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FRANCHISE DISCLOSURE DOCUMENT

Kennedy Franchising USA, Inc.
A Minnesota Corporation
2225 Daniels Street
Long Lake, Minnesota 55356
Telephone: (952)476-4338

The franchisee will own and operate a Kennedy Transmission® Brake & Auto Service automotive transmission repair store which offers transmission and driveline repairs, rebuilding, replacement, and maintenance services for domestic and import automobiles and light trucks.

The Initial Franchise Fee is \$17,500 for a new Kennedy Transmission® Brake & Auto Service Store and \$15,000 for a second or subsequent Store. The Initial Franchise Fee for an already-existing transmission repair business which you are converting to a Kennedy Transmission® Brake & Auto Service Store is \$10,000. In addition, you must pay Kennedy Franchising USA, Inc. ("KFUI") a \$1,500 training fee if you employ a separate Designated Service Manager to operate your Store and a \$500 training fee for each person who attends the required rebuilder technician training program. The estimated initial investment required for a Kennedy Transmission® Brake & Auto Service Store ranges from \$88,500 to \$162,500, and is detailed in Item 7.

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 sales. **Note, however, that no governmental agency has verified the information contained in this document.**

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

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

Issuance Date: May ~~29, 2024~~ 21, 2025

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit A.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Kennedy Transmission® Brake and Auto Service business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Kennedy Transmission® Brake and Auto Service franchisee?	Item 20 or Exhibit A lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Minnesota. 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 Minnesota than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

**KENNEDY FRANCHISING USA, INC.
ADDENDUM TO MINNESOTA
FRANCHISE DISCLOSURE DOCUMENT**

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.

The Franchisor will indemnify a Minnesota Franchisee for damages for which such Franchisee is held liable in any proceeding arising out of the use of the Kennedy Transmission mark provided that the Franchisee has used the mark properly and has notified the Franchisor of any claim against the Franchisee within ten days of Franchisee's knowledge of such claim. The Franchisor shall have sole control of any litigation involving the marks. The Franchisor's indemnification obligation shall not apply to any franchisee residing outside the State of Minnesota who purchases a franchise to be located outside of Minnesota.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. §80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination of penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minn. State. Chap. 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minn. Stat. Section 80C.12 Subd. 1(G). The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota rules 2860.4400(J) also, a court will determine if a bond is required.

The limitations of Claims section must comply with Minn. Stat. Section 80C.17, Subd. 5.

Item 17 of the Uniform Franchise Disclosure Document for the State of Minnesota is further revised to delete any requirement, in consideration of a renewal, extension or transfer of a franchise, that the Franchisee execute a general release of liability arising under Minn. Stat. §80C.01 to 80C.22.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

Franchisee's Initials

KFUI's Initials

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EXHIBITS

A - List of Franchised Stores

B – KFUI's Audited Financial Statements

C – Kennedy Transmission® Brake & Auto Service License Agreement (and exhibits)

D - List of State Administrators/Agents for Service of Process

E – Kennedy Transmission® Brake & Auto Service Sublease (and exhibits)

F - Receipt

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, "KFUI" or "we" means Kennedy Franchising USA, Inc., the franchisor. "You" means the person who buys the franchise. If the Franchisee is a corporation, partnership, or other entity, "you" may also refer to its owners.

KFUI was incorporated under the laws of the State of Minnesota on February 26, 1999 under the formal legal name "Kennedy Franchising USA, Inc." On March 26, 1999, KFUI purchased the assets of Kennedy Franchising, Inc., a Minnesota corporation, the then-current franchisor of automotive retail transmission service and repair stores. KFUI's principal address is 2225 Daniels Street, Long Lake, Minnesota 55356; telephone numbers are (952)476-4338. KFUI conducted its business under the name "Kennedy Transmission®." As of June 21, 2007, KFUI conducts its business under the assumed name "Kennedy Transmission® Brake & Auto Service."

KFUI's agents for service of process are disclosed in Exhibit D.

KFUI's predecessor is Hammond Consulting, Inc. ("Hammond"), a Minnesota corporation formerly known as Kennedy Franchising, Inc. until March 26, 1999.

Franchise Offered.

