Franchise Store, which prices Franchise Owner will be compelled to observe; engaging in marketing, promotional and related campaigns which you must participate in and which may directly or indirectly impact your retail prices (such as "buy one, get one free" and other discounts); and, otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which the Franchise Store may charge the public for the products and services offered. Franchisor may engage in any such activity either periodically or throughout the term of this Agreement. Further, Franchisor may engage in such activity only in certain geographic areas (cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. Franchise Owner acknowledges and agrees that any maximum, minimum or other prices we prescribe or suggest may not optimize the revenues or profitability of your Franchise Store and Franchise Owner irrevocably waives any and all claims arising from or related to our prescription or suggestion of your Franchise Store's prices.

## **6. FRANCHISE OWNER'S OBLIGATIONS**

Franchise Owner hereby agrees to abide by the following requirements:

6.1 Franchise Owner shall purchase all equipment, supplies, merchandise, and other items used in connection with its Franchised Store from Approved Vendors that have been approved by Franchisor. If Franchise Owner wants to use any supplies not on the Approved Supplies List or a Vendor not on the Approved Vendor List, Franchise Owner must secure Franchisor's prior written approval before such use.

6.2 Franchise Owner shall construct its Franchise Store consistent with the Plans as modified by Franchise Owner and approved by Franchisor. Franchise Owner shall install signage as required by the Plans and Manual as approved by Franchisor. This Agreement is expressly conditioned upon Franchise Owner's ability to secure and maintain, at Franchise Owner's sole cost and expense, any and all required state, county, city and/or local licenses required for the construction and operation of the Franchise Store (collectively "Licenses"). After Franchise Owner has secured the required Licenses, Franchise Owner shall thereafter comply with all applicable laws and regulations pertaining to the development and operation of the Franchise Store. If operations pursuant to this Agreement or the Manual are suspended or prohibited for more than thirty (30) consecutive days as a result of Franchise Owner's failure to comply with applicable laws and regulations relating to any License, then Franchisor may, in its sole discretion, terminate this Agreement upon ten (10) days prior written notice to you. Franchise Owner must operate the Franchise Store in full compliance with all applicable laws, ordinances and regulations, including without limitation, those related to occupational hazards and health, worker's compensation insurance, unemployment insurance and withholding and payment of federal and state income taxes and Social Security taxes, trade name and advertising restrictions, building codes, and handicap access. Franchise Owner is solely responsible for determining and addressing all safety concerns relating to the condition of the Franchise Store and surrounding areas, the operation of any vehicles in connection with the Franchise Store, and otherwise. Franchise Owner must notify Franchisor in writing immediately upon (a) the commencement of any legal or administrative action, or the issuance of an order of any court, agency or other governmental instrumentality that may adversely affect the development, occupancy or operation of the Franchise Store or Franchise Owner's financial condition; or (b) the delivery of any notice of violation or alleged violation of any law, ordinance or regulation, including those related to health, safety, or operation of an automotive repair facility.

6.3 Franchise Owner shall attend the training program prior to the opening of Franchise Owner's business, or designate one (1) or more other people who will be engaged in the operation of the Franchise Store to attend the training. The Initial Franchise Fee pays for the right to attend such training. Franchise Owner shall, however, be solely responsible for all personal expenses related to the training program such as payroll, travel, meals and lodging.

6.4 Franchise Owner is exclusively and solely responsible for determining the essential terms and conditions of employment for each of Franchise Owner's employees. Franchise Owner will be exclusively and solely responsible for recruiting and hiring the personnel that Franchise Owner employs to operate the Franchise Store. Franchise Owner 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 Franchise Owner or Franchise Owner's employees be deemed to be employees of Franchisor or its affiliates. Franchisor will have no right or obligation to direct Franchise Owner's employees. Franchisor does not have direct or indirect control of - or the right or authority to control - Franchise Owner's day-to-day operations or employment related decisions. In order to protect the Franchise System, Franchise Owner 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 Franchise System and, while on duty, comply with the dress attire, personal appearance and standards set forth in the Manual. In order to protect the Franchise System, Franchisee shall use its best efforts to ensure that its employees maintain a neat and clean appearance and render competent and courteous service to all customers and fellow employees of the Franchise Store. Franchise Owner shall be exclusively and solely responsible for ensuring that its employees fully understand that they are employed by Franchise Owner and are not employed by Franchisor.

6.5 Franchise Owner shall sign and have all employees sign the Non-disclosure Agreement which mandates confidentiality of all trade secrets and other proprietary information disseminated in the training class or through other means such as Manual and technical bulletins. Article 9 further delineates these confidentiality requirements.

6.6 Franchise Owner shall operate only at a specific location which has received the prior written approval from Franchisor. Although Franchisor will provide assistance in the site selection process, it is Franchise Owner's ultimate responsibility for site identification, selection and acceptance; for the construction, acquisition or leasing of a suitable building; for obtaining zoning and other use permits; for purchasing signs and equipment; for making any necessary improvements to the premises; for hiring employees; and for doing any other acts which are necessary or incidental to commencing operations. The structure within which Franchise Owner shall operate at the designated address shall be constructed and or improved by Franchise Owner in compliance with such standards as Franchisor shall require in order to achieve uniformity of appearance.

Franchisor's or Franchisor Designate's approval of a site is not a representation of the commercial value of the location or the building or the success of the Franchise Store, which are all hereby disclaimed. Franchisor or Franchisor Designate does not guarantee the term of the lease or sublease will be of the same length as this Agreement. In the event the site becomes unusable for the Franchised Store, Franchise Owner must obtain Franchisor's or Franchisor Designate's prior written approval for a new location. Franchisor or Franchisor Designate agrees not to unreasonably withhold such consent. Unless Franchisor or Franchisor Designate gives such approval, this Agreement shall terminate upon the conclusion of Franchise Owner's operation at the original location.

If Franchise Owner executes a lease for the site, such lease shall contain the following provisions:

1. Reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of this Agreement;
2. Granting Franchisor the right to take an automatic assignment if Franchise Owner defaults under the lease, in which case Franchisor shall not be responsible or liable for Franchise Owner's defaults nor be required to cure the same;
3. Permitting Franchise Owner to assign the lease to Franchisor at any time;
4. Requiring the Landlord of the premises to provide Franchisor all sales and other information lessor may have related to the operation of the Franchise Store, as Franchisor may request;
5. Requiring the Landlord concurrently to provide Franchisor with a copy of any written notice of deficiency under the lease sent to Franchise Owner and granting to Franchisor, in its sole discretion, the right (but not the obligation) to cure any deficiency under the lease, should Franchise Owner fail to cure such deficiency, within 15 business days after the expiration of Franchise Owner's period to cure any such default;
6. Evidencing Franchise Owner's right to display Franchisor's Trademarks in accordance with the specifications required by Franchisor's Manual, subject only to the provisions of applicable law;
7. Requiring that the premises be used for the operation of a Franchisor business; and
8. Permitting Franchisor, upon accepting assignment of the lease from Franchise Owner, to assign the lease to another franchise to operate an Auto-Lab Express without the need to obtain the prior approval of the landlord and such assignment relieves Franchisor from all liability under the lease.

If Franchise Owner enters into a binding agreement to purchase the site, Franchisor may require that Franchise Owner include in such binding agreement a provision granting Franchisor the option to purchase the site at the expiration without renewal or termination of this Agreement.

6.7 Franchise Owner shall maintain the entire premises in good repair, clean appearance and operative condition at all times during the term of this Agreement in accordance with standards and procedures prescribed by Franchisor.

6.8 Franchise Owner shall permit Franchisor's or Franchisor Designate's representative or representatives to enter upon the Franchise Owner's premises at any time during normal working hours or at any other time that is mutually agreed upon between Franchisor and Franchise Owner. During these visits personnel of the Franchisor or Franchisor Designate may conduct a compliance audit to determine whether Franchise Owner is abiding by the terms of this Agreement and conforming to standards of operation as may have been otherwise detailed in the Manual, technical bulletins or other publications supplied by the Franchisor. Franchisor may advise Franchise Owner in writing regarding any deficiencies in Franchise Owner's compliance with Franchisor's standards.

Franchise Owner shall have thirty (30) days to cure such deficiencies from the date such written notice is received by Franchise Owner.

6.9 Franchise Owner and each of its principal(s) shall observe restrictions on ownership of other businesses as set forth in Article 17 of this Agreement.

6.10 Franchise Owner shall use and submit to Franchisor, where required, such standardized reports and information forms according to the specifications contained in Article 7 of this Agreement, the Manual or other information supplied by Franchisor to Franchise Owner.

6.11 Franchise Owner shall punctually pay all sums owed to Franchisor or its designees when due whether for royalties, advertising or otherwise as required by Article 4.

6.12 Franchise Owner shall notify Franchisor of any claims asserted against Franchisor once Franchise Owner becomes aware of them.

6.13 Franchise Owner shall abide by the requirements regarding Trademark usage set forth in Article 1 and business name usage in Article 2 of this Agreement.

6.14 Franchise Owner shall maintain such insurance as may be required by Franchisor, the minimum specifications of which are discussed in Article 21. Franchisor may require more coverage or additional coverages from time to time in Franchisor's sole and absolute discretion.

6.15 Franchise Owner shall participate in and pay for such advertising programs which are more fully described in Articles 4 and 10.

6.16 Franchise Owner shall refrain from selling any products or services not approved by the Franchisor. Specifically, Franchise Owner agrees not to sell any tobacco products or alcoholic beverages nor operate newspaper racks, juke boxes, gum machines, games, rides, coin vending machines, public telephones, or other services without the prior written consent of the Franchisor.

6.17 Franchise Owner shall utilize any proprietary software required by Franchisor in the conduct of Franchise Owner's business as more fully described in Article 9. Franchise Owner

shall implement, use and pay for new software programs that are developed by Franchisor from time to time for use by Franchise Owner in the conduct of Franchise Owner's Franchise Store.

6.18 Franchise Owner shall comply with all other obligations set forth in this Agreement even though not specifically enumerated in this Article.

6.19 Franchise Owner acknowledges that Franchisor's Manual is an integral part of the System. At all times, Franchise Owner shall maintain an updated set of Franchisor's Manual in its Franchise Store. Franchise Owner shall, at all times during the term of this Agreement, operate its Franchise Store in compliance with the Manual, as amended from time to time. Franchisor, in its sole discretion, shall be entitled from time to time to change or modify the Franchise System, including modifications to the Manual, the offered products and services, required equipment, signage, the building and premises of the Franchise Store (including the trade dress, décor, and color schemes), the presentation of the Trademarks, the adoption of new administrative forms and methods of reporting and payment of any monies owed to Franchisor (including electronic means of reporting and payment) and the adoption and use of new or modified Trademarks or copyrighted materials. Within 30 days after receipt of written notice from Franchisor, Franchise Owner shall begin selling any newly authorized products and services and cease selling products and services that are no longer authorized. Extensive structural change, major remodeling and renovations, and substantial modifications to existing equipment and improvements to modernize and conform the Franchise Store to the current image of the Franchise System shall be required at our request (but not more often than every five years). Capital expenses necessary for the repair and maintenance of the Franchise Store are not subject to time limitations described in the preceding sentence. Within 60 days after receipt of Franchisor's written notice regarding required modernization, Franchise Owner shall prepare and complete drawings and plans for the required modernization. These drawings and plans must be submitted to, and their use approved by, Franchisor prior to the commencement of work. Franchise Owner shall complete the required modernization within the time reasonably specified by Franchisor in the written notice. Franchisor's Manual continues to be and shall at all times remain the property of Franchisor. Franchise Owner agrees not to reproduce the Manual or any part thereof. Franchise Owner understands that the Manual contains brand protection standards, trade secrets, and proprietary and confidential information of Franchisor, and Franchise Owner agrees not to disclose the contents of the Manual to anyone not employed by Franchise Owner. Franchise Owner further agrees and warrants not to disclose the contents of the Manual or any part thereof to any employee of Franchise Owner except on a "need-to-know" basis. Upon the termination of this Agreement, Franchise Owner shall return all Franchisor's Manuals and Supplements it has received to Franchisor. In the event of any dispute as to the contents of the Manual, the master copy thereof in Franchisor's possession shall control. Franchisor may modify the Manual unilaterally under any conditions and to any extent which Franchisor, in its sole discretion, deems necessary to meet competition, protect Franchisor's Trademarks, or otherwise improve Franchisor's Franchise System.

6.20 If Franchise Owner is (at any time) a business organization (like a corporation, limited liability company or partnership), Franchise Owner agrees and represents that:

1. Franchise Owner has the authority to execute, deliver and perform Franchise Owner's obligations under this Agreement and is duly organized

or formed and validly existing in good standing under the laws of the state of Franchise Owner's incorporation or formation;

2. Franchise Owner's organizational or governing documents will recite that the issuance and transfer of any ownership interests in Franchise Owner are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in Franchise Owner will bear a legend referring to the restrictions of this Agreement;
3. Schedule A to this Agreement will completely and accurately describe all of Franchise Owner's owners and their interests in Franchise Owner;
4. Franchise Owner and its owners agree to revise Schedule A as may be necessary to reflect any ownership changes and to furnish such other information about its organization or formation as Franchisor may request;
5. Each of Franchise Owner's owners at any time during the term of this Agreement will sign and deliver to Franchisor its standard form of Principal Owner's Guaranty, undertaking to be bound jointly and severally by all provisions of this Agreement and any other agreements between Franchise Owner and Franchisor; and
6. At Franchisor's request, Franchise Owner will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of Franchise Owner's owners and its agents (like articles of incorporation or organization and partnership, operating or shareholder agreements).

6.21 If Franchise Owner is a corporation or other business entity, or any of Franchise Owner's rights under this Agreement are properly transferred to a corporation or business entity under this Agreement, a condition to Franchisor's approval of such a transfer shall be Franchise Owner's placement of the following notation regarding transfer restrictions on all certificates (then issued and issued in the future) representing shares of stock in the corporation or ownership interest in the business entity:

"This certificate and all rights thereunder and the transfer thereof are subject to the terms and conditions of a certain written agreement entered into with Auto-Lab Franchising, LLC."

Franchise Owner and its shareholders or members shall take all actions necessary to comply with this provision, and provide Franchisor with evidence of such actions in a form satisfactory to Franchisor. Further, so long as the corporate Franchise Owner continues to own rights under this Agreement, Franchise Owner shall take no corporate action which would cause the foregoing transfer notification to be removed from existing stock or membership certificates or omitted from stock or membership certificates issued in the future.

6.22 Franchise Owner shall notify Franchisor, in writing, within 5 days of the commencement of any action, suit or proceeding, of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of Franchise Owner's operations. Franchise Owner shall notify Franchisor within 5 days of the issuance of any judgment, opinion or order of any court, agency or other governmental instrumentality which may adversely affect or limit in any fashion the operation or financial condition of Franchise Owner's operation.

6.23 Franchise Owner shall not attempt to pledge Franchisor's or Franchisor Designate's credit or purport to bind Franchisor or Franchisor Designate to any obligation, nor shall it hold itself out as being authorized to do so. Also, Franchise Owner shall indicate the nature of its relationship to Franchisor in all its letterheads, business forms, job applications, paychecks, and other materials used in the operation of its Franchise Store as required by this Agreement and the Manual.

6.24 Franchise Owner shall execute a telephone number assignment used by Franchise Owner in its advertising and promotion, at the time of the execution of this Agreement, and at any time thereafter as Franchisor shall request. The assignment shall be in a form provided or approved by Franchisor and shall provide that the assignment of the telephone number shall only be effective upon the expiration without renewal or termination of this Agreement or the assignment of this Agreement without the telephone number being assigned to the transferee.

6.25 Franchise Owner shall purchase such computer hardware and software as established in Franchisor's Manual. This computer hardware may or may not be proprietary to Franchisor or its affiliates. Franchisor makes no guarantee as to the suitability or efficiency of the specifications contained in the Manual. Due to rapid technological changes and progress, the computer hardware, software and electronic cash register specifications may change without prior notice. Franchise Owner agrees and acknowledges that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchise Owner Agrees that Franchisor has the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchise Owner agrees to comply with those reasonable new standards that Franchisor establishes as if Franchisor periodically revised this Section 6.25 for that purpose. Franchisor requires that Franchise Owner purchase proprietary software. This computer hardware and software provides Franchise Owner with the ability to communicate via model, cable or other high speed, inter-connectivity device with Franchisor and transmit sales reports, tax reports, various product usage reports and cashier reports. Franchise Owner is responsible for the ongoing maintenance and repairs for the computer. Franchisor may require Franchise Owner to update the hardware and software, at Franchise Owner's expense and Franchisor's discretion. Franchisor may format bookkeeping reports and forms for Franchise Owner to report financial information. Franchise Owner must report the Franchise Store's financial information in accordance with such forms as they are changed from time to time in Franchisor's sole discretion. Franchise Owner must purchase an approved electronic cash register or such other electronic/computerized cash register as may be designated by Franchisor that must allow for the implementation of system wide programs, as implemented by Franchisor from time to time in its Manual. All Gross Sales and all sales information must be recorded on this cash register or

equipment. This equipment provides Franchise Owner with sales reports, tax reports, various product usage reports, and cashier reports. Franchisor has the right to have independent electronic access to this information. There are no contractual limits on Franchisor's right to independently access the data. Franchise Owner must record all sales at the Franchise Store on this computer system that is fully compatible with Franchisor's computer system and that includes an information interface capability to communicate electronically with Franchisor's computer system to provide Franchisor with continuous transaction level point of sale data. Franchise Owner is required to provide the sales information to Franchisor as required in the Manual. Franchise Owner is responsible for the annual maintenance and repairs for the cash register. The technology configuration is frequently subject to change due to technology and service advancements, as updated in the Manual. Franchisor may require you to update the cash register and computer hardware and software every 5 years. Franchisor has the right to specify or require that certain brands, types, makes, and/or models of communications, computer and technology systems, software, and other hardware be used and in accordance with Franchisor's brand standards, including without limitation (a) back office and point of sale systems, data, audio, video (including managed video security surveillance), telephone, voice messaging, retrieval, and transmission systems; (b) POS Systems; (c) customer relationship management systems; (d) physical, electronic, and other security systems and measures; (e) printers and other peripheral devices; (f) archival back-up systems; (g) internet access mode and speed; (h) payment systems; and (i) front-of-the-house Wi-Fi and other internet service for customers. Franchise Owner must provide such assistance as may be required to connect Franchise Owner's computer system to Franchisor's computer system. Franchisor shall have the right to retrieve transaction level data through your computer system, and such other information from Franchise Owner's computer system as Franchisor deem necessary or desirable, and Franchise Owner agrees to fully cooperate with Franchisor to accomplish such interface. Franchise Owner must provide Franchisor with all of the data required by Franchisor in the Manual in a format readily usable by Franchisor. All data pertaining to, derived from, or displayed at the Franchise Store (including without limitation, data pertaining to or otherwise about Franchise Store customers) is and shall be Franchisor's exclusive property, and Franchisor hereby grants Franchise Owner with a royalty-free non-exclusive license to use that data during the Term of this Agreement and any renewal term. Franchise Owner agrees that all data collected from customers and potential customers in connection with the Franchise Store ("Customer Data") is deemed to be owned exclusively by Franchisor, and Franchise Owner agrees to provide Customer Data to Franchisor at any time that Franchisor requests. Franchise Owner has the right to use Customer Data while this Agreement is in effect, but only in connection with operating the Franchise Store and only in accordance with the policies established by Franchisor from time to time. Franchise Owner shall not sell, assign, transfer or use Customer Data for any purpose other than operating the Franchise Store and marketing Auto-Lab services and products. Franchise Owner agrees to abide by all applicable laws pertaining to the privacy of customer, employee and transactional information ("Privacy Laws"). Franchise Owner agrees to comply with Franchisor's standards and policies pertaining to Privacy Laws. If there is a conflict between Franchisor's standards pertaining to the Privacy Laws and the requirements of any applicable law, Franchise Owner shall: (a) comply with the requirements of applicable law; (b) immediately provide written notice to Franchisor of said conflict; and (c) promptly and fully cooperate with Franchisor and counsel in determining the most effective way, if any, to meet Franchisor's standards and policies pertaining to Privacy Laws within the bounds of applicable law.

6.26 Franchise Owner represents, warrants and covenants to Franchisor that (1) neither Franchise Owner, nor any individual or entity owning directly or indirectly any interest of Franchise Owner (if Franchise is a business entity) is an individual or entity whose property or interests are subject to being blocked under Executive Order 13224 issued by the President of the United States of America, the Terrorism Sanctions Regulations (Title 31 Part 595 of the U.S. Code of Federal Regulations), the Terrorism List Governments Sanctions Regulations (Title 31 Part 596 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31 Part 597 of the U.S. Code of Federal Regulations), and the Cuban Assets Control Regulations (Title 31 Part 515 of the U.S. Code of Federal Regulations), and all other present and future federal, state and local laws, ordinances, regulations, policies, lists (including, without limitation, the Specially Designated Nationals and Blocked Persons List) and any other requirements of any Governmental Authority (including, without limitation, the United States Department of the Treasury Office of Foreign Assets Control) addressing, relating to, or attempting to eliminate, terrorist acts and acts of war, each as hereafter supplemented, amended or modified from time to time, and the present and future rules, regulations and guidance documents promulgated under any of the foregoing, or under similar laws, ordinances, regulations, policies or requirements of other states or localities (“OFAC Laws and Regulations”) or is otherwise in violation of any of the OFAC Laws and Regulations; (2) neither Franchise Owner nor any individual or entity owning directly or indirectly any interest of Franchise Owner (a) is under investigation by any government authority form, or has been charged with, or convicted of, OFAC Laws and Regulations, (b) has been assessed any penalties under these laws, or (c) has had any of its funds seized or forfeited in any action under these laws; (3) has taken all reasonable measures to ensure compliance with all OFAC Laws and Regulations ; and (4) Franchise Owner shall take all reasonable measures to continue compliance with all OFAC Laws and Regulations during the term of this Agreement.

6.27 Beginning in the second full calendar year of operation of the Franchise Store, Franchise Owner must, on an annual calendar year basis, achieve total Gross Sales of at least \$250,000.00 for the full calendar year in question ("Minimum Sales Requirement"). If Franchise Owner fails to achieve the Minimum Sales Requirement during a calendar year, Franchisor may notify Franchise Owner of the failure within 90 days of the end of the calendar year. If Franchise Owner is notified of a failure to meet the Minimum Sales Requirement, Franchise Owner will be on probation for the calendar year in which Franchise Owner receives the notice. If Franchise Owner fails to achieve the Minimum Sales Requirement again in that calendar year, then Franchisor may, by written notice to Franchise Owner, elect to: (a) terminate this Agreement; or (b) terminate Franchisee's exclusive rights in the Designated Area under Article 1.3 of this Agreement.

6.28 Franchise Owner acknowledges that Franchisor intends 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 Franchisor 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. Franchise Owner 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 Franchise Store, 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 Franchisor considers important to the successful operation of the Franchise System. Franchise Owner has no right to require Franchisor to disclose any variation or to grant the same or a similar variation to Franchise Owner.

6.29 All processes, ideas, concepts, vendor relationships, methods and techniques used or useful to a quick-service automotive maintenance facility or retail store outlet, whether or not consulting protectable intellectual property, that Franchise Owner creates, or that is created on Franchise Owner's behalf, in connection with the development or operation of the Franchise Store must be promptly disclosed to us. If Franchisor adopts any of them as part of the Franchise System, they will be deemed to be Franchisor's sole and exclusive property and deemed to be works made-for-hire for Franchisor. Franchise Owner hereby assigns, and further agrees to sign whatever further assignment or other documents that Franchisor requests to evidence Franchisor's ownership in, or to assist Franchisor in securing, intellectual property rights in such ideas, concepts, techniques or materials. All of the foregoing shall be at no cost or expense to Franchisor.

6.30 Franchise Owner shall accept debit cards, credit cards, stored value gift cards or other non-cash payment systems specified by Franchisor to enable customers to purchase authorized products and services. Franchise Owner shall obtain all necessary hardware and/or software used in connection with these non-cash payment systems. At all times, Franchise Owner shall maintain credit card relationships with the credit and debit card issuers or sponsors, check or credit verification services, financial center services, and electronic funds transfer systems that Franchisor designates as mandatory, and Franchise Owner may not use any such services or providers that Franchisor has not approved in writing or for which Franchisor has revoked approval. Franchisor has the right to modify the requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke approval of any such service provider. Franchise Owner must sign a Gift Card Participation Agreement if required to designate a vendor or to establish procedures for administering the gift card program. Franchise Owner must comply with Franchisor's credit card policies, including minimum purchase requirements for a customer's use of a credit card as prescribed in the Manual. Franchise Owner agrees to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)) or any successor organization or standards that Franchisor may reasonably specify. Among other things, Franchise Owner agrees to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards. Franchise Owner must demonstrate compliance upon reasonable request, which may include having an independent third party Qualified Security Assessor (QSA) conduct a PCI/DSS audit. In the event Franchise Owner is unable to demonstrate full compliance, Franchisor may require that Franchise Owner engage the services of an approved supplier to assist on an ongoing basis.

6.31 Franchise Owner shall offer a warranty on parts and labor as more particularly described in the Manual. Franchisor reserves the right to modify the length and mileage of the warranty that Franchise Owner is required to provide from time to time in Franchisor's sole and absolute discretion. Franchise Owner shall offer the warranty regardless of whether it uses Franchisor's vendors for approved parts.

6.32 Franchise Owner shall operate the Franchise Location during such times as may be designated by Franchisor from time to time. Franchise Owner acknowledges and agrees that the hours of operation are integral to the value of the System and the Marks, and any failure by Franchise Owner to operate during such designated hours of operation is detrimental to the System and Marks. Franchise Owner further acknowledges and agrees that the day-to-day operational decisions relating to the opening and closing procedures of the Franchise Location, including any security, staffing, and other similar matters shall be made solely by Franchise Owner.

## **7. REPORTING REQUIREMENTS**

7.1 Recognizing the importance of uniform accounting and record keeping procedures for all franchised stores, Franchise Owner agrees to use the standardized bookkeeping forms and other financial forms as may be developed from time to time by Franchisor. Within 30 days after the end of each quarter during the term of this Agreement, Franchise Owner shall submit detailed financial statements including both profit and loss statements and balance sheet for the Franchise Store during the preceding quarter, and such other additional information as may be reasonably required by Franchisor from time to time, on a form furnished or approved by Franchisor. Such required reports shall be signed by Franchise Owner or on behalf of Franchise Owner by a duly authorized partner, officer or member if Franchise Owner is a partnership, corporation or limited liability company. Any person signing any report submitted to Franchisor on behalf of Franchise Owner, by his or her signature, shall automatically be deemed to certify that such report is true and correct to the best of their knowledge after due diligence. Franchise Owner consents to the disclosure of its annual Gross Sales in Franchisor's annual Uniform Franchise Offering Circular, if Franchisor so chooses to include such information.

7.2 A detailed annual financial statement containing a profit and loss statement and balance sheet prepared according to generally accepted accounting principles shall be submitted to Franchisor no later than seventy-five (75) days following the close of Franchise Owner's fiscal year in a form acceptable to Franchisor.

7.3 Business and the business related schedules contained in the personal income tax returns shall be submitted to Franchisor when filed with the Internal Revenue Service.

7.4 Franchise Owner hereby gives consent to his or her accountant to forward copies of financial statements and tax returns directly to Franchisor when requested by Franchisor and waives any accountant-client privilege.

7.5 Franchise Owner must retain during the term of this Agreement and for three (3) years thereafter all books and records related to the Franchise Store, including, without limitation, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, other tax returns, cash receipts, and disbursement journals and general ledgers. Franchisor, its certified public accountants or other duly authorized agent, shall have the right at all reasonable times to inspect and make copies of the books, records and tax returns of Franchise Owner at Franchisor's expense. Franchise Owner agrees to keep complete and accurate books and records of its operation of the Franchise Store in accordance with the standard accounting system described in Franchisor's Manual.

7.6 All financial statements shall be certified by an officer of Franchise Owner (or a partner if Franchise Owner is a partnership; or a member if Franchise Owner is a limited liability company) to be true and correct to the best of their knowledge after due diligence.

7.7 Franchise Owner must submit monthly sales tax returns to Franchisor at the same time as Franchise Owner submits such sales tax returns to the State Treasury Department or other taxing authority. Franchise Owner shall submit its annual tax returns for federal, state and local taxes to Franchisor at the same time as Franchise Owner submits such tax returns to the taxing authority.

7.8 Franchise Owner must submit such other periodic reports, forms and records as specified from time to time in writing by Franchisor in the Manual or otherwise. Franchise Owner shall provide Franchisor independent access to its financial information including, without limitation, access to Franchise Owner's computer system by means of a DSL line, cable modem or other high-speed interconnection.

## **8. RIGHT OF ACCESS AND AUDIT**

8.1 Franchisor or Franchisor Designate representatives shall be entitled to enter upon Franchise Owner's premises during reasonable business hours in order to inspect and audit all aspects of Franchise Owner's business including, but not limited to, books, records, cash register reports, facilities, computer and software systems, business equipment, customer invoices, materials and any other matters relating to Franchise Owner's obligation set forth in this Agreement. Franchise Owner shall provide Franchisor or Franchisor Designate access to the books and records of Franchise Owner's accountant for purposes of this audit and Franchise Owner waives any accountant-client privilege related to the audit.

8.2 In the event an audit of Franchise Owner's calculation of gross sales reveals more than a two percent (2%) understatement, then Franchise Owner shall bear the entire cost of the audit plus all applicable late charges. If such audit reveals two percent (2%) or less understatement of gross sales, Franchise Owner shall only be subject to the monthly late charge as set forth in Article 4. The imposition of a late charge and assessment for audit costs, when applicable, shall not be the exclusive remedies available to Franchisor in the event of repeated failures to accurately report monthly gross sales amounts or in the event of a deliberate material misrepresentation by Franchise Owner of such monthly gross sales amounts. Franchisor may decide to terminate this Agreement pursuant to the provisions of Article 14.2 in these instances.

## **9. PROPRIETARY INFORMATION**

9.1 Franchise Owner agrees to use and permit the use of Franchisor's Confidential Information (as defined below) solely in connection with the operation of the Franchise Store. Franchise Owner further agrees that Franchise Owner will never, during the Term or any Renewal Term of this Agreement, or any time after this or any renewal franchise agreement expires or terminates, or your rights under this Agreement or any renewal agreement are assigned or terminated, divulge or use any of Franchisor's Confidential Information for the benefit of Franchise Owner, its owners, any third party, nor will Franchise Owner directly or indirectly aid

any such third party to imitate, duplicate or “reverse engineer” any of Franchisor’s Confidential Information. “Confidential Information” means 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 Manual (including Supplements to the Manual); all specifications, sources of supply, all procedures, systems, techniques and activities employed by Franchisor or Franchise Owner in the offer and sale of products and/or services at or from the Franchise Store; all pricing paradigms established by Franchisor or Franchise Owner; all of Franchisor’s or Franchise Owner’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); Franchisor’s specifications, and Franchise Owner’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; 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 Franchisor and Franchise Owner (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 Franchisor employs now or in the future; and all other information, knowledge and know-how which either Franchisor or its affiliates now or in the future, designate as confidential. Confidential Information will not, however, include information that Franchise Owner can demonstrate came to Franchise Owner’s attention before Franchisor disclosed it to Franchise Owner (unless illegally or improperly procured by Franchise 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 Franchise Owner act. Except as authorized in this Agreement, Franchise Owner agrees never to copy, duplicate, record or otherwise reproduce any of the Confidential 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. Upon the expiration or termination of this Agreement, Franchise Owner agrees to return to Franchisor such Confidential Information as requested (including customer lists and records; all training materials and other instructional content; financial and non-financial books and records; the Manual; and computer databases, software and manuals) which is then in Franchise Owner’s possession or, upon Franchisor’s request, destroy all or certain such Confidential Information and certify such destruction to Franchisor. It is specifically understood that all customer lists or information adduced by the Franchise Store is the sole and exclusive property of Franchisor, not Franchise Owner, and Franchise Owner shall never contend otherwise.

9.2 Franchise Owner may disclose to any of his or her employees, agents or representatives the confidential information only to the extent necessary for such people to carry

forth their intended employment role. Franchise Owner shall take all necessary precautions to insure that these individuals maintain the Confidential Information in confidence and comply with the confidentiality provisions of this Agreement. Franchise Owner shall obtain from all persons to whom Confidential Information is disclosed an executed Confidentiality and Non-Disclosure Agreement and Covenant Not to Compete in the form as provided in the Manual.

9.3 Franchise Owner acknowledges the Manual contains proprietary information which remains the sole property of the Franchisor. As such, it is acknowledged by Franchise Owner that such Manual is being loaned to Franchise Owner during the term of this Agreement. Franchise Owner agrees not to duplicate or reproduce any part of the Manual or otherwise disclose the contents thereof to anyone without the express, written approval of Franchisor. Franchise Owner shall maintain an up-to-date version of the Manual on the premises in a secure area. The contents of the master copy of the Manual shall be maintained by the Franchisor at its principal business office. Such master copy shall be controlling if there is any dispute with respect to the contents of the Manual.

9.4 Franchise Owner agrees to lease from Franchisor any proprietary software programs or successor programs that are developed by Franchisor to be used in the operation of Franchise Owner's business pursuant to the terms of the Software License Agreement between the parties of even date and incorporated herein by reference.

9.5 Should Franchise Owner violate or threaten to violate the terms of this Agreement concerning Trademark usage or disclosure of confidential or proprietary information, Franchise Owner consents to the issuance of an injunction prohibiting such further violations and threatened violations, and also agrees to pay damages awarded to Franchisor together with all court costs and attorneys' fees incurred by Franchisor in the prosecution of any litigation or otherwise enforcing its rights hereunder.

9.6 Franchise Owner agrees to vigorously and vigilantly prosecute to the fullest extent permitted by law breaches of any Confidentiality and Non-Disclosure Agreement and Covenant Not to Compete executed by any of the individuals to whom Franchise Owner has disclosed Confidential Information. Franchise Owner acknowledges Franchisor's right, to be exercised as Franchisor alone determines, to enforce for itself the terms of such executed Confidentiality and Non-Disclosure Agreement and Covenant Not to Compete. If the substantive provisions of the Confidentiality and Non-Disclosure Agreement and Covenant Not to Compete have been breached or are threatened to be breached by an individual employed, engaged or otherwise serving the Franchise Store who has not executed a Confidentiality and Non-Disclosure Agreement and Covenant Not to Compete, Franchise Owner shall nevertheless vigorously and vigilantly prosecute such conduct to the fullest extent permitted by law. If Franchisor prosecutes or enforces such Confidentiality and Non-Disclosure Agreement and Covenant Not to Compete, Franchise Owner shall indemnify and hold Franchisor harmless from any and all losses and expenses as provided in Section 18 of this Agreement.

9.7 Franchise Owner hereby permanently and irrevocably assigns to Franchisor any and all rights and interests (including intellectual property rights and interests) to any and all of the following which is developed by Franchise Owner, or on behalf of Franchise Owner, if

developed in whole or in part in connection with the Franchise Store: all products or services; all variations, modifications and/or improvements on products or services; your means, manner and style of offering and selling products and services; management techniques or protocols Franchise Owner may develop (or have developed on its behalf); all sales, marketing, advertising and promotional programs, campaigns, or materials developed by Franchise Owner or on its behalf; and all other intellectual property developed by Franchise Owner or on behalf of or in connection with the Franchise Store. Franchisor may authorize Franchisor or its affiliates or other franchise stores to use and exploit any such rights which are assigned to Franchisor hereunder. The sole consideration for Franchise Owner's assignment to Franchisor of all of the foregoing rights shall be the grant of the franchise conferred upon Franchise Owner by this Agreement.

## **10. ADVERTISING**

10.1 Franchise Owner is free to develop and use other advertising, in addition to that developed by Franchisor, as long as it has the prior approval of the Franchisor. Franchise Owner agrees to use advertising which accurately portrays Franchisor's Trademarks, does not jeopardize the image of the Franchise System, and pertains only to the Franchise Owner's location.

10.2 Franchisor has the right to organize and require all franchise owners in a given area to join a cooperative advertising association ("Advertising Cooperative") in order to effectively utilize funds received from franchise owners for Local Advertising in concentrated market areas of dominant influence ("ADI") for media purposes. If an Advertising Cooperative exists in Franchise Owner's market area or ADI for media purposes, Franchise Owner may voluntarily join or Franchisor may require Franchise Owner to join the Advertising Cooperative in that area. Such association shall have the power to adopt bylaws and other rules as necessary to manage its affairs as long as such bylaws and rules are not in conflict with Franchisor's policies as set forth in this Agreement, Manual or elsewhere; nor in violation of any local, state or federal law or regulation. Each Advertising Cooperative will establish the level of contributions required from each franchisee within the Advertising Cooperative. Each Advertising Cooperative may determine its own voting procedures; however, each company-owned Auto-Lab in the ADI will be entitled to one vote in any local Advertising Cooperative. Franchise Owner agrees to be bound by such bylaws and rules of the pertinent association. If Franchise Owner participates in an Advertising Cooperative, Franchise Owner's contributions made to the Advertising Cooperative are included in Franchise Owner's Local Advertising obligations. If requested by the Advertising Cooperative, Franchisor may collect the Advertising Cooperative contributions in the same manner as Franchisor collects Royalties.

10.3 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, Franchise Owner 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 Franchise Store without Franchisor's advance written approval, which may be withheld for any reason or for no reason. Franchise Owner's Website may be accessible only through Franchisor's Website, or as Franchisor specifically directs. Franchisor will own the domain name. If Franchise Owner develops a Website with Franchisor's approval, Franchise Owner must follow all guidelines and requirements set forth

in the Manuals and use any templates provided in the Manual (including required hyperlinks), so that Franchise Owner'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 Franchise Owner's sole cost and expense. Franchise Owner may not allow customers to see its Website or web pages or any modifications unless Franchise Owner 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 Franchise Owner's Website or web pages. All content and information which appears on Franchise Owner's Website or web pages or which Franchise Owner 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 Franchise Owner 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.

10.4 Franchise Owner shall conduct Grand Opening Advertising that is pursuant to a Grand Opening Advertising Plan approved by Franchisor or Franchisor's Designate no later than 60 days prior to the opening of the Franchise Store. Franchisor's or Franchisor's Designate approval of the Grand Opening Advertising Plan is a condition precedent to the opening of the Franchise Store.

10.5 Franchisor reserves the right to develop additional advertising or marketing programs that are implemented through the Manual, such as without limitation, gift card or loyalty program, or other web based or mobile communication device application. Franchise Owner shall participate in such program and shall pay either directly to Franchisor or to our Approved Supplier, the charges associated with such program as implemented through the Manual.