KFUI franchises the right to own and operate Kennedy Transmission® Brake & Auto Service, automotive brake and transmission repair stores (sometimes referred to as a "Store") under the terms of the License Agreement in the form included in this Franchise Disclosure Document as Exhibit C (the "License Agreement"). A Kennedy Transmission® Brake & Auto Service store offers brake, transmission and driveline repairs, rebuilding, replacement, and maintenance services for domestic and import automobiles and light trucks.

The customers for the goods and services which you will offer include individuals, businesses, and other entities seeking to have brakes, the transmission or other driveline component in their automobile or light truck repaired, rebuilt, replaced, or serviced. The market for automotive brake and transmission repair services is well-developed and competitive. Weather may affect business activity in general for brake, transmission and driveline repair, with increased business experienced during periods of extreme heat and cold.

KFUI has developed a marketing system which creates, in the minds of customers, a certain image that Kennedy Transmission® Brake & Auto Service stores offer high quality automotive brake, transmission repair and maintenance services. KFUI has also developed a business strategy for getting and keeping customers, and an operations system designed to maintain high quality standards in services offered at the Stores. KFUI has developed all of these as part of the business system (the "Business System") which you will receive the right to use. KFUI uses and licenses certain service marks and trademarks, logos, trade dress and other commercial symbols, including the service mark "Kennedy Transmission®" (collectively, the "Trademarks"). KFUI may, in the

future, modify or enhance the Trademarks as well as add new trademarks, service marks, logos, trade dress and other commercial symbols.

The purchase of a Kennedy Transmission® Brake & Auto Service franchise permits you: (i) to use KFUI's recognized Trademarks; (ii) to obtain access to the operational and management attributes of the "Kennedy Transmission® Brake & Auto Service" Business System, including a confidential manual describing complete guidelines for the operation of a Store (the "Operations Manual"); and (iii) to receive the benefits of association with an expanding franchise system, including various forms of opening and operational assistance from KFUI (see Item 11).

You must comply with all laws, rules and regulations governing the operation of the Store, and obtain all permits and licenses necessary to operate the Store. In addition to laws and regulations that apply to businesses generally, your Store will be subject to federal, state and local laws regarding the storage, use and disposal of hazardous materials. Common materials which are used by brake and transmission shops and which may be classified as hazardous include organic solvents, automatic transmission fluid (both fresh and used), other petroleum-based lubricants, and soaps and other cleaning products. Your Store will also be subject to various federal and local government regulations relating to site location and zoning. Finally, certain states have enacted consumer protection laws and regulations to protect consumers from deceptive business practices. Some of these laws and regulations specifically regulate general automotive repair businesses, including transmission repair businesses. Regulations in these states may require that your Store invoices contain specific information, and that you post certain notices in your Store's customer waiting room. These regulations also may define procedures for estimates and obtaining customer approval in advance of work.

Competition.

Depending on the location of your Store, you may compete with automobile dealers, nationally-based and/or regionally-based transmission and brake repair store systems, independently owned transmission and brake repair stores, and, for some types of work that you will do, certain general automobile repair stores. In general, you will compete with local automotive dealers for most types of work that you will perform in your Store. These dealers may have a distinct advantage if the vehicle is still covered by the manufacturer's warranty. You may have relatively few local competitors for certain types of work that you will perform in your Store, such as automatic transmission rebuilding. Other types of work that you may perform in your Store, such as brake, clutch repair or driveshaft U-joint replacement, will likely have more local competitors. Some of the national and regional transmission and brake repair store systems may have significantly greater financial resources than KFUI or you.

Franchisor's Predecessors.

Hammond, KFUI's predecessor, was incorporated in 1989. Hammond was the franchisor of "Kennedy Transmission®" businesses from June, 1990 until March, 1999. In March, 1999, Hammond (then known as Kennedy Franchising, Inc.) sold substantially all of its assets, including the "Kennedy Transmission®" franchise system and trademarks to KFUI. Hammond has not offered franchises in any other line of business.

Franchise Activities.

KFUI's business includes the administration of its franchise system. In limited instances and although not obligated to do so, KFUI may enter into a prime lease for the Store premises and sublet the premises to you, as described in Item 10. KFUI has not offered franchises in any other line of business.