## **11. TRANSFER BY FRANCHISE OWNER**

11.1 As to Franchise Owner, this Agreement is personal, having been entered into by Franchisor in reliance upon and in consideration of the qualifications and representations of Franchise Owner. If the Franchise Owner is a corporation, partnership, or limited liability company, Franchisor entered into this Agreement in reliance upon and in consideration of, without limitation, the qualifications, and representations of Franchise Owner as a corporation, partnership or limited liability company; the identity, qualifications and representations of the on-premises supervisor; and the identity, qualifications and representations of the Principal Owners. Therefore, neither this Agreement, nor any part of the rights and privileges hereunder, may be assigned, transferred, or divided in any manner by Franchise Owner, or anyone else, without the prior written approval of Franchisor; nor may this Agreement nor any of the rights and privileges hereunder be sold such that the sale results in a change in the on-premises supervisor or the addition or deletion of a principal owner of Franchise Owner. Except as otherwise provided herein, the transfer of this Franchise Agreement may not be made to other than a bona fide purchaser for value. Furthermore, Franchisor's approval of a proposed transfer may be conditioned upon any or all of the following, in Franchisor's sole discretion:

1. The satisfaction of Franchisor with the character, business experience and credit rating of the proposed assignee (and its partners, officers, controlling stockholders or members if it is a partnership, corporation or limited liability company).
2. Payment by Franchise Owner of all outstanding debts owed by Franchise Owner to Franchisor.
3. The satisfactory completion of Franchisor's initial training program by the proposed new franchise owner and its managers.
4. Execution by Franchise Owner of a release of any and all claims against Franchisor, Franchisor's officers, directors, agents, and employees arising out of or related to this Agreement. The release shall be on a form prepared by Franchisor, and shall not require any release of liability specifically provided for by any state statute regulating franchising, but the parties may agree to voluntarily do so in settlement of any or all claims.
5. Payment, in cash, by Franchise Owner to Franchisor of a nonrefundable transfer fee of 50% of the then current initial franchise fee charged to new franchises.
6. Execution by the transferee of Franchisor's then current Franchise Agreement, which shall include Royalty and Advertising Fees at the same rates as are applicable to new franchises of Franchisor at the time of the assignment or transfer.
7. Execution by the transferee, its shareholders, officers, directors, members, managers, employees and other persons associated with assignee or transferee as required by Franchisor, of any related agreements such as, without limitation, Real Estate Option to Purchase, Conditional Lease Assignment, Telephone Number Assignment, Confidentiality and Nondisclosure Agreement and Covenant Not to Compete, Principal Owner's Guaranty, and Software License Agreement, in the form required to be executed by new franchises at the time of assignment or transfer.
8. Transferee's shall renovate, remodel, and modernize the Franchise Store to conform the Franchise Store to the current image of the System within eighteen (18) months from the date of the transfer. Transferee's failure to renovate, remodel, and modernize the Franchise Store shall be a material breach of the Agreement.

Any sale of any interest in the Franchise Owner that results in the addition or deletion of a Principal Owner shall be considered an impermissible transfer under this Agreement, unless completed in accordance with this Article. Franchise Owner consents to Franchisor releasing to



any proposed transferee any information concerning the Franchise Store that Franchise Owner has reported to Franchisor.

11.2 Franchisor will permit the assignment of this Agreement to a corporation wholly owned by Franchise Owner or a transfer to family members limited to spouse and children without the payment of any transfer fees. Franchisor reserves the right to require the family member taking an assignment of the business to attend training. If training is required as determined by Franchisor in its sole discretion, Franchise Owner shall pay a training fee in the amount of 50% of the then current initial Franchise Fee if such family member is not sufficiently familiar with the franchised business.

11.3 In the event the transferee is in the form of a corporation, the transferee further agrees as follows:

- (1) Each shareholder and spouse agrees to be personally liable for all debts and other obligations of the corporation to Franchisor and otherwise guarantees payment of such corporate debts and obligations as if they were his or her own:
- (2) All stock certificates of such corporation shall make reference to stock transfer restrictions set forth in this Agreement in such form as to make same binding restrictions in accordance with the corporate laws of the state in which such corporation is formed.

11.4 In the event of the death or total and permanent disability of the proprietor or any partner or shareholder owning ten percent (10%) or more of the Franchise Store, such person or the legal representative of such proprietor, partner or shareholder shall within thirty (30) days of such death or disability set forth in writing and deliver to Franchisor a description of the proposed gift, bequest, sale or other disposition of such interest in accordance with the procedures set forth herein.

11.5 If the disabled Franchise Owner or the legal representative of the deceased Franchise Owner is unable to transfer his or her interest in a manner acceptable to Franchisor within one hundred twenty (120) days of the death or disability, Franchisor may elect to give notice of intent to terminate this Agreement pursuant to Article 14.2 unless Franchisor receives adequate assurances the provisions of this Agreement can be satisfactorily complied with during the time needed to effectuate the proposed transfer.

11.6 For purposes of determining whether Franchise Owner is permanently disabled, Franchisor and Franchise Owner shall each select one doctor to examine the individual at issue. If the doctors are not in agreement such determination shall be submitted to mandatory arbitration in accordance with the procedures set forth in Article 19. The decision of the arbitrator shall be binding upon the parties to this Agreement.

11.7 If Franchise Owner transfers his or her franchised business without Franchisor's written approval, Franchisor may deem such transfer a material breach of this Agreement according to Article 14.1.

11.8 It is acknowledged by Franchise Owner that Franchisor shall have a right of first refusal should Franchise Owner desire to sell his or her franchise to an unrelated third party. Such right of first refusal must be exercised by Franchisor within thirty (30) days after receiving written notice from Franchise Owner of the terms of the proposed sale. Franchisor need only agree to purchase the business on the same terms and conditions as contained in the written notice, except Franchisor may substitute equivalent cash for any form of payment offered by such purchaser. This right of first refusal shall apply to each offer of purchase received by Franchise Owner.

11.9 This Agreement, and the Franchise Owner's rights hereunder, may not, under any circumstances, be assigned, transferred or pledged as collateral to any other person or entity (including Franchise Owner) and no person or entity shall succeed to any rights of Franchise Owner under this Agreement by virtue of any voluntary or involuntary proceeding in bankruptcy, receivership, attachment, execution, assignment for the benefit of creditors or other legal process.

## **12. TRANSFER BY FRANCHISOR**

Franchisor may assign or transfer all or any part of this Agreement in connection with the sale or other disposition of the Trademarks and Franchise System licensed hereby without the consent of Franchise Owner.

Franchise Owner acknowledges he or she must still honor the terms of this Agreement in the event of such disposition by Franchisor.

## **13. PERSONAL GUARANTEES AND SECURITY INTEREST**

13.1 Each shareholder, member, owner, partner and sole proprietor, and his or her respective spouse, ("Principal Owner") if any, hereby agree to guarantee and be personally liable for all debts and obligations owed to Franchisor. Each Principal Owner hereby further agrees to execute the standard form Guaranty Agreement prepared by Franchisor. Franchise Owner acknowledges the failure to execute the Guaranty Agreement shall not render the personal guarantee contained in this Agreement void or unenforceable.

13.2 Franchisee grants a continuing security interest in the collateral listed in this section to Franchisor to secure the payment or performance under this Agreement.

- (i) Collateral shall consist of the following property of Franchisee, whether now or hereafter owned, existing, acquired or arising and wherever now or hereafter located: (a) all Accounts, (b) all Chattel Paper, Instruments, Documents, and General Intangibles, patents, patent applications, trademarks, trademark applications, trade names, trade secrets, goodwill, copyrights, copyright applications, registrations, licenses, software, franchises, customer lists, tax refund claims, claims against carriers and shippers, guarantee claims, contract rights, payment intangibles, security interests, security deposits and rights to indemnification, (c) all Inventory, (d) all Goods, including, without limitation, Equipment, vehicles and Fixtures, (e) all Investment Property, (f) all Deposit Accounts, bank

accounts, deposits and cash, (g) all Letter-of-Credit Rights, (h) any other property of Franchisee now or hereafter in the possession, custody or control of Franchisor or any agent or any parent, affiliate or subsidiary of Franchisor, for any purpose (whether for safekeeping, deposit, collection, custody, pledge, transmission or otherwise), and (i) all additions and accessions to, substitutions for, and replacements, products and Proceeds of the foregoing property, including, without limitation, proceeds of all insurance policies insuring the foregoing property or key personnel of the Franchisee, and all of Franchisee's books and records relating to any of the foregoing and to Franchisee's business. The foregoing (a)–(i) are identified collectively as the "Collateral". The terms "Account", "Chattel Paper", "Deposit Accounts", "Documents", "Equipment", "Fixtures", "General Intangibles", "Goods", "Instruments", "Inventory", "Investment Property", "Letter-of-Credit Rights", "Purchase Money Security Interest", and "Proceeds" have the respective meanings assigned to such terms in the Michigan Uniform Commercial Code, as the same may be in effect from time to time.

- (ii) Franchisee authorizes Franchisor to file a financing statement describing the Collateral and any other statutory liens held by Franchisor.

#### **14. REASONS FOR TERMINATION OF THIS FRANCHISE**

Franchisor may terminate this Agreement according to the provisions set forth in this Article as follows:

14.1 Immediately, without complying with the notice procedures set forth in this Article if:

- (i) Franchise Owner shall be adjudicated as bankrupt or becomes insolvent;
- (ii) a receiver, permanent or temporary, is appointed by court of competent jurisdiction with respect to Franchise Owner's property subject to this Agreement;
- (iii) Franchise Owner makes a general assignment for the benefit of his or her creditors;
- (iv) the Franchise Owner shall dissolve or liquidate;
- (v) Franchise Owner is subject to any other similar action clearly demonstrating financial inability to fulfill the terms of this Agreement;
- (vi) Franchise Owner or one of his or her principal officers or directors pleads guilty or is convicted of any violation of law or ordinance constituting a felony, the conviction of which shall render operation of the Franchise Store impossible or will have a significant adverse impact on Franchisor's image;

- (vii) Franchise Owner loses any required governmentally issued license, authority or qualification to do the business of the Franchise System;
- (viii) Franchise Owner fails to open for business within one hundred eighty (180) days after execution of this Agreement or within three hundred sixty-five (365) days if new construction is required, loses the right to operate from the premises due to breaching the terms of the head lease or sublease or otherwise abandons or closes the franchise;
- (ix) Franchise Owner has received two (2) notices for intent to terminate from Franchisor in the prior twelve (12) month period as of the date of a third notice of intent to terminate even though Franchise Owner may have cured the previous cited deficiencies;
- (x) Franchise Owner intentionally misuses confidential information or fails to conform to authorized use of Trademarks;
- (xi) Franchise Owner transfers this Agreement or any ownership interest in the franchised business without complying with the transfer provisions of this Agreement; or
- (xii) Franchise Owner makes a material misrepresentation to Franchisor in writing or verbally during the initial qualification process or omits a material fact during the initial qualification process; or
- (xiii) Franchise Owner fails two (2) or more inspections in any twelve (12) month period; or
- (xiv) Franchisor makes a reasonable determination using Franchisor's reasonable business judgment that Franchise Owner's continued operation of the Franchise Store will result in an imminent danger to the public health or safety; or
- (xv) Franchise Owner closes or loses possession of the Location;
- (xvi) Franchise Owner materially breaches any covenant, warranty or representation made in this Agreement;
- (xvii) Franchise Owner, or any officer, director, employee, or agent: (a) remain in default beyond the applicable cure period under any other agreement with Franchisor or our affiliates (provided that, if the default is not by Franchise Owner, Franchisor will provide to you written notice of the default and a 30-day period to cure the default); (b) remain in material default beyond the applicable cure period under any real estate lease, equipment lease, financing instrument, or vendor contract relating to the Franchise Store; (c) fail to pay when due any taxes or assessments relating to the Franchise Store

or its employees, unless Franchise Owner is actively prosecuting or defending the claim or suit in a court of competent jurisdiction or by appropriate government administrative procedure or by arbitration or mediation conducted by a recognized alternative dispute resolution organization.

14.2 Franchisor may terminate this Agreement in accordance with the notice procedure hereinafter set forth in the event of any material breach of any terms of this Agreement including, but not limited to, the following:

- (i) Failure to make payments or supply reports required by this Agreement, or any other agreement related to the Franchise Store when such payments or reports are due;
- (ii) Misrepresent the accounting of Gross Sales Franchise Owner is required to make to Franchisor by this Agreement or Manual;
- (iii) Failure to abide by pertinent advertising requirements and procedures for the Franchise Store;
- (iv) Failure to comply with any appropriate national, state or local governmental rules or regulations pertaining to the operation of the Franchise Store;
- (v) Failure to open for business within thirty (30) days after completion of the initial training program unless prevented from doing so by circumstances beyond Franchise Owner's control;
- (vi) Failure of Franchise Owner's designated legal representative to effectuate transfer to new ownership within one hundred twenty (120) days of the death or permanent disability of a Franchise Owner or the majority owner of stock in a corporate Franchise Owner except as otherwise provided herein; or
- (vii) Failure to maintain the Franchise System, including without limitation, failing a Franchisor inspection. Franchisor has the right to conduct periodic inspections of the Franchise Store to evaluate compliance with the Franchise System and this Agreement. Following each inspection, Franchisor will provide you an inspection report listing your score on the inspection and those conditions at the Franchise Store must be rectified. If Franchise Owner fails to achieve a passing score on an inspection, the inspection report shall constitute notice of default. If Franchise Owner fails to achieve a passing score on the next inspection (which shall be conducted at least 10 days after Franchise Owner's receipt of the inspection report for the prior inspection), Franchisor may terminate this Agreement without opportunity to cure, by providing Franchise Owner written notice of termination along with the inspection report;

- (viii) Any other breach of the terms of this Agreement which remains uncorrected after thirty (30) days written notice.

14.3 Should this Agreement terminate due to a breach by Franchise Owner, Franchise Owner shall pay to Franchisor for a period of four years (or the remainder of the Term of the Agreement if that period is less than four years) a continuing Royalty (as partial compensation for the future fees that would have been paid by Franchise Owner under this Agreement) in an amount equal to the total Royalty due from Franchise Owner for the 52 weeks preceding the termination divided by 52. If the Franchise Store was open fewer than 52 weeks, then the average of all weeks for which the Franchise Store was open shall be used. Payment of the Royalty payment to Franchisor shall be in addition to other amounts to which Franchisor is entitled to recover, including without limitation, past-due fees and expenses, attorney fees, and other costs and expenses of collection. Payment of the Royalty shall not affect Franchisor's right to obtain appropriate injunctive relief and other remedies to enforce this Agreement.

14.4 During the pendency of any breach by Franchise Owner, Franchisor Owner agrees that Franchisor may prohibit Franchisor Owner from accessing the Franchise System and may further preclude Franchise Owner's access to any Proprietary Software and computer systems. In such event, Franchise Owner agrees that Franchisor shall not be liable to Franchise Owner for any loss of business or other claims or damages.

## **15. NOTICE REQUIRED FOR EFFECTING TERMINATION FOR BREACH**

The following procedure shall be used for termination of this Agreement for alleged breaches by Franchisor or Franchise Owner if notice is required.

15.1 Franchisor may terminate this Agreement after written notice of its intent to terminate has been sent to Franchise Owner. Such notice must specify the reason or reasons for such termination and the date termination will be effective. Such date of termination shall be at least thirty (30) days from the date such notice is postmarked or the date for personal service as the case may be excepting those breaches relating to late payments by Franchise Owner in which case the effective date of termination need not be more than ten (10) days from the date of notice.

Such notice shall contain the precise date termination will automatically take effect should Franchise Owner fail to cure the defaults set forth in the notice. Franchisor is not obligated to provide any further notices in order to enforce its rights granted by this Agreement.

15.2 Franchise Owner may terminate this Agreement after written notice to Franchisor only if Franchise Owner is in full compliance with all material terms of this Agreement. Such notice must specify the alleged material breaches committed by Franchisor and give Franchisor at least thirty (30) days to cure such alleged material breaches before termination can take effect. Such notice must contain the date of termination in the event Franchisor fails to cure the alleged material breaches within the cure period.

### 15.3 Notices

15.3.1 Any notices to be given hereunder shall be in writing and shall be either delivered personally, by first class, certified or registered mail, with postage fully paid or by reputable overnight delivery service. Any notice to be delivered to Franchisor shall be addressed to:

Auto-Lab Franchising, LLC  
6001 N. Adams Road, Suite 255  
Bloomfield Hills, Michigan 48304

With copy to (which shall not constitute notice):

Mark J. Burzych  
Fahey Schultz Burzych Rhodes PLC  
4151 Okemos Road  
Okemos, MI 48864

15.3.2 Any notice to Franchise Owner shall be delivered to the address of the Franchise Store, or to such other address as the Franchise Owner notifies Franchisor, in writing.

15.3.3 The address specified herein for service of notice may be changed at any time by the party making the change by giving written notice to the other party.

15.3.4 Any notice delivered by mail in the manner herein specified shall be deemed delivered and received, regardless of whether the notice is signed for by the recipient, 2 business days (i.e. excluding weekends and legal holidays) after mailing.

## **16. EFFECT OF TERMINATION**

Franchise Owner upon termination or nonrenewal of this Agreement shall have the following obligations:

16.1 Franchise Owner shall promptly pay any and all sums owed to Franchisor.

16.2 Franchise Owner shall cease doing business under all Trademarks licensed hereby. Franchise Owner further agrees not to use any similar name and/or Trademark as those licensed hereby nor use any means to indicate to the public he or she was ever a licensed user of any Trademarks associated with the Auto-Lab Franchise System.

16.3 Franchise Owner shall promptly return to Franchisor or dispose of as directed by Franchisor all stationery, printed matter and advertising materials containing a reference to any Trademarks licensed as part of the Franchise System.

16.4 Franchise Owner shall immediately, as of the date of termination, cease to use the telephone number assigned to Franchise Owner, execute such instruments or papers and take such

other steps as may be appropriate or required to transfer such telephone number to Franchisor, or to another Franchise Owner designated by Franchisor or to discontinue the use of such number.

Franchise Owner by this Agreement authorizes Franchisor under such circumstances to order the telephone company serving Franchise Owner to terminate or transfer the use of such telephone number or to put such number on referral as directed by Franchisor and not have calls forwarded to a new number. This Agreement is for the benefit of such telephone company serving Franchise Owner. Franchise Owner agrees and does hereby hold any such telephone company harmless from any and all claims against it arising out of any orders given by Franchisor to terminate, transfer or put on referral such telephone service.

16.5 Franchise Owner shall promptly return to Franchisor in good condition the Manual, proprietary software programs and other confidential information loaned to Franchise Owner by Franchisor in connection with the operation of the Franchise Store as well as customer lists developed by either Franchise Owner or Franchisor; it being understood by Franchise Owner such information is owned by the Franchisor at all times.

16.6 Franchise Owner shall promptly assign any lease Franchise Owner may have with Franchisor to Franchisor, or in the alternative, assign any primary lease to Franchisor which Franchise Owner may have with a lessor other than Franchisor if Franchisor indicates a willingness to assume the obligations of the primary lease. If Franchisor permits Franchise Owner to continue to use such premises, then Franchise Owner must remove all leasehold improvements which form a part of Franchisor's image.

16.7 Franchise Owner shall accept an offer from Franchisor to purchase the assets associated with the business made within fifteen (15) days after the effective date of termination if Franchisor makes an offer in its sole discretion on the terms described herein. Franchisor need not offer more than the lesser sum of the fair market value or the depreciated cost value carried on Franchise Owner's financial statements with respect to lease hold improvements, inventory, supplies, equipment and fixtures without any compensation for goodwill that might be attributable to the business. If Franchise Owner is still making payments for the purchase of such assets, Franchise Owner shall assign such contracts to Franchisor. Franchisor shall be entitled to deduct the remaining balance due from any cash consideration to be paid to Franchise Owner. Any disputes regarding valuation of assets shall be submitted to arbitration in accordance with the terms of this Agreement but shall not prevent Franchisor from having immediate access to the premises and use of the equipment in order to sustain operations at the premises without interruption.

16.8 Franchise Owner shall undertake such other reasonable and necessary steps to complete the termination process.

## **17. NONCOMPETITION**

In order to protect the Trademarks licensed hereby, Franchise Owner in his or her individual capacity or if a corporation or partnership, its respective stockholders, officers, directors, partners, agents and employees in such capacities as may be applicable, shall:



17.1 Neither be associated, directly or indirectly, as an employee, proprietor, partner, member, stockholder, officer, director, agent or otherwise in the operation of any business similar to or competitive with Franchisor, including without limitation any business similar to or competitive with Auto-Lab Express or Auto-Lab Complete Car Care Centers stores, during the term of this Agreement no matter where such similar business may be located; nor be associated, directly or indirectly, as an employee, proprietor, partner, member, stockholder, officer, director, agent or otherwise of a similar business for a period of two (2) years from termination or expiration or from the date of entry of a formal judgment enforcing this covenant by a court of competent jurisdiction, whichever is the later date.

The post-term covenant shall apply for the geographic area located within thirty (30) miles of the territorial boundaries of any Designated Area granted to Franchise Owner and within thirty (30) miles of the territorial boundaries of any other Designated Area of any similar, existing business (as of the date of termination or expiration of this Agreement) to the business franchised hereby, or Auto-Lab Complete Car Care Centers, which is being operated by another franchise owner or by the Franchisor or any of its affiliates upon the termination of this Agreement (termination as used in this Article shall mean either expiration of this Agreement or severance of the franchise relationship pursuant to procedures set forth herein).

17.2 None of the foregoing shall prevent Franchise Owner from investing in a business as an owner, partner or stockholder during the term of this Agreement which is not similar to or competitive with the franchise granted herein. Franchise Owner must notify Franchisor of such additional business interest.

17.3 The non-competition covenants contained in this article and Non-disclosure Agreement may be reduced in scope by an arbitrator or court of competent jurisdiction in order to render them enforceable under the prevailing law in lieu of declaring such non-competition covenants unenforceable as written.

17.4 Franchise Owner also acknowledges and agrees that if Franchise Owner should violate the provisions of this Article with respect to the operation of a competing 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 2 years following the date Franchise Owner ceases all activities that are in violation of such provision.

17.5 Franchise Owner agrees that the restrictions contained in this Article are reasonable and necessary in order to protect the business interests of Franchisor, which business interests the Franchise Owner acknowledges to be valuable and legitimate. In the event Franchise Owner breaches or threatens to breach the restrictions of this Article, Franchise Owner agrees that Franchisor shall be entitled to immediate injunctive relief.

## **18. INDEMNIFICATION**

18.1 Franchise Owner shall, at all times, indemnify and hold harmless to the fullest extent permitted by law Franchisor, its affiliates, successors and assigns, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them (“Indemnitees”), from all “losses and expenses” (as defined below) incurred in

connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted or reduced to judgment) which actually or allegedly, directly or indirectly, arises out of or is based upon, is a result of or is related in any way to any of the following:

18.1.1. The infringement, alleged infringement, or any other violation or alleged violation by Franchise Owner of any patent, mark or copyright or other proprietary right owned or controlled by third parties (except as such may occur with respect to any right to use the Trademarks, any copyrights or other proprietary information granted herein pursuant to this Agreement);

18.1.2. The violation, breach or asserted violation or breach by Franchise Owner of any federal, state or local law, regulation, ruling, standard or directive or any industry standard;

18.1.3. Libel, slander or any other form of defamation of Franchisor, the Franchise System or any developer or franchise operating under the Franchise System, by Franchise Owner;

18.1.4. The violation or breach by Franchise Owner of any warranty, representation, agreement or obligation in this Agreement or in any other agreement between Franchise Owner or any of its affiliates and Franchisor or any of its affiliates, or the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of any of them;

18.1.5 Any personal injury, death or property damage suffered by any customer, visitor, operator, employee or guest of the Franchise Store; crimes committed on or near any of the premises, facilities of the Franchise Store or vehicles used by the Franchise Store;

18.1.6. Acts, errors, or omissions of Franchise Owner, any of Franchise Owner'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 Franchise Store, 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 Franchise Store or otherwise, including without limitation any property damage, injury or death suffered or caused by any delivery person or vehicle serving the Franchise Store, all liabilities arising from or related to Franchise Owner's offer, sale and/or delivery of products and/or services as contemplated by this Agreement; and any action by any employee of Franchise Owner, customer of Franchise Owner, or visitor or guest of the Franchise Store. The parties understand and agree that Franchisor cannot and does not exercise control over the manner of operation of any motor vehicles used by, or on behalf of, Franchise Owner or any employee, agent or independent contractor of Franchise Owner and that the safe operation of any motor vehicle is, therefore, Franchise Owner's responsibility; and

18.1.7. Violation of any federal, state, or local labor and employment law for acts or omissions of Franchise Owner or Franchise Owner's employees and cybersecurity breaches or violations of any Privacy Laws.

18.1.8. Failure to comply with or perform any repair or maintenance required in connection with any warranty offered to any customer, visitor, or guest of the Franchise Store.

18.2 Franchise Owner agrees to give Franchisor prompt notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation that could be the basis for a claim for indemnification by any Indemnitee within three days of Franchise Owner's actual or constructive knowledge of it. At the expense and risk of Franchise Owner, Franchisor may elect to assume (but under no circumstance is obligated to undertake) or associate counsel of its own choosing with respect to, the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry or investigation. Such an undertaking by Franchisor shall, in no manner or form, diminish the obligation of Franchise Owner to indemnify the Indemnitees and to hold them harmless.

18.3 In order to protect persons or property, or its reputation or goodwill, or the reputation or goodwill of others, Franchisor may, at any time and without notice, as it, in its judgment deems appropriate, consent or agree to settlements or take such other remedial or corrective action as it deems expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation if, in Franchisor's sole judgment, there are reasonable grounds to believe that:

- A. Any of the acts or circumstances enumerated in Section 18.1.1 – 18.1.4 above have occurred; or
- B. Any act, error, or omission as described in Section 18.1.5 may result directly or indirectly in damage, injury, or harm to any person or any property.

18.4 All losses and expenses incurred under this Section 18 shall be chargeable to and paid by Franchise Owner pursuant to its obligations of indemnity under this Section, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity or defense.

18.5 As used in this Article 18, the phrase "losses and expenses" shall include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, costs of investigation, reasonable attorneys' fees, expert fees and disbursements, court costs, settlement amounts, judgments, compensation for damages to the Franchisor's 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 Indemnitee's 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 Franchise Owner pursuant hereto, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of the actions, activity or defense. Specifically excluded from the indemnity Franchise Owner provides hereby is any liability associated with Franchisor's or other Indemnitee's 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 Franchise Owner).

18.6 The Indemnitees do not assume any liability whatsoever for acts, errors, or omissions of any third party with whom Franchise Owner, Franchise Owner's affiliates or any of the officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of Franchise Owner or its affiliates may contract, regardless of the purpose. Franchise Owner shall hold harmless and indemnify the Indemnitees for all losses and expenses which may arise out of any acts, errors or omissions of Franchise Owner, Franchise Owner's affiliates, the officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of Franchise Owner and its affiliates and any such other third parties without limitation and without regard to the cause or causes thereof or the negligence (whether such negligence be sole, joint or concurrent, or active or passive) or strict liability of Franchisor or any other party or parties arising in connection therewith.

18.7 Franchisor has the right, at any time it considers appropriate, to offer, order, consent or agree to settlements or take any other remedial or corrective actions Franchisor considers expedient with respect to the action, suit, proceeding, claim, demand, inquiry, or investigation if, in Franchisor's sole judgment, there are reasonable grounds to do so. Under no circumstances shall the Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against Franchise Owner. Franchise Owner agrees that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable from Franchise Owner by the Indemnitees.

18.8 Franchise Owner expressly agrees that the terms of this Section 18 shall survive the termination, expiration or transfer of this Agreement or any interest herein.

18.9 Franchisor shall, at all times, indemnify and hold harmless to the fullest extent permitted by law, Franchise Owner, successors and assigns, and the officers, directors, shareholders and employees of each of them ("Reciprocal Indemnitees") from all "Franchise Owner Losses and Expenses" incurred in connection with any third party action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted), which arises out of or is based upon any of the following:

18.9.1 Libel, slander or any other form of defamation of a third party by Franchisor, or any person acting by, for or on behalf of Franchisor;

18.9.2 The intentional or malicious infliction of injury as to any third party by Franchisor;

18.10 For purposes of this section, "Franchise Owner Losses and Expenses" shall include all compensatory damages, costs, legal fees, court costs and expenses incurred in connection with matters indemnified above.

## 19. ARBITRATION

19.1 Franchisor shall have the right to enforce by judicial process its right to receive monies due from Franchise Owner, to enforce the post-termination provision contained in Article 16, to terminate this Agreement by Franchisor for the causes enumerated in Articles 14-15, to prevent or remedy a material breach of this Agreement by Franchise Owner if such breach could materially impair the goodwill associated with Franchisor's Trademarks (including actions with respect to the servicing of wholesale accounts), to enforce the confidentiality provisions of this Agreement, and to enforce the Non-Competition provisions of Article 17 of this Agreement. Franchisor shall be entitled without bond to the entry of temporary restraining orders and temporary and permanent injunctions enforcing the aforementioned provisions. If a court determines a bond is necessary, Franchise Owner agrees that the bond shall be limited to not more than \$10,000. If Franchisor is successful in obtaining an injunction or any other relief against Franchise Owner, Franchise Owner shall pay Franchisor an amount equal to the aggregate of Franchisor's costs of commencing and prosecuting the action, including, without limitation, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding (including the offer and sale of a franchise to Franchise Owner) brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement shall be brought or instituted within a period of one (1) year after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

19.2 Except insofar as Franchisor elects to enforce this Agreement by judicial process and injunction as provided above, all disputes and claims relating to any provision hereof, to any specification, standard, operating procedure or other obligation of Franchisor, its agents or the breach thereof (including, without limitation, any claim that this Agreement, any provision thereof, any specification, standard, operating procedure or any other obligation of Franchise Owner or Franchisor is illegal, unenforceable or voidable under any law, ordinance or ruling) shall be settled by binding arbitration at the office of the American Arbitration Association located nearest to Franchisor's principal office. Arbitration will be held in accordance with the United States Arbitration Act (9 U.S.C. § 1 et seq.), if applicable, and the rules of the American Arbitration Association (relating to the arbitration of disputes arising under Franchise Agreements, if any; otherwise, the general rules of commercial arbitration).

19.2.1 Except with respect to matters for which Franchisor believes it necessary to seek equitable relief or to collect royalties or other amounts owing to Franchisor, Franchise Owner and Franchisor shall be required to enter into mediation of all disputes involving this Agreement or any aspect of the relationship between them for a minimum of four (4) hours prior to the initiation of any arbitration or other action or proceeding against the other party or any agent or affiliate of the other party. Upon written notice by either party to the other of the initiating party's desire to mediate, the party receiving the notice shall select an independent entity that regularly provides mediation services to franchisors and franchisees to serve as mediator in the proceeding. If the party receiving the notice of intent to mediate does not provide the name of such an organization within 10 business days from the date the notice of intention to mediate is received, then the other party, at its option, may (i) forego mediation of the issues(s) and commence legal action, or (ii) select the organization to provide mediation services. If one party selects an

organization that is unwilling to serve as mediator, then the other party shall select an organization. Once the organization is designated and agrees to accept the appointment as mediator, or if the designated organization is unwilling to serve as mediator or does not meet the requirements of this subparagraph, then the initiating party may designate such an organization. Once the organization is designated, the organization shall be directed to schedule a mediation proceeding at a time mutually convenient to Franchisor and Franchise Owner. The mediation shall be held within 30 days following receipt by the mediation organization of notification that its services shall be retained. If the parties cannot agree on a date for mediation, then the mediation organization shall select a date it believes is reasonable for the parties, given all of the alleged conflicts in dates. The actual mediator shall either be a person who has had at least ten (10) years of experience as either franchisee or franchisor (or as an officer of such an entity) or in franchise law. The parties shall equally share the cost of the mediator. The mediator shall select the location for the mediation, giving due consideration to the location that will minimize the total expenses of the mediation. If Franchise Owner fails or refuses to abide by the provisions of this subparagraph and to engage in mediation as required herein, and litigation or arbitration ensues between the parties, Franchise Owner shall be liable for all attorneys' fees incurred by Franchisor in such proceeding, regardless of the outcome of the proceeding, and shall reimburse Franchisor on demand for such costs.

19.2.2 Any arbitrator appointed must have at least ten (10) years' experience in franchise matters and shall have the right to award or include in any award the specific performance of this Agreement. Franchisor and Franchise Owner acknowledge that judgment upon an arbitration award may be entered in any court of competent jurisdiction and shall be binding, final and nonappealable. During the pendency of any arbitration proceeding, Franchise Owner and Franchisor shall fully perform this Agreement.

19.2.3 If, after Franchisor or Franchise Owner institute an arbitration proceeding, one or the other asserts a claim, counterclaim or defense, the subject matter of which, under statute or current judicial decision is nonarbitrable for public policy reasons, the party against whom the claim, counterclaim or defense is asserted may elect to proceed with the arbitration of all arbitrable claims, counterclaims or defenses or to proceed to litigate all claims, counterclaims or defenses in a court having competent jurisdiction.

19.3. TO THE EXTENT EITHER PARTY IS PERMITTED TO ENFORCE THIS AGREEMENT BY JUDICIAL PROCESS AND ELECTS TO DO SO, EACH OF THE PARTIES WAIVES ITS RIGHT TO A TRIAL BY JURY. THIS WAIVER SHALL APPLY TO ALL CAUSES OF ACTION THAT ARE OR MIGHT BE INCLUDED IN SUCH ACTION INCLUDING, BUT NOT LIMITED TO, CLAIMS RELATED WITH RESPECT TO THE ENFORCEMENT OR INTERPRETATION OF THIS AGREEMENT, ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR SIMILAR CAUSES OF ACTION, AND IN CONNECTION WITH ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES BETWEEN FRANCHISOR AND FRANCHISE OWNER (INCLUDING ANY OWNERS OR GUARANTORS, IF APPLICABLE, AND INCLUDING ACTIONS INVOLVING AFFILIATES, OFFICERS, EMPLOYEES OR AGENTS OF FRANCHISOR OR FRANCHISE OWNER) FOR BREACH OF THE FRANCHISE AGREEMENT.

19.4 Franchisor and Franchise Owner (and the respective owners and guarantors, if applicable) agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages against the other and against any affiliates, owners, employees, or agents of the other, and agree that in the event of a dispute between or among any of them, each shall be limited to the recovery of actual damages sustained by it and any equitable relief to which it might be entitled.

19.5 Franchisor and Franchise Owner (and the respective owners, officers, affiliates and agents, if applicable) each agree to submit to the exclusive jurisdiction of the state and federal courts of Michigan with respect to any litigation pertaining to this Agreement or to any aspect of the business relationship between the parties, even if additional persons are named as parties to such litigation (unless the courts of Michigan would have no jurisdiction over such additional persons). No action or proceeding involving this Agreement or any aspect of the relationship between the parties or their agents or affiliates shall be commenced by any party except in Oakland County, Michigan, nor shall any such action be transferred to any other venue. Notwithstanding the foregoing, if Franchisor is permitted to seek injunctive relief under this Agreement, Franchisor may, at its option, bring such action in the county in which the Franchise Store is located.

19.6 The parties agree they should each be able to settle, mediate, litigate, arbitrate, or compromise disputes in which they are involved with third parties, without having the disposition of such disputes directly affect the contract or relationship between Franchisor and Franchise Owner. Franchisor and Franchise Owner therefore each agree that a decision of an arbitrator or court of law in litigation to which one of them is not a party shall not in any manner prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any action between Franchisor and Franchise Owner. The parties therefore waive the right to assert that principles of collateral estoppel present either of them from raising any claim or defense in an action between them as a result of such party having lost a similar claim or defense in another action.

19.7 Franchise Owner agrees that it will not file any arbitration claim as a class action, seek class action status, or permit its claim to be joined or made part of any class action filed by another. Franchise Owner further agrees that it will not file or join in any consolidated arbitration.

## **20. INDEPENDENT CONTRACTOR**

20.1 Franchise Owner 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. Franchise Owner further agrees to indicate his or her business is independently owned and operated in such a manner that neither Franchise Owner's employees nor customers will confuse such business with that of the Franchisor or other franchise owners of the franchise system.

20.2 Neither Franchisor nor Franchise Owner 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 Franchisor nor Franchise Owner shall be responsible for any obligations or expenses of the other unless specifically agreed to in writing. Neither Franchise Owner nor any persons performing any duties or engaged in any work on the premises of the Franchise Owner at his or her request shall be considered to be an employee, agent, or representative of Franchisor.

20.3 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 Franchisor and Franchise Owner. No agency, employment, or partnership is created or implied by the terms of this Agreement, and Franchise Owner shall not represent or imply or hold itself out to third parties that Franchise Owner is an agent, fiduciary, legal representative, joint venture, partner, employee, servant, independent contractor, joint employer, or other special relationship of or with Franchisor, and Franchise Owner is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's 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 Franchisor is Franchise Owner's employer or the employer of Franchise Owner's employees and or independent contractors, nor vice versa. Neither Franchise Owner nor any of its employees whose compensation Franchise Owner pays may in any way, directly or indirectly, expressly or by implication, be construed to be Franchisor's 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.

20.4 Franchisor shall not have the power to hire or fire Franchise Owner's employees and determine all of the terms and conditions of Franchise Owner's employees' employment. Franchise Owner expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement to certify certain of Franchise Owner's employees for qualification to perform certain functions for the Franchise Store does not directly or indirectly vest in Franchisor the power to hire, fire, or control such employee. It is acknowledged that Franchise Owner 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. Franchise Owner acknowledges and agrees, and will never contend otherwise, that Franchise Owner alone will exercise day-to-day control over all operations, activities and elements of the Franchise Store and that under no circumstance shall Franchisor do so or be deemed to do so. Franchise Owner further acknowledges and agrees, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the Franchise System which Franchise Owner is required to comply with under this Agreement, whether set forth in the Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Franchise Store, which Franchise Owner alone controls, but only constitute standards Franchise Owner must adhere to when exercising its control of the day-to-day operations of the Franchise Store. Franchise Owner acknowledges that Franchisor may, from time-to-time, make certain recommendations as to employment policies and procedures, including without limitation, a sexual harassment policy. Franchise Owner will have 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 Franchise Owner's sole responsibility.

20.5 Except as expressly provided in this Agreement, Franchisor may not control or have access to Franchise Owner's funds or the expenditure of Franchise Owner's funds or in any other way exercise dominion or control over the Franchise Store. 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 Franchisor and Franchise Owner is other than that of franchisor and franchisee. Franchisor does not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by Franchise Owner which are not expressly authorized under this Agreement. Franchisor will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to Franchise Owner's operation of the Franchise Store. Franchise Owner is solely responsible for all aspects of the development and operation of the Franchise Store, subject only to the conditions and covenants established by this Agreement. Franchise Owner acknowledges that Franchisor has no responsibility to ensure that the Franchise Store is developed and operated in compliance with all applicable laws, ordinances, and regulations and that Franchisor shall have no liability in the event the development or operation of the Franchise Store violates any law, ordinance, or regulation. Franchise Owner's business is, and shall be kept, totally separate and apart from any that may be operated by Franchisor. In all public records, in relationships with others, and on letterhead and business forms, electronic communications, bulletins and posters to Franchise Owner's employees, paychecks, checks, and other communications to customers, Franchise Owner shall indicate that Franchise Owner is solely a franchisee of Franchisor.

## **21. INSURANCE**

Franchise Owner shall at all times during the term of this Agreement and at its own expense keep in force the following policies of insurance at the following minimum amounts, which policies of insurance, coverages, and amounts may be changed from time to time by Franchisor in Franchisor's Manual, in Franchisor's sole discretion. Franchisor may also require more coverage or additional coverages from time to time in Franchisor's sole and absolute discretion.

21.1 Comprehensive General Liability Insurance, which includes products liability coverage for bodily injury and property damage, for an amount not less than \$1,000,000 per occurrence with a \$2,000,000 aggregate.

21.2 Owned, Non-Owned, and Hired Automobile Liability Insurance for an amount not less than \$1,000,000 combined single limit.