ITEM 2

BUSINESS EXPERIENCE

Director and CEO:

Stephen S. Hendrickson ~~has been~~has been CEO and a Director of KFUI since our incorporation in March, 1999. ~~Mr. Hendrickson owns and operates five Midas Muffler™ franchises in the Twin Cities Metropolitan area, having done so since 1980, and currently also owns a general repair garage in Crystal, Minnesota.~~ Mr. Hendrickson owns and operates five Midas Muffler™ franchises in the Twin Cities Metropolitan area, having done so since 1980, and currently also owns a general repair garage in Crystal, Minnesota.

CEO – March 1, 1999-~~current~~January 20, 2025 (passed away)
2225 Daniels Street, Long Lake, MN 55356

Director and ~~CFO~~CFO:

Elizabeth A. Bidon has ~~been CFO~~been CFO of KFUI and a ~~of KFUI and a~~ Director since our incorporation in February, 1999.

CFO – March 1, 1999-~~current~~January 20, 2025

2225 Daniels Street, Long Lake, MN 55356

Note: Elizabeth A. Bidon became the CEO on January 21, 2025 after the passing of Stephen S. Hendrickson.

General Manager:

~~Michael Ekstrom has been the General Manager of KFUI since March, 1999. Mr. Ekstrom was employed by our predecessor during the period March, 1993 until March, 1999 and served as Operations Manager of our predecessor from March, 1993 to December, 1996. Kevin Nelson has~~

been the general manager of KFUI since July of 2024. Mr. Nelson has been employed as the Operation Manager for HEI since September of 2023. Previous employment included Genuine Parts Company from January of 2023 to July of 2023 in progressively responsible roles, lastly as District Sales Manager from Feb of 2020 to July of 2023. Mr. Nelson has over twenty-two years of automotive service and repair experience.

General Manager – ~~March 1, 1999~~ July 1, 2024-current
2225 Daniels Street, Long Lake, MN 55356

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Franchise Disclosure Document.

ITEM 4 BANKRUPTCY

No person previously identified in Items 1 or 2 of this Franchise Disclosure Document has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

ITEM 5 INITIAL FEES

You must pay to KFUI an "Initial Fee" to cover the cost of goods and services that KFUI provides to you before your Store opens. The total amount for your Initial Fee will depend on the goods and services that KFUI provides to you, whether the business you are opening is your first Store or a subsequent Store and whether you are converting an existing transmission repair business to a Kennedy Transmission® Brake & Auto Service store. The Initial Fee includes the Initial Franchise Fee, service manager training fee, and a rebuilder technician training fee.

Initial Franchise Fee. If you are opening a single Kennedy Transmission® Brake & Auto Service store, you must pay an "Initial Franchise Fee" of \$17,500 to KFUI. If you are currently opening a second or subsequent Store, the Initial Franchise Fee is \$15,000. If you are converting an already-existing transmission repair business to a Kennedy Transmission® Brake & Auto Service store, the Initial Franchise Fee is \$10,000. You must sign a separate License Agreement for each Store, and the Initial Franchise Fee for each Store must be paid in a lump sum to us when you sign the License Agreement for that business. If KFUI subsequently determines, before training, that you

are not qualified to properly operate the Store, KFUI will terminate the License Agreement and refund to you \$10,000 of the Initial Franchise Fee. In addition, if you do not successfully complete KFUI's training program, KFUI will terminate the License Agreement and refund to you \$5,000 of the Initial Franchise Fee. The Initial Franchise Fee is otherwise non-refundable.

Service Manager Training. If you will initially or subsequently employ a separate Designated Service Manager, this individual must receive the same training program that we require you to complete. KFUI will charge you a non-refundable \$1,500 fee for this training. All subsequent employees hired as a Designated Service Manager must complete the same training program, and you must pay KFUI the training fee.

Rebuilder Technician Training. KFUI offers a one-week training program at KFUI's corporate training center in Plymouth, Minnesota for technicians employed in your Store as rebuilders. This training is not designed to teach all skills necessary to rebuild transmissions, but rather to familiarize an experienced transmission rebuilder/technician with the Business System. KFUI will charge you a non-refundable \$500 training fee for each technician who completes this training.