21.3 Workers' Compensation Insurance as required by applicable state law, which coverage shall be in effect for any of Franchise Owner's employees who participate in training programs run by Franchisor at the time such training programs commence.

21.4 Employer Practices Liability Insurance for an amount not less than \$500,000 each accident, \$500,000 each employee, and \$500,000 policy limit.

21.5 Employee dishonesty coverage of not less than \$20,000 per occurrence; money and securities coverage of inside and outside of not less than \$10,000 per occurrence.

21.6 Umbrella Liability Coverage for an amount not less than \$3,000,000 per occurrence.

21.7 Building, personal property, and leasehold improvements coverage, if applicable, under a special form property insurance coverage with replacement costs endorsement in an amount equal to 100% of the values of these items.

21.8 Business interruption insurance providing monthly coverage for earnings on an “actual loss sustained basis” for a minimum of 12 months or, if “actual loss sustained” coverage is not obtainable, you must obtain Business Insurance (and extra expense) coverage (utilizing a valuation that shall include the equivalent of net income before taxes). For each month that Franchise Owner files a claim under this policy, Franchise Owner shall pay Franchisor the aggregated weekly Royalty and Advertising Fee based upon the Gross Sales for the Franchise Store during that month in the previous year. In the event that Franchise Owner was not operating during that month in the previous year, Franchise Owner shall pay Franchisor the Royalty and Advertising Fee based upon the pro rata monthly Gross Sales for the previous year.

Franchise Owner shall name Franchisor as an “additional insured” on Franchise Owner’s Comprehensive General Liability Insurance, and Products Liability Insurance, protecting both Franchise Owner and Franchisor from any liability by reason of the ownership, maintenance or operation by Franchise Owner of the Franchise Store licensed by this Agreement. All insurance policies shall be written with an insurance company that has an A.M. Best’s analytical rating of “A” or better and in the A.M. Best’s financial size category of Class VIII or better. All policies shall stipulate that Franchisor shall receive not less than 30 days’ prior written notice of cancellation, non-renewal, or material change to said policies. Franchise Owner shall annually provide to Franchisor appropriate Certificates of Insurance evidencing the required insurance, or shall provide such other proof of insurance acceptable to Franchisor. Failure to obtain or maintain the required insurance shall be a material breach under this Agreement; provided that in the event Franchise Owner fails to obtain any of the required insurance, Franchisor may, but is not required to, obtain such insurance and keep the same in full force and effect, without prejudice to any other remedies that it may have under this Agreement, at law or in equity, and Franchise Owner shall pay Franchisor, upon demand, the premium cost of such insurance.

## **22. WAIVER**

No delay or omission to exercise a right, power or remedy accruing to one party on any breach or default of this Agreement shall be construed as a waiver of such right, power or remedy of said party unless otherwise provided for in this Agreement. Any waiver, permit, consent or approval of any kind or character on the part of the Franchisor of any breach of this Agreement shall be in writing and shall be effective only to the extent specifically allowed by such writing. All remedies, either under this Agreement, by law or otherwise afforded, shall be cumulative and not alternative. In no event may Franchise Owner make any claim for money damages based upon any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval under this Agreement. Franchise Owner waives any such claim for damages. Franchise Owner may not claim any such damages by way of set off, counterclaim, or defense. Franchise Owner’s sole remedy for the claim will be an action or proceeding to enforce the Agreement provisions consistent with the terms of this Agreement.

## **23. CONSTRUCTION**

23.1 This Agreement shall become valid when executed and accepted by Franchisor. This Agreement presumes its performance shall involve or is affected by interstate commerce. As such, issues of arbitrability shall be determined in accordance with the federal substantive and procedural laws relating to arbitration as they relate to the interpretation of the Federal Arbitration Act (9 U.S.C. Section 1 et seq.).

23.2 Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. § 1050 et seq.), as amended, this Agreement shall be governed by the laws of the state of Michigan. The parties agree, however, that if the Franchise Store is not located in Michigan, and if Franchise Owner 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.

Notwithstanding the foregoing, the parties recognize that if Franchise Owner is a resident of a state that has a law specifically governing the sale and operation of franchises of the type granted hereby to Franchise Owner, or if the Franchise Store is located in such a state, then while the foregoing paragraph shall still be applicable, the franchise law of such other states shall also apply to this transaction. In that event, to the extent that the provisions of this Agreement provide for periods of notice less than those required by such applicable law, or provide for termination, cancellation, non-renewal or the like other than in accordance with such applicable law, such provisions shall, to the extent that such are not in accordance with such applicable law, be superseded by said law, and Franchisor shall comply with such applicable law in connection with each of these matters.

23.3 This Agreement, the Schedules, any addendums attached to this Agreement, and the other related agreements between the Franchise Owner and Franchisor executed contemporaneously with this Agreement contain all of the terms and conditions agreed upon by the parties regarding the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations, and agreements. No promises or representations have been made by Franchisor other than set forth in this Agreement. Nothing in this section, however, is intended to disclaim or require Franchise Owner to waive reliance on any representation that Franchisor made in the Franchise Disclosure Document provided to Franchise Owner. No modifications of the terms of this Agreement shall be valid unless made in writing and executed by Franchisor and Franchise Owner. THERE ARE NO WARRANTIES, REPRESENTATIONS, COVENANTS OR AGREEMENTS, EXPRESS OR IMPLIED, BETWEEN THE PARTIES CONCERNING THE SUBJECT MATTER HEREOF, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING, EXCEPT THOSE EXPRESSLY SET FORTH IN THIS AGREEMENT. NOTHING CONTAINED HEREIN IS INTENDED TO DISCLAIM ANY REPRESENTATION MADE BY FRANCHISOR IN THE FRANCHISE DISCLOSURE DOCUMENT PROVIDED TO FRANCHISE OWNER. NOTHING CONTAINED HEREIN IS INTENDED TO DISCLAIM ANY REPRESENTATION MADE BY FRANCHISOR IN THE FRANCHISE DISCLOSURE DOCUMENT PROVIDED TO FRANCHISE OWNER.

23.4 In the event that any provision of this Agreement is declared to be illegal or unenforceable by any statute, judicial decision, or federal or state governmental authority, this Agreement shall be deemed modified to the extent necessary to eliminate the illegal or unenforceable provisions with all the other terms and conditions of this agreement remaining in full force and effect.

#### **24. ATTORNEY FEES AND RELATED COSTS**

If Franchise Owner institutes any legal action to interpret or enforce the terms of this Agreement, and the claim of Franchise Owner in such action is denied or the action is dismissed, Franchisor shall be entitled to recover from Franchise Owner its attorney fees, and all other costs and expenses incurred in defending against the same, and to have such an amount awarded as part of the judgment in the proceeding. If Franchisor engages legal counsel for any reason or to interpret or enforce the terms and conditions of this Agreement or institutes any legal action to interpret or enforce the terms and conditions of this Agreement, Franchisor shall be entitled to recover from Franchise Owner its attorney fees and other costs and expenses in relation to such counsel consultation and /or legal action.

#### **25. MISCELLANEOUS**

25.1 Neither Franchisor nor Franchise Owner shall be responsible for any contingency that is unavoidable or beyond either parties' control such as an act of God, world war, labor strikes or similar circumstances; otherwise time is of the essence in performance of the duties and obligations set forth in this Agreement.

25.2 Franchise Owner acknowledges he or she has received no assurances or guarantees from Franchisor or any of its representatives concerning the profitability of his or her proposed business.

25.3 Wherever pronouns are used they shall be read and construed in the masculine, feminine, or neuter wherever they would so apply. Wherever words, including pronouns, are used in the singular or plural, they shall be read and construed in the plural and singular, respectively, wherever they would so apply.

25.4 Where necessary to carry out the intent of this agreement, the covenants and obligations of either party shall survive the termination or expiration of this agreement.

25.5 It is acknowledged by the Franchise Owner that he or she received a copy of this Agreement, the attachments hereto, if any, and any other agreements relating thereto, if any, at least five (5) business days prior to the date on which this Agreement was executed. Franchise Owner further acknowledges he or she received the Franchise Offering Circular required by the Federal Trade Commission franchise rule at least ten (10) business days before the execution date of this Agreement.

25.6 Franchise Owner further 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, Franchise Owner 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. Franchise Owner 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 Franchise Owner pursuant to applicable law.

25.7 Franchise Owner acknowledges that no officer, director, member, employee, agent, representative or independent contractor of Franchisor is authorized to furnish Franchise Owner with any financial performance information; that if they nevertheless do, Franchise Owner will not rely on any such financial performance information given to Franchise Owner by any such individual; and that if any such individual attempts to or actually does give Franchise Owner any such financial performance information in contravention of this provision, Franchise Owner 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.

25.8 Franchise Owner 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. Franchise Owner represents that it has either consulted with such advisors or has deliberately declined to do so.

25.9 Franchise Owner 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 Franchise Owner acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

25.10 Franchise Owner acknowledges that before executing this Agreement, Franchise Owner has had the opportunity to contact all of Franchisor's existing franchisees.

25.11 Franchise Owner has carefully considered the nature and extent of the restrictions upon Franchise Owner 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 Franchise Owner 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 Franchise System; (c) are fully required to protect Franchisor's legitimate business interests; and (d) do not confer benefits upon Franchisor that are disproportionate to Franchise Owner's detriment. The covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on Franchise Owner, since Franchise Owner has other considerable skills, experience and education which afford Franchise Owner the opportunity to derive income from other endeavors.

25.12 Franchise Owner agrees to operate the Franchise Store in strict compliance with this Agreement and the Manuals. Franchisor has the right to prescribe additions to, deletions from or revisions of the Manual (the “Supplements to the Manual”) as Franchisor deems necessary, in Franchisor’s discretion, all of which will be considered a part of the Manual. Franchise Owner acknowledges and agrees that Franchisor has the right to prescribe additions to, deletions from, or revisions to the Manual as Supplements to the Manual, and Franchise Owner shall implement such Supplements to the Manual as directed by Franchisor.

25.13 Franchise Owner agrees to cooperate with any Area Developer to whom Franchisor delegates the responsibility of servicing Franchise Owner’s Business.

25.14 Each party represents it has the authority to execute this agreement. Franchise Owner acknowledges only officers or individuals designated by officers of the Franchisor have the authority to make binding commitments on behalf of the Franchisor. In particular, field support personnel employed by the Franchisor cannot contractually bind the Franchisor by making any verbal or written representations.

25.15 Each party further acknowledges this agreement can be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Each party agrees to execute such other instruments and documents as needed to carry out the intent of the parties, all of which shall be incorporated herein by reference as if set forth herein.

25.16 Franchise Owner shall 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.

IN WITNESS WHEREOF, the parties hereto affix their signatures and execute this Franchise Agreement as of the day and year first above written.

WITNESSES:

FRANCHISOR:

AUTO-LAB FRANCHISING, LLC, a Michigan  
limited liability company

\_\_\_\_\_

By: \_\_\_\_\_

TITLE: \_\_\_\_\_

**WITNESSES  
AS TO INDIVIDUAL(S)  
AND/OR CORPORATE  
SIGNATURE:**

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**WITNESSES:**

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**FRANCHISE OWNER:  
INDIVIDUALLY:**

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**FRANCHISEE:**

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By: \_\_\_\_\_

TITLE: \_\_\_\_\_

## **CONVERSION ADDENDUM TO FRANCHISE AGREEMENT**

This Conversion Addendum ("Addendum") to the Franchise Agreement ("Agreement") entered into between Auto-Lab Franchising, LLC, a Michigan limited liability company (hereinafter referred to as "Franchisor") and \_\_\_\_\_ (hereinafter referred to as "Franchise Owner") on this \_\_\_ day of \_\_\_\_\_, 20\_\_.

1. This Addendum incorporates all of the terms used in the Agreement as if specifically defined herein.

2. Section 4.1 of the Agreement is deleted in its entirety and replaced by the following language:

"A non-refundable initial franchise fee ("Initial Franchise Fee") in the amount of NINETEEN THOUSAND FIVE HUNDRED DOLLARS (\$19,500). The Initial Franchise Fee is due upon execution of this Agreement and Addendum and shall be deemed fully earned on such execution date."

3. Section 4.2 of the Agreement is amended by adding the following language to the end of the section:

"Notwithstanding the foregoing, for a period of 12 months from the Effective Date, Franchise Owner shall pay Royalty to Franchisor in the amount of one-half (1/2) of the Royalty otherwise due under this Section. At the end of such 12-month period, and for the duration of the Agreement, Franchise Owner shall pay to Franchisor the full amount of Royalty due under the section."

4. Section 6.25 is hereby amended to include the following language at the end of the Section:

"Notwithstanding anything to the contrary, Franchisor and Franchisor Designate will provide to Franchise Owner the FAST START computer hardware and software, which includes up to 3 Dell OptiPlex 7490 AIO desktop computers, monochrome printers, and 1 all-in-one printer. This computer will have Next Day Parts & Labor On-Site 1 Year Warranty. This computer will also have an ALBMS Compatible Oil Decal printer, with Oil Decal Starter Roll (500 Labels) and Oil Decal Printer Ribbon. Also included in FAST START is: ALBMS Compatible Cash Drawer and 2 Samsung Galaxy tablets, the cost of which is included in your Initial Franchise Fee."



IN WITNESS WHEREOF, the parties hereto affix their signatures and execute this Addendum as of the day first above written.

FRANCHISOR:

FRANCHISE OWNER:

AUTO-LAB FRANCHISING, LLC

\_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

GUARANTORS:

\_\_\_\_\_  
By: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_

**FRANCHISE DATA SHEET (Schedule A)**

1. The Legal name of the Franchise Owner is: \_\_\_\_\_

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

2. The assumed name of the Franchise Owner is: \_\_\_\_\_.

3. The telephone number used by the Franchise Store is: \_\_\_\_\_.

4. The name, home address, phone, title and % of ownership of each individual having an ownership interest in Franchise Owner is:

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 franchise 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 Franchise Owner.

The undersigned represent and warrant that the information contained in this franchise 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 Franchise Data Sheet, other than the information relating to the home address and home telephone number, require the written approval of the Franchisor. The undersigned further acknowledge Franchisor relies upon the accuracy of the information contained in The Franchise Data Sheet and may, therefore, treat any negligent or willful withholding of pertinent information as a material breach of the Franchise Agreement. Franchise Owner hereby agrees to reimburse Franchisor for any additional costs for printing or other expenses which Franchisor must incur as a result of inaccurate information being conveyed by Franchise Owner to Franchisor. As such, the information contained in this Franchise Data Sheet shall be incorporated by reference into the Franchise Agreement executed between the Franchisor and the named Franchise Owner on \_\_\_\_\_, 20\_\_\_\_, as if set forth therein for purposes of interpreting the Franchise Agreement with respect to the information regarding the owners of the franchised business.

Owner's Signature

Date of signature

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**LOCATION AND DESIGNATED AREA DESIGNATION (Schedule B)**

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

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Auto-Lab Franchising, LLC, the Franchisor, hereby grants to Franchise Owner the area described below:

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The information contained in this Location and Designated Area Designation Form shall be incorporated into the Franchise Agreement by reference as if set forth therein for purposes of interpreting the Franchise Agreement executed by the Franchisor and

\_\_\_\_\_, the Franchise Owner,

On \_\_\_\_\_, 20\_\_.

Auto-Lab Franchising, LLC

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

**Schedule C**

**ELECTRONIC FUNDS TRANSFER (EFT) AUTHORIZATION**

Auto-Lab Franchising, LLC

Automatic Debit of Amount Due to Franchisor

Franchise Store: \_\_\_\_\_

I, the authorized representative and agent for the Franchise Store for the account identified below referenced, authorize AUTO-LAB FRANCHISING, LLC. (referred to as "Franchisor") to debit on every Monday from Franchisee's bank account, the amount of Royalty and Advertising Fee due to the Franchisor based on Gross Sales of the above referenced Auto-Lab Express Franchise Store, and any Late Fees or Interest, for each and every preceding week, ending on Sunday, and any other fee or expense that may be due and owing to Franchisor. I also authorize Franchisor to debit any other fees associated with the Franchise Store including but not limited to the advertising fee, the required local advertising expenditures not incurred, as well as any other fees that may become due to Franchisor or its affiliates. I further authorize Franchisor to assign part or all of the rights to debit the account identified to an affiliate, successor, or assign.

Franchisee Bank Information: Attach blank copy of check

Bank Name	
Bank Address	
Account Name	
Account Number	
ABA Routing Number	

FRANCHISEE:

By: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Its: Authorized Representative

By: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Its: Authorized Representative

**ADDENDUM TO THE FRANCHISE AGREEMENT  
AUTO-LAB FRANCHISING, LLC**

**FOR THE STATE OF CALIFORNIA**

This Addendum to the Franchise Agreement is agreed to this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, is by and between Auto-Lab Franchising, LLC and \_\_\_\_\_.

1. New Section 16.9 is inserted into the Franchise Agreement and states as follows:

If termination is the result of Franchise Owner's default, Franchise Owner will pay to Franchisor a lump sum payment (as liquidated damages for causing the premature termination of this Agreement and not as a penalty) equal to the total of all Royalty Fee payments for: (a) the twenty-four (24) calendar months of operation of Franchise Owner preceding Franchise Owner's default; (b) the period of time Franchise Owner has been in operation preceding the notice, if less than twenty-four (24) calendar months, projected on a twenty-four (24) calendar month basis; or (c) any shorter period as equals the unexpired term at the time of termination. The parties agree that a precise calculation of the full extent of the damages that Franchisor will incur on termination of this Agreement as a result of Franchise Owner's default is difficult and the parties desire certainty in this matter and agree that the lump sum payment provided under this Section is reasonable in light of the damages for premature termination that Franchisor will incur. This payment is not exclusive of any other remedies that Franchisor may have including attorneys' fees and costs.

2. 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 Franchise Agreement for Auto-Lab Franchising, LLC is amended as follows:

- The California Franchise Relations Act provides rights to Franchise Owner concerning termination or non-renewal of the Franchise Agreement, which may supersede provisions in the Franchise Agreement, specifically Sections 3.2 and 14.
- Section 14.1(i), which terminates the Franchise Agreement upon the bankruptcy of Franchise Owner, may not be enforceable under federal bankruptcy law (11 USC Section 101, *et. seq*).
- Section 17 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 Franchise 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 Franchise Agreement requires application of the laws of a state other than California. This provision might not be enforceable under California law.
- Paragraph 1 of this Addendum contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- Section 19 requires binding arbitration. The arbitration will occur at the forum indicated in Section 19.2, with the costs being borne by the non-prevailing party. Prospective Franchise Owners 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 of the State of California.

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: \_\_\_\_\_

Franchise Owner:

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its: \_\_\_\_\_

**FOR THE STATE OF HAWAII**

This Addendum to the Franchise 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 Franchise Agreement for Auto-Lab Franchising, LLC is amended as follows:

- The Hawaii Franchise Investment Law provides rights to Franchise Owner concerning non-renewal, termination and transfer of the Franchise Agreement. If the Agreement, and more specifically Sections 3.2, 14 and 17 contain a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.
- Sections 3.2.4, and 11.1 (3) require Franchise Owner 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 14.1(i), which terminates the Franchise Agreement upon the bankruptcy of Franchise Owner, may not be enforceable under federal bankruptcy law (11 USC 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 Franchise 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: \_\_\_\_\_

Franchise Owner:

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its: \_\_\_\_\_



## **FOR THE STATE OF ILLINOIS**

The Auto-Lab Franchising, LLC Franchise 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 Franchise offering Circular at least 14 calendar days prior to you sending any money or signing any agreement.

2. 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.