ITEM 6

OTHER FEES

Name of Fee	Amount (See Note 1)	Due Date	Remarks
Continuing Royalty	6% of your "Gross Revenues" subject to a minimum annual royalty See Note 2	On or before Friday of each week for the previous week	See Note 3
Advertising Budget Contribution	6% of your Gross revenues	On or before Friday of each week for the previous week	See Item 11 for explanation of "Advertising Budget Contribution"
Local Advertising Expenses	Minimum amount is 2% of your Gross Revenues	Minimum amount must be spent during each calendar year	See Note 4
Transfer Fee	\$7,500	Before completion of transfer	Payable when the License Agreement or substantial portion of the Store assets or any controlling interest in you is transferred
Renewal Fee	One half of the Initial Service Fee as charged at the time of the renewal of any License Agreement.	Payable in three equal installments at the time of renewal and the first and second anniversary thereof.	Payable in the event of every renewal. The second and third installments payable pursuant to a promissory note at a market rate of

Name of Fee	Amount (See Note 1)	Due Date	Remarks
			interest.
Audit Expenses	Cost and expenses related to audit	Upon completion of inspection or audit	Payable only if understatement (if any) is greater than 1%
Site Development	Approximately \$2,500 to \$7,500	When incurred	See Note 5
Insurance	Will vary under certain circumstances	When KFUI requests reimbursement	Payable to KFUI if you fail to pay insurance premium and KFUI pays it for you
Interest Expenses	Lesser of 18% per year or maximum rate permitted by law	When due	Payable if Continuing Fee or other amounts due KFUI are not timely paid
Costs and Attorney's Fees	Will vary under circumstances	When incurred	KFUI may recover costs and reasonable attorneys' fees if you lose in a dispute with KFUI

Notes:

- (1) Except where otherwise noted, all fees are payable to KFUI and are nonrefundable.
- (2) "Gross Revenues" means the total revenues you receive from the sale of goods and services, whether by cash, credit card or trade, at or through your Store, less revenues from vending machines, towing, the sale of warranties, and sales or similar taxes.
- (3) You must pay to KFUI a minimum Continuing Royalties of \$12,000 for the first year of the License Agreement and \$18,000 for each following year of the License Agreement.
- (4) In addition to the payment of the Advertising Budget Contribution, you must spend a minimum of 2% of your Gross Revenues conducting additional advertising and promotional activities in your local geographic area. If you do not spend at least 2% of Gross Revenues for the calendar year for local advertising, you must pay to KFUI the difference between what you should have spent for advertising during the calendar year and what you actually spent. The amount of such difference shall be deposited in the general Advertising Fund. KFUI may require you to provide an annual audit of your local advertising expenses.
- (5) You may need to pay some or all of the costs of researching, locating, negotiating for, and securing an appropriate site for your Store. These costs will vary, depending on location, real estate market conditions, availability of suitable existing structures, and other economic factors. If KFUI assists you, you may have to pay KFUI for its costs in providing these services to you.

ITEM 7

ESTIMATED INITIAL INVESTMENT

EXPENDITURES	ESTIMATED AMOUNT OR ESTIMATED LOW-HIGH RANGE (See Note 1)	METHOD OF PAYMENT	WHEN PAYABLE	TO WHOM PAYMENT IS TO BE MADE
INITIAL FRANCHISE FEE	\$17,500 (See Note 2)	Lump sum	When you sign the License Agreement	KFUI
FURNITURE, FIXTURES, EQUIPMENT AND TOOLS	\$30,000 to \$45,000 (See Note 3)	Lump sum	Before opening	Third-party suppliers
SIGNS	\$6,000 to \$15,000 (See Note 4)	Lump sum	Before opening	Third-party suppliers
REAL ESTATE AND LEASEHOLD IMPROVEMENTS	\$0 to \$30,000 (See Note 5)	As incurred	Before opening	Third-party contractors and architects
DEPOSITS AND BUSINESS LICENSES	\$0 to \$5,000 (See Note 6)	Lump sum	Before opening	Landlord, utility companies and government agencies
OPENING INVENTORY	\$10,000 to \$15,000 (See Note 7)	As incurred	Before opening	Third-party suppliers
ADDITIONAL FUNDS - 3 MONTHS	\$25,000 to \$35,000 (See Note 8)	As incurred	Before opening and as incurred	KFUI, employees, third-party suppliers
TOTAL (See Note 9)	\$88,500 to \$162,500			

Notes:

- (1) Except where otherwise noted, all fees that you pay to KFUI are nonrefundable. Third-party lessors, contractors, and suppliers will decide if payments to them are refundable.
- (2) The Initial Franchisee Fee for a new Kennedy Transmission® Brake & Auto Service store is \$17,500, while the Initial Franchise Fee for a second or subsequent Store is currently \$15,000. The Initial Franchise Fee for an already-existing transmission repair business

which you are converting to a Kennedy Transmission® Brake & Auto Service store is \$10,000.