**[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

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: \_\_\_\_\_

Franchise Owner:

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its: \_\_\_\_\_

**FOR THE STATE OF INDIANA**

This Addendum to the Franchise 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 Franchise Agreement for Auto-Lab Franchising, LLC is amended as follows:

- Sections 3.2.4, and 11.1 (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 17 is amended to prohibit unlawful unilateral termination of a Franchise unless there is a material violation of the Franchise Agreement and termination is not in bad faith.
- Section 18 is amended to provide that Franchise Owner will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchise Owner’s reliance upon or use of procedures or products which were required by Franchisor, if such procedures or products were utilized by Franchise Owner in the manner required by Franchisor.
- Section 19.5 is amended to provide that Franchise Owner may commence litigation in Indiana for any cause of action under Indiana law.
- Section 19.2 is amended to provide that arbitration between Franchisor and Franchise Owner, 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 Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

**[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

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: \_\_\_\_\_

Franchise Owner:

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its: \_\_\_\_\_

**FOR THE STATE OF MARYLAND**

This Addendum to the Franchise 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 Franchise Agreement for Auto-Lab Franchising, LLC is amended as follows:

- Sections 3.2.4, and 11.1 (3) require Franchise Owner 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 14.1(i), which terminates the Franchise Agreement upon the bankruptcy of Franchise Owner, may not be enforceable under federal bankruptcy law (11 USC Section 101, *et. seq*).
- Sections 19.2 and 19.5 require litigation or arbitration to be conducted in the State of Michigan; the requirement shall not limit any rights Franchise Owner may have under the Maryland Franchise Registration and Disclosure Law to bring suit in the State of Maryland.
- Any Section of the Franchise Agreement requiring Franchise Owner 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 Franchise Agreement which requires prospective Franchise Owners 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 Franchise 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: \_\_\_\_\_

Franchise Owner:

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its: \_\_\_\_\_

## **FOR THE STATE OF MINNESOTA**

This Addendum to the Franchise 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 Franchise Agreement agree as follows:

- Section 15 is amended to comply with the Minnesota Franchise Law that requires, except in certain specified cases, that Franchise Owner be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Agreement.
- Sections 3.2.4, and 11.1 (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 Franchise Owner to assent to a general release.
- Section 1 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 Franchise Agreement can abrogate or reduce any of Franchise Owner's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchise Owner'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 Franchise Owner 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 Franchise Agreement requires Franchise Owner to waive these rights, the Franchise 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 Franchise 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: \_\_\_\_\_

Franchise Owner:

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its: \_\_\_\_\_



**FOR THE STATE OF NEW YORK**

This Addendum to the Franchise 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 Franchise Agreement for Auto-Lab Franchising, LLC is amended as follows:

- Sections 3.2.4, and 11.1 (3) require Franchise Owner 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 Franchise Agreement unless the transferee will be able to perform Franchisor’s obligations under the Franchise Agreement, in Franchisor’s good faith judgment, so long as it remains subject to the General Business Laws of the State of New York.
- Section 18 is amended to provide that Franchise Owner will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchise Owner’s reliance upon or use of procedures or products that were required by Franchisor, if such procedures or products were utilized by Franchise Owner 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 Franchise 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: \_\_\_\_\_

Franchise Owner:

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its: \_\_\_\_\_

**FOR THE STATE OF NORTH DAKOTA**

This Addendum to the Franchise 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 3.2.4, and 11.1 (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 17 is amended to add that covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.
- Section 19.5 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 19.2 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 Franchise 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: \_\_\_\_\_

Franchise Owner:

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its: \_\_\_\_\_

**FOR THE STATE OF RHODE ISLAND**

This Addendum to the Franchise 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 Franchise Agreement for Auto-Lab Franchising, LLC is amended as follows:

- Sections 3.2.4, and 11.1 (3) require Franchise Owner 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 19.2, 19.5 and 23.2 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 Franchise 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: \_\_\_\_\_

Franchise Owner:

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its: \_\_\_\_\_

**FOR THE COMMONWEALTH OF VIRGINIA**

This Addendum to the Franchise Agreement is agreed to this \_\_\_ day of \_\_\_\_\_, 20 \_\_\_, is by and between Auto-Lab Franchising, LLC and \_\_\_\_\_ to amend and revise said Franchise Agreement as follows:

- Section 14.1(i), which terminates the Franchise Agreement upon the bankruptcy of Franchise Owner, may not be enforceable under federal bankruptcy law (11 USC 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: \_\_\_\_\_

Franchise Owner:

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its: \_\_\_\_\_

**FOR THE STATE OF WASHINGTON**

This Addendum to the Franchise Agreement is agreed to this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, is by and between Auto-Lab Franchising, LLC and \_\_\_\_\_.

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
2. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington. The undersigned does hereby acknowledge receipt of this addendum
8. 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 Franchise 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: \_\_\_\_\_

Franchise Owner:

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its: \_\_\_\_\_

**FOR THE STATE OF WISCONSIN**

This Addendum to the Franchise Agreement is agreed to this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, is by and between Auto-Lab Franchising, LLC and \_\_\_\_\_ to amend and revise said Franchise 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 Franchise 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 Franchise 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: \_\_\_\_\_

Franchise Owner:

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 \_\_\_\_\_ (“Franchisee”), \_\_\_\_\_, owner of an equity interest in Franchisee (“Owner”), and Auto-Lab Franchising, LLC located at 6001 N. Adams Road, Suite 255, Bloomfield Hills, Michigan 48304 (“Auto-Lab”).

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

WHEREAS, confidential information will be disclosed to Franchisee and Owner; and

WHEREAS, such confidential information gives Auto-Lab, Franchisee and Owner a competitive advantage over those who do not know it and who may compete with Auto-Lab, its affiliates or its Franchisees 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 or Franchisee in the offer and sale of products and/or services at or from the Franchise Store; all pricing paradigms established by Auto-Lab or Franchisee; all of Auto-Lab’s or 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 suppliers); Auto-Lab’s specifications, and Franchisee’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; 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 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 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 Franchisee 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 Franchisee through an inspection of any facility employing Information. Information will not, however, include information that Franchisee or Owner can demonstrate came to Franchisee's or Owner's attention before Auto-Lab disclosed it to Franchisee or Owner (unless illegally or improperly procured by Franchisee 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 Franchisee 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, Store Managers, 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 Franchise is a partnership or limited partnership, all officers and shareholders if Franchisee is a corporation, and all members if Franchisee is a limited liability company. This Confidentiality and Nondisclosure Agreement and Covenant Not to Compete must also be executed by Franchisee's Store Manager, managers, and any other person with access to any Information.

5. In the event the relationship contemplated by the Franchise Agreement between Franchisee 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 maintenance or repair services facilities, similar to the Business or Auto-Lab Complete Car Care Centers businesses. 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 Franchisee 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 Franchise 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 Franchise Store or Auto-Lab Complete Car Care Centers 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 Franchise 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 Franchise Store or Auto-Lab Complete Car Care Centers within 30 miles of the Franchise Store or any other Auto-Lab store, including without limitation any Auto-Lab Express outlet or Auto-Lab Complete Car Care Centers outlet, 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. Any litigation arising out of or related to this Agreement shall be brought in the state or federal courts having jurisdiction over Oakland County, 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.

FRANCHISEE:

\_\_\_\_\_

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 "Franchisee") under the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the "Franchise Agreement") with Auto-Lab Franchising, LLC ("Auto-Lab").

1. **Scope of Guaranty.** The shareholders, partners, or members ("Principal Owners") of any entity that signs a Franchise Agreement must personally guarantee the Franchisee's performance under the Franchise Agreement. In consideration of and as an inducement to Auto-Lab signing and delivering the Franchise Agreement, each Guarantor signing this Guaranty personally and unconditionally: (a) guarantees to Auto-Lab and its successors and assigns that the Franchisee will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of each and every provision in the Franchise 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 Franchisee 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 Franchisee 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 Franchise Agreement upon demand if the Franchisee 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 Franchisee 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 Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims 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 Franchise Agreement and, if required by the Franchise 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 Franchise Agreement, regardless of the actual date of signature. Terms not otherwise defined in this Guaranty have the meanings as defined in the Franchise 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 Franchise Agreement regardless of the actual date of signature.

GUARANTOR

\_\_\_\_\_  
\_\_\_\_\_  
(print name)  
name)  
\_\_\_\_\_  
(print address)  
address)  
\_\_\_\_\_  
(city, state, zip)  
zip)  
\_\_\_\_\_  
(phone)  
\_\_\_\_\_  
(% owned)

GUARANTOR

\_\_\_\_\_  
\_\_\_\_\_  
(print  
name)  
\_\_\_\_\_  
(print  
address)  
\_\_\_\_\_  
(city, state,  
zip)  
\_\_\_\_\_  
(phone)  
\_\_\_\_\_  
(% owned)

GUARANTOR

\_\_\_\_\_  
\_\_\_\_\_  
(print name)  
name)  
\_\_\_\_\_  
(print address)  
address)  
\_\_\_\_\_  
(city, state, zip)  
zip)  
\_\_\_\_\_  
(phone)  
\_\_\_\_\_  
(% owned)

GUARANTOR

\_\_\_\_\_  
\_\_\_\_\_  
(print  
name)  
\_\_\_\_\_  
(print  
address)  
\_\_\_\_\_  
(city, state,  
zip)  
\_\_\_\_\_  
(phone)  
\_\_\_\_\_  
(% owned)

DATE \_\_\_\_\_, 20\_\_

# **EXHIBIT E**



## CONDITIONAL ASSIGNMENT OF LEASE

**THIS AGREEMENT** is made and entered into between **Auto-Lab Franchising, LLC** ("Auto-Lab"), located at 6001 N. Adams Road, Suite 255, Bloomfield Hills, Michigan 48304 and \_\_\_\_\_ located at \_\_\_\_\_, ("Franchisee").

**WHEREAS**, Auto-Lab and Franchisee have executed a Franchise Agreement on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ ("Franchise Agreement") for the establishment of an "Auto-Lab Express" franchise to be operated pursuant to Auto-Lab's Trademarks as that term is defined in the Franchise Agreement.

**WHEREAS**, the Franchise Agreement requires the execution of this Conditional Assignment of Lease Rider if the real estate for the establishment of the Auto-Lab Franchise Store is leased by the Franchisee;

**WHEREAS**, Franchisee proposes to enter into a real estate lease for the premises of the Franchise Store to be operated pursuant to the Franchise Agreement with \_\_\_\_\_ ("Landlord"), which lease is dated the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, a copy of which is attached hereto (as Exhibit "A") and which is incorporated herein by reference (hereinafter referred to as the "Real Estate Lease").

**NOW THEREFORE**, it is hereby agreed as follows:

**1. Conditional Assignment.** Franchisee hereby assigns to Auto-Lab all of Franchisee's right, title, and interest in and to the Real Estate Lease, including any and all rights or options of Franchisee to extend, renew, or purchase the leased property through a right of first refusal or otherwise, such assignment to become effective upon the occurrence of either of the following:

**A. Termination of Franchise Agreement.** Upon termination or expiration without renewal of the Franchise Agreement, Auto-Lab shall have the option to accept the assignment of the Real Estate Lease pursuant to this Agreement by giving the notice prescribed by this Conditional Assignment of Lease, in which case it is agreed the Real Estate Lease shall remain in effect as to Auto-Lab.

**B. Termination of Real Estate Lease.** Upon termination of the Real Estate Lease as to Franchisee or termination of Franchisee's possession rights under the Real Estate Lease, whether by Franchisee's default under Real Estate Lease or otherwise, Auto-Lab shall have the option to accept the assignment of the Real Estate Lease pursuant to this Agreement by giving the notice prescribed by this Conditional Assignment of Lease, in which case it is agreed the Real Estate Lease shall remain in effect as to Auto-Lab.

**C. Franchisee Right to Assign.** At Franchisee's discretion, Franchisee may assign Real Estate Lease to Auto-Lab, and Auto-Lab may accept such assignment, at any time.

**2. Effect of Assignment.** Upon Auto-Lab's exercise of its option to take the above-described assignment:

A. Franchisee shall be relieved from any further liability under the provisions of the Real Estate Lease and the Real Estate Lease shall be terminated as to Franchisee; provided, however, that Franchisee shall remain liable for any amounts owing, or any other default occurring, prior to the effective date of assignment.

B. Auto-Lab shall succeed to all of Franchisee's rights, options, and obligations under the Real Estate Lease commencing with the effective date of the assignment and shall have the right to transfer or assign the Real Estate Lease to another Auto-Lab franchisee without the need to seek consent from the Landlord. Auto-Lab's transfer to another Auto-Lab franchisee relieves Auto-Lab from any further liability under the Real Estate Lease.

**3. Notice of Franchisee's Default.**

A. **Landlord's Notice.** Landlord shall provide Auto-Lab notice of any default under the Real Estate Lease. Auto-Lab shall have the option (but not obligation) to cure any default should Franchisee fail to cure the default within the period in which Franchisee has to cure the default. At the expiration of Franchisee's period in which Franchisee has to cure any default, Auto-Lab shall then have 15 days in which to make its decision to cure. Auto-Lab may cure Franchisee's default without exercising its option to accept assignment of the Real Estate Lease and, in such event, Landlord agrees to accept Auto-Lab's cure as if made timely by Franchisee. Landlord shall give Auto-Lab written notice at least 30 days prior to the termination of the Real Estate Lease, expiration without renewal, or date of re-entry or repossession. Auto-Lab shall have 30 days after written notice from Landlord to exercise this option to accept assignment of the Real Estate Lease. Auto-Lab may exercise its option to accept assignment of the Real Estate Lease by written notice to the Landlord, and the assignment shall be effective upon the termination of the Real Estate Lease as to Franchisee.

B. **Auto-Lab's Notice.** Auto-Lab shall give Landlord copies of any or all notices of termination given to Franchisee pursuant to the Franchise Agreement, and if Auto-Lab desires to exercise its option to accept the assignment of the Lease in the event of Franchisee's failure to cure the default of the Franchise Agreement, Auto-Lab shall provide Landlord with a written notice on or before the date of termination of the Franchise Agreement. It is hereby agreed that Landlord may rely solely upon the written notice received from Auto-Lab as to the termination or expiration without renewal of the Franchise Agreement, and Franchisee hereby releases the Landlord from any liability for relying upon such notice and shall hold the Landlord harmless from any and all liability to Lessee for any action Landlord may take in such reliance.

4. **Notice.** Notice required by this Agreement shall be sent by overnight, certified or registered mail to Auto-Lab at the following address:

Auto-Lab Franchising, LLC  
Attn: Stephen R. Wilson  
6001 N. Adams Road, Suite 255  
Bloomfield Hills, MI 48304

with a copy to (which shall not be deemed notice):

Mark J. Burzych  
Fahey Schultz Burzych Rhodes PLC  
4151 Okemos Road  
Okemos, MI 48864

Notice required by this Agreement shall be sent to Franchisee at the following address:

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Notice required by this Agreement shall be sent to Landlord at the following address:

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Notice shall be deemed effective on the date received, and regardless of whether the notice is signed for by the recipient, notice shall be deemed received 2 business days after mailing. Parties may change the notice address by providing written notice to the other parties of a change in such notice address.

**5. Execution of the Documents.** Franchisee hereby agrees to execute any and all documents requested by Auto-Lab in order to fully exercise any of the rights under the Real Estate Lease or this Conditional Assignment of Lease. If Franchisee shall not have executed any such document within the 3 days after having been so requested by Auto-Lab, Franchisee hereby appoints any member or officer of Auto-Lab as its attorney-in-fact with the full right and power to execute any and all such documents.

**6. Renewal, Extension or Amendment.** Any renewal or extension of the Real Estate Lease, or any amendment to this Agreement or the Real Estate Lease of any type, can only be made by a writing executed by all three parties to this Agreement.

**7. Indemnification.** Franchisee shall indemnify and hold Auto-Lab harmless from any and all liability that Auto-Lab may incur after the effective date of the assignment of the Real Estate Lease arising under the terms of that Real Estate Lease from Franchisee's acts or omissions occurring prior to the effective date of the assignment, excluding only any liability prior to the assignment that Auto-Lab agrees in writing to assume and from which Auto-Lab agrees to hold Franchisee harmless.

**8. Miscellaneous.**

**A. Use of Real Estate.** Landlord hereby agrees to and acknowledges Franchisee's right to use and display Auto-Lab's Trademarks as that term is used in the Franchise Agreement, subject only to any limitations imposed by Auto-Lab and any local, state or federal law. Landlord agrees that it will not limit Franchisee's right to use Auto-Lab's Trademarks. Landlord further agrees to and acknowledges that the real estate subject to the Real Estate Lease shall be used solely for the operation of an Auto-Lab franchise. Landlord agrees to notify Auto-Lab in the event that Franchisee begins to use real estate in any other manner and Landlord shall consider such use as an event of default.

**B. Applicable Law.** This Agreement shall be construed according to the laws of the state in which the premises are located. If any provision, or portion of a provision, of this Agreement is or shall become in conflict with any applicable law, then the applicable law shall govern and such provision or portion of a provision shall be automatically deleted and shall not be effective to the extent that it is not in accordance with applicable law. However, the remaining terms and conditions of this Agreement shall remain in full force and effect and no provision shall be deemed dependent upon any other provision unless otherwise expressed in this Agreement.

**C. Entire Agreement.** This Agreement contains all of the terms and conditions agreed upon by the parties, except for: (i) the provisions of the Real Estate Lease which are incorporated herein, and (ii) as between Auto-Lab and Franchisee, the provisions of the Franchise Agreement and related agreements. The parties agree that all representations which have been made by other parties that in any way are to be given effect herein are set forth in this Agreement and the above-referenced documents.

**D. New Real Estate Lease.** It is hereby agreed that if the Real Estate Lease is terminated or expires without renewal, and the Franchisee and Landlord enter into a new lease arrangement, any such new real estate lease shall be deemed to be the Real Estate Lease for purposes of this Conditional Assignment of Lease thereby making it fully applicable to the new lease.

**E. Option to Purchase.** In the event Franchisee purchases the real estate, Franchisee agrees to execute the Real Estate Option to Purchase in the form then prescribed by Auto-Lab.

**F. Disputes.** Any dispute between the parties regarding this Conditional Assignment of Lease, and any claim by either party that cannot be amicably settled, shall be determined solely and exclusively by arbitration under the then applicable Commercial Arbitration Rules of the American Arbitration Association consistent with the Franchise Agreement.

This Conditional Assignment of Lease is executed this \_\_\_ day of \_\_\_\_\_, 20\_\_.

In the presence of:

**AUTO-LAB FRANCHISING, LLC**

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

**FRANCHISEE**

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

Its: \_\_\_\_\_

**LANDLORD'S CONSENT**

The undersigned Landlord hereby consents and agrees to the foregoing Conditional Assignment of Lease between Auto-Lab Franchising, LLC ("Auto-Lab") and \_\_\_\_\_ ("Franchisee").

Dated: \_\_\_\_\_

**LANDLORD**

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

Its: \_\_\_\_\_

STATE OF \_\_\_\_\_ )

) ss

COUNTY OF \_\_\_\_\_ )

Subscribed and sworn to by the above named \_\_\_\_\_ and \_\_\_\_\_ on this \_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_, Notary Public  
\_\_\_\_\_  
County, \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

# **EXHIBIT F**

## REAL ESTATE OPTION TO PURCHASE

**THIS AGREEMENT** is entered into between Auto-Lab Franchising, LLC of 6001 N. Adams Road, Suite 255, Bloomfield Hills, Michigan 48304 (hereinafter referred to as "Auto-Lab") and \_\_\_\_\_ located at \_\_\_\_\_ (hereinafter referred to as "Franchisee").

**WHEREAS**, Franchisee and Auto-Lab have entered into a Franchise Agreement by which Franchisee acquired the right to establish and operate an "Auto-Lab Express" quick-service automotive maintenance facility using the Trademarks and Auto-Lab's System as those terms are defined in the Franchise Agreement, which Agreement is dated the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (hereinafter referred to as the "Franchise Agreement");

**WHEREAS**, the Franchise Agreement requires that Auto-Lab approve the location for the Franchise Store to be established pursuant to the above referenced Franchise Agreement, that approval being conditioned upon the execution of this Real Estate Option to Purchase in the event Franchisee owns or controls the real estate;

**WHEREAS**, Franchisee seeks Auto-Lab's approval for particular real estate.

**NOW THEREFORE**, it is hereby agreed as follows:

1. **Option**. Franchisee hereby grants to Auto-Lab the option to purchase the real estate described in Exhibit "A" (and hereinafter referred to as the "Real Estate") upon the expiration without renewal or termination of the Franchise Agreement. Any transfer, renewal, extension, or amendment of the Franchise Agreement shall not affect this Option Agreement unless expressly provided. The terms of the Option rights are as follows:

A. **Exercise of Option**. Within 15 days following the termination or expiration without renewal of the Franchise Agreement as provided for in the Franchise Agreement, Auto-Lab may notify Franchisee in writing of its intention to exercise this option to purchase the Real Estate, and which notice shall constitute an agreement to purchase the Real Estate conditioned upon Auto-Lab obtaining any necessary financing and the real estate being inspected for environmental law compliance. The closing of the sale shall occur as soon as all documentation and other matters have been completed, including obtaining of any necessary financing and environmental inspections, but in any event not later than 120 days after the date upon which the fair market value of the Real Estate is established, as provided in Paragraph B below, unless the parties hereto agree to a later closing date.

B. **Fair Market Value**. The parties will attempt to agree upon a fair price for the purchase of the Real Estate, but upon failing to do so within 30 days from the date of the exercise of this option by Auto-Lab, Auto-Lab shall select and pay for the services of a qualified appraiser to establish the fair market value of the Real Estate, and a copy of that appraisal shall be provided to Franchisee. Within 10 days after Franchisee receives the written appraisal, Franchisee shall advise Auto-Lab, in writing, as to whether Franchisee accepts the appraisal. If the appraisal is acceptable to both Auto-Lab and Franchisee, then the amount stated therein shall be the purchase

price. If Franchisee rejects the value stated in the appraisal, then Franchisee must notify Auto-Lab of its rejection within the 10-day period (failing to so notify shall be deemed to be an acceptance) and thereafter Franchisee shall select and pay for the services of a qualified appraiser to appraise the value of the property within 15 days thereafter. Franchisee shall provide Auto-Lab with a copy of the appraisal so obtained, within 30 days after its rejection of the appraisal obtained by Auto-Lab. If Auto-Lab accepts the value stated therein, then the amount stated therein shall be the purchase price. If Auto-Lab rejects the value stated in this appraisal, then two appraisers shall select a third appraiser within the 15 days thereafter, whose determination of fair market value as to the property shall be final and binding on the parties. The cost of the third appraiser shall be paid equally by both Auto-Lab and the Franchisee.

C. **Possession.** Upon receipt of Auto-Lab's notice that it is exercising the option to purchase, Franchisee shall immediately vacate the premises and transfer possession of them to Auto-Lab. From the date of possession to the date of closing, Auto-Lab shall pay on or before Friday of each week a per diem rate equal to .002 of the assessed value on the property, with the final adjustment to be made at closing equal to .002 of the purchase price for the real estate. All utilities and taxes shall be prorated as of the date of possession. Taxes shall be deemed to cover the calendar year in which the taxes became a lien. Taxes that become a lien in years prior to the year of closing shall be paid by Franchisee without proration. Taxes that become a lien in the year of closing shall be prorated so that the Franchisee shall be charged with taxes from the first of the year to closing date and Auto-Lab shall be charged with taxes for the balance of the year. If any bill for taxes prorable under this provision has not yet been issued, the corresponding tax bill for the last previous year shall be substituted therefore and used in proration. Franchisee shall provide an owner's policy of title insurance without exceptions covering the real estate at Franchisee's expense, or at Auto-Lab's option, a complete abstract showing marketable title, together with a 10-year tax history, tax lien search, and financing statements search, all certified to the date of the transfer of possession to Auto-Lab, the cost of the abstract to be paid by Franchisee. Franchisee shall maintain insurance on the real estate to the date of closing, with Auto-Lab becoming responsible for insuring the property beginning with the date of closing.

## 2. **Miscellaneous.**

A. **Applicable Law.** This Agreement shall be construed according to the laws of the state in which the real estate is located.

B. **Integration.** This Agreement, together with the Franchise Agreement, and any addendums that are attached hereto and are executed on the date hereof which are hereby incorporated herein, contain all of the terms and conditions agreed upon by the parties. No promises or representations have been made by Auto-Lab other than herein set forth. No modifications of the terms of this Agreement shall be valid unless made in writing and executed by both Auto-Lab and the Franchisee.

C. **Arbitration.** Any dispute between the parties, and any claim by either party that cannot be amicably settled, shall be determined solely and exclusively by arbitration as provided for in the Franchise Agreement.



This Agreement is executed this \_\_\_\_ day of \_\_\_\_\_ 20\_\_.

Signed in the presence of:

**AUTO-LAB FRANCHISING, LLC**

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

Its: \_\_\_\_\_

**FRANCHISEE**

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

Its: \_\_\_\_\_

STATE OF \_\_\_\_\_ )

\_\_\_\_\_ )

COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_ (if a corporation, to me known to be the \_\_\_\_\_ of that Corporation).

\_\_\_\_\_, Notary Public  
\_\_\_\_\_ County, \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

When recorded, return to Auto-Lab Franchising, LLC at 6001 N. Adams Road, Suite 255, Bloomfield Hills, Michigan 48304.

Drafted by: Mark J. Burzych  
Fahey Schultz Burzych Rhodes PLC  
4151 Okemos Road  
Okemos, MI 48864

# **EXHIBIT G**

**AUTO-LAB FRANCHISING, LLC  
SOFTWARE LICENSE AGREEMENT**

**THIS SOFTWARE LICENSE AGREEMENT** (the “*Agreement*”) is made as of the effective date identified below (the “*Effective Date*”), by and between Auto-Lab Franchising, LLC, a Michigan limited liability company, with its principal place of business at 6001 N. Adams Road, Suite 255, Bloomfield Hills, Michigan 48304 (“*AUTO-LAB*”), and the franchisee identified below (the “*Franchisee*”):

**EFFECTIVE DATE:**

**FRANCHISEE NAME:**

**FRANCHISEE ADDRESS:**

**FRANCHISEE CONTACT PARTY:**

**CONTACT TELEPHONE:**

**CONTACT CELL PHONE:**

**CONTACT FAX NUMBER:**

**CONTACT E-MAIL:**

Additional licenses purchased by Franchisee are subject to the terms and conditions of this Agreement unless mutually agreed otherwise in writing by the parties.

FRANCHISEE HAS READ AND AGREES TO BE LEGALLY BOUND BY ALL OF THE FOLLOWING TERMS AND CONDITIONS, ALL OF WHICH ARE INCORPORATED FULLY INTO THIS AGREEMENT.

**AUTO-LAB FRANCHISING, LLC**

**FRANCHISEE**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**TERMS AND CONDITIONS**

**A. Grant and Scope of License**

1. Subject to the terms and conditions of this Agreement, Auto-Lab hereby grants Franchisee a non-exclusive, non-transferable license for the term of the Franchise Agreement executed between the parties of even date (“*License*”) to (i) run the software product(s) identified in Schedule A, as well as any updates, upgrades, bug fixes and patches thereto provided by Auto-Lab (collectively, the “*Products*”), and (ii) use the related documentation (the “*Documentation*”) in connection with Franchisee’s authorized use of the Products. (The Products and the Documentation are collectively referred to in this Agreement as the “*Licensed Products*”.) As used in this Agreement, “*run*” means to copy, install, use, access, display, run, and otherwise interact with the Products in their intended manner.

2. The Licensed Products may be used by Authorized Users only, and are provided for Franchisee’s internal business purposes only to be used in conjunction with Franchisee’s operation of the Franchise Store licensed by Auto-Lab. Use of the Licensed Products by Franchisee is further limited to the number of Authorized Users, specified processing machines, or such other capacity limitations as are set forth in Schedule B hereto. The Licensed Products may not be used for the benefit of any third parties not authorized herein. For purposes of this Agreement “*Authorized Users*” means the employees of Franchisee authorized by Franchisee to use the Licensed Products for which Franchisee has notified Auto-Lab in writing.

3. Franchisee may make a reasonable number of copies of the Licensed Products to the extent necessary to exercise the rights granted in this Agreement and for bona fide back-up and archival purposes only. All copies must be true and complete copies, and all such copies are subject to all terms, conditions and obligations of this Agreement.

4. Franchisee shall not sell, rent, lease, lend, sublicense, distribute or otherwise transfer or provide access to the Licensed Products (or any part thereof) to any person, firm or entity except as expressly authorized herein. Franchisee shall not disclose the results of any benchmark or other performance tests relating to the Licensed Products to any third party without Auto-Lab's prior written consent.

5. The Licensed Products are provided in object code form only. Franchisee shall not (and shall not permit any other party to) translate, decompile, or create or attempt to create, by reverse engineering or otherwise, the source code from the object code supplied hereunder, except to the minimum extent expressly permitted by applicable law despite this limitation. The Licensed Products may not be merged, adapted or modified in any way, and no derivative work may be created therefrom. Portions of the Licensed Products may not be used independently of the Licensed Products.

6. Franchisee shall not avoid, circumvent or disable any security device, procedure, protocol, or mechanism that Auto-Lab may include, require or establish with respect to the Licensed Products.

7. Franchisee shall not delete, alter, cover or distort any copyright, trademark or other proprietary rights notice placed by Auto-Lab on or in the Licensed Products, and shall ensure that all such notices are reproduced on all copies of the Licensed Products.

8. Franchisee acknowledges and agrees that this is a license agreement and not an agreement for sale. As such, Auto-Lab assigns no copyrights. As between the parties, all rights, title and interest in and to the Licensed Products, including all updates, upgrades, bug fixes, modifications, enhancements and new versions of the Licensed Products, and all worldwide Intellectual Property Rights that are embodied in, related to or represented by the Licensed Products are, and at all times will be, the sole and exclusive property of Auto-Lab or its licensors, as the case may be. The term "**Intellectual Property Rights**" means, collectively, rights under patent, trademark, copyright and trade secret laws, and any other intellectual property or proprietary rights recognized in any country or jurisdiction worldwide, including, without limitation, moral rights and similar rights. In the event that, for any reason, the Franchisee is deemed to own Intellectual Property Rights in the Licensed Products, then Franchisee does hereby irrevocably assign to Auto-Lab all rights, title and interest in such Intellectual Property Rights and agrees to execute all documents necessary to cause ownership of such Intellectual Property Rights to vest in Auto-Lab, including but not limited to such documents as Auto-Lab reasonably requests to enable Auto-Lab to obtain appropriate registrations of the Intellectual Property Rights.

9. All rights not expressly granted in this Agreement are reserved to Auto-Lab.

10. On Auto-Lab's written request, but not more frequently than annually, Franchisee will furnish Auto-Lab with a signed statement verifying that the Licensed Products are being used in full compliance with the provisions of this Agreement.

## **B. Fees**

1. Franchisee shall pay to Auto-Lab a software licensing fee in the sum of Two Hundred Fifty Dollars (\$250.00) per month for the use of the Licensed Products, which amount may be increased from time to time by Auto-Lab in Auto-Lab's discretion, provided, however, that no software licensing fee increase shall become effective until written notice of the increase is provided to Franchisee by Auto-Lab. Notice of a software licensing fee increase may be provided by means of updates to the Operations Manual. The monthly fee must be paid by pre-authorized electronic funds transfer on the first day of each month. Franchisee shall promptly execute and deliver to Auto-Lab appropriate pre-authorized check forms (or such other instruments or drafts that Auto-Lab's bank requires) payable against Franchisee's account, so that Auto-Lab may electronically collect (draft on Franchisee's account by electronic withdrawal) the software license fee and other charges due under this Agreement. Any unpaid software license fee or other amounts past due will bear interest at the rate of 18% per annum or the maximum rate permitted by law, whichever is less. Franchisee shall pay Auto-Lab for any and all costs Auto-Lab incurs in collecting any unpaid and past due software license fee. Auto-Lab also reserves the rights to increase the fee to account for enhancements to the Licensed Products.

2. Franchisee shall purchase all updates, upgrades, bug fixes and patches (collectively "Upgrades") from Auto-Lab within 30 days of the introduction of such Upgrades and implement such Upgrades immediately thereafter.

3. Franchisee agrees to pay all current and future sales, use, transfer value-added (VAT) and other taxes and duties, whether state, federal, national or international, however designated, including value added taxes and similar taxes, which are levied or imposed because of the transactions contemplated by this Agreement (collectively, "**Taxes**"). Franchisee agrees to promptly reimburse Auto-Lab for any Taxes paid by it.

## **C. Confidentiality**

1. Franchisee acknowledges and agrees that the Licensed Products contain confidential information and proprietary trade secrets of AUTO-LAB which have been developed or acquired by AUTO-LAB through the expenditure of substantial time and money (collectively, the "**Auto-Lab Confidential Information**"). Franchisee shall hold the Auto-Lab Confidential Information in strict confidence, and shall not (nor permit any party to) use, sell, lease, transfer, publish, disclose or otherwise make available any portion of the Auto-Lab Confidential Information to others, except as expressly authorized in this Agreement or as necessary to perform this Agreement. Franchisee shall use reasonable efforts to assist Auto-Lab in identifying and preventing any unauthorized use, copying or disclosure of the Auto-Lab Confidential Information.

2. The restrictions on disclosure set forth in Section C(1), above, shall not apply when, and to the extent that, such information: (i) is, at the time of its disclosure, or thereafter becomes part of the public domain through a source other than

the receiving party; (ii) is made available to the general public by a third party who is lawfully in possession of such information, not as a result of any act or failure to act on the part of the receiving party or a breach of a confidentiality obligation to the disclosing party; (iii) was previously known to the receiving party free of any obligation to keep it confidential; (iv) is subsequently disclosed to the receiving party free of any obligation to keep it confidential; (v) is independently developed by the receiving party without regard to any Auto-Lab Confidential Information; or (vi) is disclosed pursuant to the lawful requirements of a court, governmental agency or authority, or by operation of law.

#### **D. Term and Termination**

1. The term (the "*Term*") of this Agreement shall commence on the Effective Date and continue therefrom for the term of the Franchise Agreement between the parties or unless terminated in accordance with the terms of the Franchise Agreement between the parties of even date.

2. Immediately upon any termination of this Agreement, the Franchisee shall: (i) cease all use of the Licensed Products; (ii) return to Auto-Lab all copies of the Licensed Products and any other Auto-Lab Confidential Information or proprietary materials of Auto-Lab in its possession; and (iii) certify in writing Franchisee's compliance with (i) and (ii), above.

#### **E. Warranties and Disclaimer; Limitation of Liability; Verification**

1. **AUTO-LAB EXPRESSLY DISCLAIMS ALL WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE OR NONINFRINGEMENT IN RELATION TO THE LICENSED PRODUCTS.**

2. **IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL, PUNITIVE, RELIANCE, OR COVER DAMAGES, INCLUDING LOSS OF PROFITS, REVENUE, DATA, OR USE INCURRED BY EITHER PARTY OR ANY THIRD PARTY, EVEN IF THAT PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN ANY EVENT, AUTO-LAB'S TOTAL LIABILITY ARISING FROM OR RELATED TO THIS AGREEMENT FOR ANY REASON SHALL BE LIMITED TO DIRECT DAMAGES UP TO THE TOTAL AMOUNT OF FEES PAID HEREUNDER. THE FOREGOING LIMITATIONS APPLY TO ALL CAUSES OF ACTION IN THE AGGREGATE, INCLUDING BREACH OF CONTRACT, BREACH OF WARRANTY, STRICT LIABILITY, NEGLIGENCE AND OTHER TORTS. IN NO EVENT WILL EITHER PARTY BE LIABLE FOR LOSS OF PROFITS, DATA OR BUSINESS OPPORTUNITY, ARISING FROM OR RELATED TO THIS AGREEMENT.**

3. Franchisee shall keep records relating to the Licensed Products and their use. These records must be sufficient to allow Auto-Lab to verify compliance with Franchisee's obligations under this Agreement. Auto-Lab has the right to verify Franchisee's compliance, at Auto-Lab's

expense, during the Term of this Agreement and for a period of one (1) year thereafter. To do so, Auto-Lab will engage an independent accountant from a nationally recognized public accounting firm. Verification will take place upon not less than three (3) business days' notice, during normal business hours and in a manner that does not interfere unreasonably with normal business operations. As an alternative, Auto-Lab may require Franchisee to complete a self-audit questionnaire on behalf of Franchisee in a form Auto-Lab provides. If verification or self-audit reveals unlicensed use of Products, Franchisee must promptly order sufficient licenses to permit all software usage disclosed. If unlicensed use is found, Franchisee must also reimburse Auto-Lab for the costs incurred in verification. If Auto-Lab undertakes such verification and does not find unlicensed use of Licensed Products, Auto-Lab will not undertake another verification for at least one (1) year. Auto-Lab will use any information obtained in connection with compliance verification only to enforce Auto-Lab's rights and to determine whether Franchisee is properly licensed for the Products Franchisee is running and that Franchisee is otherwise in compliance with the terms of this Agreement.

#### **F. General**

1. The failure of either party to require performance of any part of this Agreement shall not be deemed a waiver of any present or future right.

2. Modifications of this Agreement shall be binding only if in writing and signed by authorized representatives of both parties. This Agreement contains the parties' entire agreement and understanding with respect to the matters covered hereby, and it supersedes all prior oral and written agreements and understandings with respect to such matters.

3. If any provision of this Agreement is held invalid, illegal or unenforceable, all other provisions contained in this Agreement will remain in effect. If any provision of this Agreement is held to be excessively broad as to duration, geographical scope, activity or subject, it is to be construed by limiting and reducing it so as to be enforceable under and consistent with applicable law.

4. Franchisee may not assign this Agreement (or the License) except as provided in the Franchise Agreement between the parties of even date.

5. Neither party shall be in default or otherwise liable for any delay in or failure of its performance under this Agreement where such delay or failure arises by reason of any event, such as an act of God, or any government or any governmental body, acts of the common enemy, the elements, strikes or labor disputes, or other similar or dissimilar causes force majeure beyond the reasonable control of such party. Notwithstanding the foregoing, this provision shall not excuse any delay or failure to make any payment required to be made under this Agreement.

6. All notices, including notices of address changes, required to be sent hereunder shall be in writing and shall be given as required by the terms of the Franchise Agreement between the parties of even date.

**If to Auto-Lab:**

Auto-Lab Franchising, LLC  
6001 N. Adams Road, Suite 255  
Bloomfield Hills, MI 48304  
ATTN: Stephen R. Wilson

**If to Franchisee:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
ATTN: \_\_\_\_\_

7. This Agreement may be (i) executed in one or more counterparts, each of which shall be deemed an original, but which together shall constitute one and the same document; and (ii) executed by facsimile signature by any party hereto and such signature shall be deemed binding for all purposes hereof, without delivery of an original signature being thereafter required.

8. This Agreement is expressly made subject to any export laws, regulations, orders or other restrictions imposed by the United States or by any other government entity on the Licensed Products or of information relating to the foregoing. Notwithstanding any other provision to the contrary, Franchisee shall not import, export or re-export the Licensed Products or any information pertaining thereto, directly or indirectly, to any country to which such import, export or re-export is restricted or prohibited, or as to which such government or any agency thereof requires an export license or other governmental approval at the time of import, export or re-export without first obtaining such license or approval. Franchisee further agrees that the Licensed Products will not be shipped, transferred or exported into any country or used in any manner prohibited by the United States export administration act or any other export laws, restrictions or regulation

10. Sections A, C, and E shall survive the termination of this Agreement for any reason.

11. This Agreement shall be governed by and construed in accordance with the substantive laws as agreed upon by the parties in the Franchise Agreement of even date and the exclusive venue for all claims arising hereunder shall be governed by the terms of the Franchise Agreement between the parties of even date.