- (3) Your investment in furniture, fixtures, equipment and tools necessary to operate the Kennedy Transmission® Brake & Auto Service store is highly variable. Your exact investment depends on several factors, including the size and condition of the premises, the location, transportation costs, labor costs, discounts, financing costs and similar factors beyond KFUI's or your control.
- (4) This item is for an exterior pylon sign and building mounted sign for your Store. All signs must meet KFUI's standards and specifications and comply with any local government regulations. KFUI will provide you with a copy of our current sign standards and specifications.
- (5) You will need to lease or own the premises for your Store. Typical locations for your business are multi-tenant auto malls and smaller free standing locations on main thoroughfares. The typical size of a Kennedy Transmission® Brake & Auto Service store ranges from 3,000 to 4,500 square feet. KFUI estimates that your monthly rent will range from \$2,250 to \$4,750. In addition to base rent, you must pay your pro-rata share of real estate taxes, hazard insurance, and common area maintenance expense. You may need to make certain leasehold improvements to the Store premises to comply with KFUI's approved plans and specifications. The estimated cost of leasehold improvements includes painting, facility (bathroom and waiting room) build-out, plumbing and electrical services. The exact cost will depend on several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord's agreement to reimburse you for certain improvements and other economic factors. Leasehold improvements may be less for conversion franchisees.
- (6) This amount includes utility and security deposits and business licenses. Deposits are generally refundable, but license fees are not.
- (7) This amount assumes your opening inventory follows KFUI's recommended list of inventory. This amount does not reflect amounts needed to replenish inventory during the initial stage of operation.
- (8) This amount estimates your initial pre-opening expenses not otherwise mentioned in the Table and expenses you will incur during the first 3 months of Store operations, including lodging, meals and travel expenses for one person attending the training program, initial wages and fringe benefits, insurance premiums, rent, advertising, taxes, office, paper and cleaning supplies, and telephone hook-up. It does not include inventory costs beyond the opening inventory costs identified in the Table. The amounts are estimates, and KFUI cannot guarantee that you will not incur additional expenses in starting the business. Your costs will depend on factors such as how closely you follow KFUI's systems and procedures, your management skills and experience, local economic conditions, the local market for

Kennedy Transmission® Brake & Auto Service stores, the prevailing wage rate, competition and the sales level reached during the initial period.

- (9) This total is an estimate of your initial investment and is based on KFUI's estimate of regional (Upper Midwest) average costs and prevailing market conditions. You should review this amount carefully with a business advisor before making any decision to purchase the franchise. These figures are estimates only and KFUI cannot guarantee that you will not have additional expenses starting your Kennedy Transmission® Brake & Auto Service business.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

KFUI may charge you a training fee for certain required manager training and will charge you a training fee for technician training (see Item 5). During KFUI's last fiscal year, KFUI did not receive any revenues from franchisees for these training programs. These additional training programs will represent 0% to 4% of the cost to establish your Store and 0% to 2% of the cost to operate your Store.

To insure a uniform image and quality of products and services throughout the Kennedy Transmission® Brake & Auto Service system, you must maintain KFUI's quality standards. Although you are not required to lease real estate from KFUI, KFUI must consent to the location of your Store (see Item 11). You must comply with KFUI's then-current approved specifications and standards in constructing and equipping your Store. You also must use equipment, signs, fixtures, furnishings, products, supplies and advertising and sales promotion materials which meet KFUI's specifications and standards.

You may sell or provide at, or otherwise use in, your Store only those services and products that KFUI approves. Approved services and products must meet specifications and standards of KFUI. You may purchase approved products from any available source of supply.

While KFUI will provide you with a list of "recommended" suppliers for various items, KFUI does not currently maintain a list of approved suppliers nor does it maintain any criteria for approving suppliers. Any supplier who is able to provide these items meeting KFUI's specifications (if any) is, in effect, an approved supplier. KFUI may verify that the item the supplier provides meets our specifications (if any).