In witness whereof:

AUTO LAB FRANCHISING, LLC

By: \_\_\_\_\_

Its: \_\_\_\_\_

\_\_\_\_\_  
Witness

FRANCHISEE

By: \_\_\_\_\_

Its: \_\_\_\_\_

\_\_\_\_\_  
Witness

**Schedule A**  
Licensed Software Products

Auto Lab Business Management System ("ALBMS")

# **EXHIBIT H**



## TELEPHONE NUMBER ASSIGNMENT

**THIS ASSIGNMENT** is made and entered into by and between Auto-Lab Franchising, LLC. ("Auto-Lab") of 6001 N. Adams Road, Suite 255, Bloomfield Hills, Michigan 48304, and \_\_\_\_\_ located at \_\_\_\_\_, hereinafter referred to as "Franchisee."

**WHEREAS**, Franchisee has obtained a franchise from Auto-Lab for the operation of an "Auto-Lab Express" Franchise Store using Auto-Lab's Trademarks and System as those terms are used in a Franchise Agreement dated the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (hereinafter referred to as the "Franchise Agreement");

**WHEREAS**, in consideration of Auto-Lab granting the franchise to Franchisee, Franchisee agreed in the Franchise Agreement to execute an assignment to Auto-Lab of its telephone number upon the termination or expiration without renewal of the Franchise Agreement, or transfer of the Franchise Agreement;

**NOW THEREFORE**, it is hereby agreed as follows:

### **1. Telephone Information.**

Franchisee 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 "Auto-Lab Express" Franchise Store licensed by the above-referenced Franchise 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 Franchisee in its advertising or marketing of its "Auto-Lab Express" Franchise Store.

### **2. Assignment.**

Franchisee 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 Franchise Agreement.

### **3. Consent.**

Franchisee 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 Franchisee'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 Franchisee and to all other telephone companies and other businesses who are to recognize the assignment. All notices to Franchisee 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.**

Franchisee 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 Franchisee 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: \_\_\_\_\_

**FRANCHISEE**

\_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

**Exhibit A to Telephone Number Assignment Agreement**

**Telephone Number:** \_\_\_\_\_

# **EXHIBIT I**

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

State Administrator	Agent for Service of Process in State
<p>California (<b>filing required</b>) 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. 4<sup>th</sup> 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><b>California</b> 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. 4<sup>th</sup> 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><b>Hawaii (filing required)</b> Franchise &amp; Securities Division State Department of Commerce P.O. Box 40 Honolulu, HI 96813 (808) 586-2722</p>	<p><b>Hawaii</b> 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><b>Illinois (filing required)</b> Franchise Division Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465</p>	<p><b>Illinois</b> Illinois Attorney General 500 South Second Street Springfield, Illinois 62706</p>
<p><b>Indiana (filing required)</b> Franchise Division Office of Secretary of State 302 W. Washington St., Rm. E111 Indianapolis, IN 46204 (317) 232-6681</p>	<p><b>Indiana</b> Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204</p>
<p><b>Maryland (filing required)</b> Franchise Office Division of Securities 200 St. Paul Place - 20th Floor Baltimore, MD 21202 (410) 576-6360</p>	<p><b>Maryland</b> Maryland Securities Commissioner 200 St. Paul Place, 20th Floor Baltimore, Maryland 21202-2020</p>
<p><b>Michigan (only notice required)</b> Consumer Protection Division Franchise Section PO Box 30213 Lansing MI 48909</p>	<p><b>Michigan</b> Michigan Department of Commerce Corporations and Securities Bureau 6546 Mercantile Way P.O. Box 30222 Lansing, Michigan 48910</p>
<p><b>Minnesota (filing required)</b> Franchise Division Department of Commerce 85 Seventh Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600</p>	<p><b>Minnesota</b> 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><b><u>New York (filing required)</u></b>  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><b><u>New York</u></b>  New York Secretary of State  New York Department of State  One Commerce Plaza  99 Washington Avenue, 6<sup>th</sup> Floor  Albany, New York 12231</p>
<p><b><u>North Dakota (filing required)</u></b>  Franchise Division  Office of Securities Commission  600 East Boulevard - 5th Floor  Bismarck, ND 58505  (701) 328-2910</p>	<p><b><u>North Dakota</u></b>  Securities Department  600 East Boulevard, Fifth Floor  Bismarck, North Dakota 58505</p>
<p><b><u>Oregon (no filing)</u></b>  Corporate Securities Section  Dept. of Insurance &amp; Finance  Labor &amp; Industries Bldg.  Salem, OR 97310  (503) 378-4387</p>	<p><b><u>Oregon</u></b>  Director  Department of Insurance and Finance  21 Labor and Industries Building  Salem, Oregon 97310</p>
<p><b><u>Rhode Island (filing required)</u></b>  Franchise Office  Division of Securities  233 Richmond St. - Suite 232  Providence, RI 02903  (401) 222-3048</p>	<p><b><u>Rhode Island</u></b>  Director of Department of Business Regulation  Suite 232  233 Richmond Street  Providence, Rhode Island 02903-4232</p>
<p><b><u>South Dakota (filing required)</u></b>  Franchise Office  Division of Securities  910 E. Sioux Avenue  Pierre, SD 57501  (605) 773-4013</p>	<p><b><u>South Dakota</u></b>  South Dakota Division of Securities  445 E. Capitol Avenue  Pierre, South Dakota 57501</p>
<p><b><u>Virginia (filing required)</u></b>  Franchise Office  State Corporation Commission  1300 E. Main St.  Richmond, VA 23219  (804) 371-9276</p>	<p><b><u>Virginia</u></b>  Clerk of the State Corporation Commission  1300 East Main Street, 1st Floor  Richmond, Virginia 23219</p>
<p><b><u>Washington (filing required)</u></b>  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><b><u>Washington</u></b>  Director of Department of Financial Institutions  General Administration Building  Securities Division—3<sup>rd</sup> Floor West  210 – 11<sup>th</sup> Street, SW  Olympia, Washington 98504</p>
<p><b><u>Wisconsin (filing required)</u></b>  Franchise Office  Wisconsin Securities Commission  P.O. Box 1768  Madison, WI 53701  (608) 266-3364</p>	<p><b><u>Wisconsin</u></b>  Department of Financial Institutions  Division of Securities 4<sup>th</sup> Floor  345 W. Washington Avenue  Madison, Wisconsin 53703</p>

# **EXHIBIT J**

# Store Operations Manual

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# **EXHIBIT K**

## AUTO-LAB COMPLETE CAR CARE CENTERS® FRANCHISED LOCATIONS

Location	Franchisee	Contact	Address	Phone Number
<b>FLORIDA</b>				
Lauderhill	MS 56 Corporation	Daler Salzar	6520 Commercial Blvd. Lauderhill, FL 33319	(954) 748-4868
<b>MICHIGAN</b>				
Battle Creek	Curtis Motors, LLC	Curt Ainsworth	145 W. Columbia Ave. Battle Creek, MI 49015	(269) 965-3969
Canton North	WW Auto Service, LLC	Warren Radgens	5811 N. Canton Center Road Canton, MI 48187	(734) 454-9930
Fenton	Empower Central Michigan, Inc.	Bradford Brokaw	16500 Silver Parkway Fenton, MI 48430	(810) 750-9000
Gaylord	2 AM Enterprises, LLC	Andrew Mousseau	108 W. Commerce Blvd. Gaylord MI 49735	(989) 705-1566
Howell	ANTJ, LLC	Andy Dobek Travis Dwyer	3120 E. Grand River Ave. Howell, MI 48843	(517) 545-7744
Jenison	13 Marketing Group, Inc.	Aaron Kenyon	279 Baldwin St. Jenison, MI 49428	(616) 667-0150
Lansing	13 Marketing Group, Inc.	Aaron Kenyon	5551 S. Pennsylvania Lansing, MI 48911	(517) 397-1314
Livonia	R&B Auto Service, LLC	Jim Paffhaussen	36251 Five Mile Road Livonia, MI 48154	(734) 432-6000
Mt. Pleasant	13 Marketing Group, Inc.	Aaron Kenyon	402 N. Mission Mt. Pleasant, MI 48858	(989) 772-1720
Plymouth	Fine Tune of Plymouth, Inc.	Bret Row Marc Sullivan	530 W. Ann Arbor Road Plymouth, MI 48170	(734) 454-4300
Southgate	Douglass Investments, Inc.	Jason Douglass	13045 Northline Road Southgate, MI 48195	(734) 281-3813
Troy	M&R Automotive, LLD	Mark Stull	2790 W. Maple Troy, MI 48084	(248) 643-7690
Waterford	Simon Automotive, LLC	Fawzi Simon	180 S. Telegraph Rd. Waterford, MI 48328	(248) 255-4550
Woodhaven	Car-Lab, LLC	George Grzechowiak	23979 Allen Rd. Woodhaven, MI 48183	(734) 692-2273
<b>INDIANA</b>				
Avon	NDK, Inc.	David Kimack	10750 US Highway 36 Avon, IN 46123	(317) 667-0211
<b>ILLINOIS</b>				
Kankakee	WLF Holdings, LLC	Larry Fullmer	382 N. Schuyler Ave. Kankakee, IL 60901	(815) 661-0119

## FORMER AUTO-LAB COMPLETE CAR CARE CENTERS® FRANCHISEES

<b>Location</b>	<b>Franchisee</b>	<b>Contact</b>	<b>Address</b>	<b>Phone Number</b>
<b>MICHIGAN</b>				
Grand Rapids	13 Marketing Group, Inc.	Aaron Kenyon	5333 Plainfield Ave., NE Grand Rapids, MI 49525	(616) 361-7640
<b>TEXAS</b>				
Gleannloch Farms	ALTX Gleannloch Farms, LLC	Communitas Auto Group, LLC	9625 Spring Cypress Rd. Spring, TX 77379	(832) 698-2384
Cypress	ALTX Telge Road, LLC	Communitas Auto Group, LLC	14904 Spring Cypress Rd. Cypress, TX 77429	(281) 746-3317

## AUTO-LAB EXPRESS® FRANCHISED LOCATIONS

There are no current Auto-Lab Express® franchisees.

## AUTO-LAB EXPRESS® FORMER FRANCHISEES

There are no former Auto-Lab Express® franchisees.



# **EXHIBIT L**

**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](http://www.autolabusa.com)

FRANCHISOR'S WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://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 proposed registration is not on file with the States of California, Connecticut, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin.
- 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 2 of the Disclosure Document is amended to add the following:

- **Illinois Area Developer: WLF Holdings, LLC**  
WLF Holdings, LLC has been our Area Developer in the state of Illinois, since January 2020. WLF Holdings, LLC has operated an Auto-Lab Complete Car Care Center unit franchise in Kankakee, Illinois since July 2018. Our Illinois Area Representative is responsible for some sales functions in its Area Developer Area, as well as training, inspections, and support to all of the unit franchisees in the Area Developer Area. Our Illinois Area Developer has its principal place of business in Kankakee, Illinois.
- **Member of WLF Holdings, LLC: Larry Fullmer**  
Mr. Fullmer has been a Member of WLF Holdings, LLC since December 2015. From January 2015 to December 2018, Mr. Fullmer also served as a District Manager for Sodexo Services in Kankakee, Illinois.
- **Member of WLF Holdings, LLC: Wanda Fullmer**  
Ms. Fullmer has been a Member of WLF Holdings, LLC since December 2015. From May 2008 to Present, Ms. Fullmer has also served as the President of Hensaal Management Group, Inc., located in Chicago, Illinois.

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

- No litigation is required to be disclosed in this Item related to our Illinois Area Developer.

ITEM 4 of the Disclosure Document is amended to add the following:

- No bankruptcy is required to be disclosed in this Item related to our Illinois Area Developer.

ITEM 11 of the Disclosure Document is amended to add the following:

- Larry and Wanda Fullmer will provide site selection assistance services, management training, staff training, inspection, and other assistance after opening to franchisees in the Area Developer Area, such as periodic inspections of your Store, franchisee meetings in the Area Developer Area, review and inspection, or testing of any unapproved item or supplier, and providing refresher training programs and seminars.

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 2 of the Disclosure Document is amended to add the following:
  - **Indiana Area Developer: NDK, Inc.**  
NDK, Inc. has been our Area Developer in the state of Indiana, since January 2020. NDK, Inc. has operated an Auto-Lab Complete Car Care Center unit franchise in Avon, Indiana since April 2011. Our Indiana Area Representative is responsible for some sales functions in its Area Developer Area, as well as training, inspections, and support to all of the unit franchisees in the Area Developer Area. Our Indiana Area Developer has its principal place of business in Avon, Indiana.
  - **President of NDK, Inc.: David Kimack**  
Mr. Kimack has served as the President of NDK, Inc. from April 2011 to Present.
2. ITEM 3 of the Disclosure Document is amended to add the following:
  - No litigation is required to be disclosed in this Item related to our Indiana Area Developer.
3. ITEM 4 of the Disclosure Document is amended to add the following:
  - No bankruptcy is required to be disclosed in this Item related to our Indiana Area Developer.
4. 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.
5. 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.
6. ITEM 11 of the Disclosure Document is amended to add the following:

- Mr. Kimack will provide site selection assistance services, management training, staff training, inspection, and other assistance after opening to franchisees in the Area Developer Area, such as periodic inspections of your Store, franchisee meetings in the Area Developer Area, review and inspection, or testing of any unapproved item or supplier, and providing refresher training programs and seminars.
7. 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, 6<sup>th</sup> Floor  
 Lansing, MI 48933  
 (517) 335-7567

## **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 2 of the Disclosure Document is amended to add the following:

- **Milwaukee Area Developer: WLF Holdings, LLC**  
WLF Holdings, LLC has been our Area Developer in the City of Milwaukee, Wisconsin since January 2020. WLF Holdings, LLC has operated an Auto-Lab Complete Car Care Center unit franchise in Kankakee, Illinois since July 2018. Our Milwaukee Area Representative is responsible for some sales functions in its Area Developer Area, as well as training, inspections, and support to all of the unit franchisees in the Area Developer Area. Our Milwaukee Area Developer has its principal place of business in Kankakee, Illinois.
- **Member of WLF Holdings, LLC: Larry Fullmer**  
Mr. Fullmer has been a Member of WLF Holdings, LLC since December 2015. From January 2015 to December 2018, Mr. Fullmer also served as a District Manager for Sodexo Services in Kankakee, Illinois.
- **Member of WLF Holdings, LLC: Wanda Fullmer**  
Ms. Fullmer has been a Member of WLF Holdings, LLC since December 2015. From May 2008 to Present, Ms. Fullmer has also served as the President of Hensaal Management Group, Inc., located in Chicago Illinois.

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

- No litigation is required to be disclosed in this Item related to our Milwaukee Area Developer.

ITEM 4 of the Disclosure Document is amended to add the following:

- No bankruptcy is required to be disclosed in this Item related to our Milwaukee Area Developer.

ITEM 11 of the Disclosure Document is amended to add the following:

- Larry and Wanda Fullmer will provide site selection assistance services, management training, staff training, inspection, and other assistance after opening to franchisees in the Area Developer Area, such as periodic inspections of your Store, franchisee meetings in the Area Developer Area, review and inspection, or testing of any unapproved item or supplier, and providing refresher training programs and seminars.

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 M**

# EXHIBIT M TO DISCLOSURE DOCUMENT

## FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, Auto-Lab Franchising, LLC and you are preparing to enter into a Franchise Agreement for the operation of an Auto-Lab Franchise Store. In this Franchisee Disclosure Questionnaire, Auto-Lab Franchising, LLC will be referred to as “we” or “us.” The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed Auto-Lab Franchising, LLC’s Franchise Agreement and each exhibit, addendum and schedule attached to it?  
Yes \_\_\_ No \_\_\_

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?  
Yes \_\_\_ No \_\_\_

If “No”, what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

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3. Have you received and personally reviewed our Disclosure Document we provided to you?  
Yes \_\_\_ No \_\_\_

4. Do you understand all of the information contained in the Disclosure Document?  
Yes \_\_\_ No \_\_\_

If “No”, what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary.)

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5. Have you discussed the benefits and risks of operating the Franchised Store with an attorney, accountant or other professional advisor and do you understand those risks?

Yes \_\_\_ No \_\_\_

6. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes \_\_\_ No \_\_\_

7. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of the Franchised Store that we or our franchisees operate?

Yes \_\_\_ No \_\_\_

8. Has any employee or other person speaking on our behalf made any statement or promise concerning a Franchised Store that is contrary to, or different from, the information contained in the Disclosure Document?

Yes \_\_\_ No \_\_\_

9. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Store?

Yes \_\_\_ No \_\_\_

10. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes \_\_\_ No \_\_\_

11. If you have answered "Yes" to any of questions 7 through 10, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of these questions, please leave the following lines blank.

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12. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and these dealings are solely between you and us?

Yes \_\_\_ No \_\_\_

13. Did you receive the Auto-Lab Franchising, LLC Franchise Disclosure Document at least 14 calendar days before this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_, the day on which this Franchise Agreement was executed?

Yes \_\_\_ No \_\_\_

14. Do you acknowledge that at the time you received the Auto-Lab Franchising LLC Franchise Disclosure Document, it was complete in all material respects, including all exhibits and attachments referenced therein?

Yes \_\_\_ No \_\_\_

15. Do you acknowledge that you received a completed copy of the Auto-Lab Franchising, LLC Franchise Agreement to which this Questionnaire is attached at least 7 calendar days before this date, there being no blanks or spaces not completed therein, except for the date and signatures of the parties?

Yes \_\_\_ No \_\_\_

16. Do you acknowledge that you are an independent contractor and responsible for running your own Franchised Store business and that we do not have any authority to hire or fire your employees?

Yes \_\_\_ No \_\_\_

17. Do you expressly agree and will never contest otherwise, that our authority under this Agreement to certify certain of your employees for qualification to perform certain functions for your Franchised Store does not directly or indirectly vest in us the power to hire, fire, or control any such employee?

Yes \_\_\_ No \_\_\_

18. Do you acknowledge and agree, and will never contend otherwise, that you alone will exercise day-to-day control over all operations, activities, and elements of your Franchised Store and that under no circumstance shall we do so or be deemed to do so?

Yes \_\_\_ No \_\_\_

19. Do you further acknowledge and agree 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 Franchised Store, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of your Franchised Store, but rather are to protect the Auto-Lab System and brand?

Yes \_\_\_ No \_\_\_

You understand that your answers are important to us and that we will rely on them.

By signing this Franchisee Disclosure Questionnaire, you are representing that you have responded truthfully to the above questions.

\_\_\_\_\_  
Name of Franchisee/Applicant

Date: \_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and Title of Person Signing

# **EXHIBIT N**

## 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	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or other seller-assisted marketing plans.

# **EXHIBIT O**

## 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 N. Adams Road Suite 255 Bloomfield Hills, MI 48304 (248) 994-0206	Wanda Fullmer 32 Marquette Lane Kankakee, IL 60901 (773) 606-3902	Larry Fullmer 32 Marquette Lane Kankakee, IL 60901 (815) 661-0119	David Kimack 2428 Burnham Walk Carmel, Indiana 46032 (317) 773-8615
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I received a Disclosure Document with an issuance date of December 21, 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	H	Telephone Number Assignment
A	Financial Statements	I	List of State Administrators and Agents for Service of Process
B	Franchise Agreement	J	Brand Standards Manual Table of Contents
C	Confidentiality and Non-Disclosure Agreement and Covenant Not to Compete	K	List of Franchisees
D	Principal Owner's Guaranty and Assumption of Obligations	L	State Specific Addenda
E	Conditional Assignment of Lease Agreement	M	Franchise Acknowledgment
F	Real Estate Option to Purchase	N	State Effective Dates
G	Software License Agreement	O	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 N. Adams Road, Suite 255, Bloomfield Hills, Michigan 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.

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Dated: \_\_\_\_\_

\_\_\_\_\_ [sign]

\_\_\_\_\_ [print name]