KFUI ordinarily establishes general specifications and standards for Store equipment, signage, fixtures and other items used in your Store. KFUI periodically modifies or adjusts these specifications and standards as needed. KFUI will provide you with a copy of our standards and specifications after you sign the License Agreement.

KFUI is an approved supplier for certain materials used in your Store. The materials include business forms, invoices for work order integrity, office supplies, advertising and sale promotion

materials, and periodically other classes of supplies and products that you may use in operating your Store. KFUI has negotiated programs, including price terms, with a number of manufacturers and suppliers so that franchisees can benefit from volume purchasing. You may purchase any products, equipment, signs, advertising and promotional materials, and other items from KFUI or any other manufacturer or supplier who can provide items meeting KFUI's specifications (if any). KFUI currently is the only "approved supplier" (a supplier providing goods which meet KFUI's minimum specifications) for certain Store forms, Store stationery and point-of-sale materials.

You must purchase and maintain, at your expense, comprehensive public liability insurance with complete operations coverage with minimum limits of \$500,000 per person and \$1,000,000 per occurrence, workers' compensation and unemployment insurance in amounts required by law, direct primary form customer automobile liability insurance (also known as "garage-keepers" insurance), "all risks" property insurance coverage (where applicable) for fixed assets, including equipment, and furnishings at your Store, and any types of insurance that KFUI may designate from time to time. KFUI will provide you with a full listing of all required insurance after you have executed the License Agreement. All insurance policies must expressly protect both you and KFUI and require the insurer to defend both you and KFUI in any action.

KFUI has not derived revenue from any third-party supplier's sale of goods and services to Kennedy Transmission® Brake & Auto Service franchisees. KFUI does not currently provide material benefits to franchisees based on a franchisee's use of designated or approved sources.

KFUI estimates that the purchase or lease of equipment, signage, fixtures, furnishings, products, supplies, and advertising and sales promotion materials (see Item 11 for information on advertising and sales promotion materials) which meet KFUI's specifications and standards will represent approximately 35% to 50% of the cost to establish your Store and 0% to 2% of the cost to operate your Store.

KFUI is not currently aware of any purchasing or distribution cooperatives in the Kennedy Transmission® Brake & Auto Service System that offer to you certain products used in your 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 FRANCHISE DISCLOSURE DOCUMENT.

OBLIGATION		SECTION IN LICENSE AGREEMENT (1)	ITEM IN FRANCHISE DISCLOSURE DOCUMENT
a.	Site selection and acquisition/lease	Articles 7(B) and 8(A)(13); Sections 1-3, and 6 of Sublease	Item 11
b.	Pre-opening purchases/lease	Articles 7(F)-(G) and 15(A); Sections 1-3, and 6 of Sublease	Items 5, 7 and 8
c.	Site development and other pre-opening requirements	Articles 7(B) and 8(A)(12); Sections 6 and 12 of Sublease	Items 5, 7, and 11
d.	Initial and ongoing training	Article 13	Items 7 and 11
e.	Opening	Articles 4(B) and 8(A)(1)	Items 5 and 11
f.	Fees and Royalties	Articles 2(B) 5, 4, 5, 6, 13(A) and 19(G); Sections 4, 5, 6, 10 and 12 of Sublease	Items 5, 6, 7 and 17
g.	Compliance with standards and policies/Operating Manual	Article 7; Sections 2, 6, 7, 11 and 12 of Sublease	Items 11 and 16
h.	Trademarks and proprietary information	Article 3	Items 13 and 14
i.	Restrictions on products/services offered	Articles 1 and 7(A), (F) and (G)	Items 8, 11 and 16
j.	Warranty and customer service requirements	Articles 7(F), (N) and (O)	None
k.	Territorial development and sales quotas	Article 1(B)	Item 12
l.	Ongoing product/service purchases	Articles 7(F) and (G)	Items 8 and 11
m.	Maintenance, appearance and remodeling requirements	Articles 7(B), (H) and 15 (B)-(D); Section 6 of Sublease	Item 11
n.	Insurance	Article 16; Section 10 of Sublease	Items 6 and 8

OBLIGATION		SECTION IN LICENSE AGREEMENT (1)	ITEM IN FRANCHISE DISCLOSURE DOCUMENT
o.	Advertising	Articles 1(B), 6 and 7(D)	Items 6, 7 and 11
p.	Indemnification	Article 17; Sections 7, 12 and 13 of Sublease	None
q.	Owner's participation/management/staffing	Articles 7(N) and 19(E)	Items 11 and 15
r.	Records/reports	Articles 18(A)-(C), (E) and (F); Section 12 of Sublease	Item 6
s.	Inspection/audits	Article 18(D); Section 15 of Sublease	Item 6
t.	Transfer	Article 19; Section 16(a) of Sublease	Items 6 and 17
u.	Renewal	Article 2(B)	Items 6 and 17
v.	Post-termination obligations	Article 10	Item 17
w.	Non-competition covenants	Article 11	Item 17
x.	Dispute resolution	Articles 9(C), 11(C) and 20; Section 16(b) of Sublease	Item 17

Notes:

- (1) Unless otherwise noted, article references are to the License Agreement.

ITEM 10

FINANCING

KFUI does not currently offer, direct or indirect financing to franchisees. KFUI reserves the right to offer direct or indirect financing to franchisees on an isolated basis in the future. KFUI does not guarantee your note, lease or obligation.

In limited situations when the landlord of the licensed location will not lease the premises to you, KFUI may, if you qualify, enter into a prime lease with the landlord and make the premises available to you by sublease. KFUI will be under no obligation or liability to pay for any cost or expense in connection with the subleased premises. A copy of the Kennedy Transmission® Brake & Auto Service Sublease is included in this Franchise Disclosure Document as Exhibit E. KFUI does not offer direct or indirect financing for any improvements to or equipment for the Store premises (Sublease, Section 6). If you are 15 days late on more than one rent payment in any consecutive 24-month period, KFUI has the right to require that all subsequent rent payments be paid to KFUI

(Sublease, Section 4). KFUI does not guaranty or endorse the terms and conditions of the prime lease (Sublease, Section 16(c)).

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, KFUI need not provide any assistance to you under the License Agreement.

Pre-opening Assistance. Before you open your Store, KFUI will:

- (1) Provide you with a list of the standard fixtures, equipment, supplies, signs and initial inventory to be used in the Store, as well as a list of approved products (License Agreement - Article 14).
- (2) Provide assistance in securing and obtaining financing and in dealing with banks and financial institutions (License Agreement - Article 14).
- (3) Use reasonable means to assist you in conforming your Store to the systems, methods and procedures of the Business System (License Agreement - Article 14).
- (4) Provide the mandatory training program described below (License Agreement - Article 13).
- (5) Furnish you with a copy of the confidential Operations Manual. You must keep the Operations Manual confidential and return it upon termination of the License Agreement (License Agreement - Article 7(F)).

Ongoing Assistance. During the operation of your Store, KFUI will:

- (1) Make available to you, at your expense, forms, brochures, bulletins and procedures, signs, and other advertising materials displaying the Trademarks (License Agreement - Article 14).
- (2) Manage the Advertising Fund (License Agreement - Article 6).
- (3) Provide, at your written request, advisory services relating to local advertising (License Agreement - Article 14).
- (4) Provide, at your request, consultation on any aspect of store management (License Agreement - Article 14).

Advertising Programs. KFUI establishes and conducts various advertising programs as follows.

You must contribute 6% of your Gross Revenues as an "Advertising Fund Contribution" to the Kennedy Transmission® Brake & Auto Service Advertising Fund (the "Advertising Fund"). KFUI currently uses the Advertising Fund to provide advertising and promotional materials and services to you, and to acquire media placement in a variety of markets including television, radio, outdoor advertising and direct mail advertising. KFUI may produce materials internally, or we may purchase these services from outside agencies. KFUI does not use advertising funds to sell additional franchises.

A franchisee advisory team has been established with KFUI's endorsement. The team currently consists of three (3) present franchisees selected by their co-franchisees. This team will, in part, provide advice on advertising and promotional activities to KFUI. KFUI retains the power to form, change or dissolve the franchisee advisory team.

Each Kennedy Transmission® Brake & Auto Service franchisee must pay the Advertising Fund Contribution. In addition, any company-owned Stores must pay the same Advertising Fund Contribution as described in this Item 11.

KFUI administers the Advertising Fund and will provide you with an annual unaudited statement of the receipts and disbursements of the Advertising Fund. KFUI is not obligated to spend any amount on advertising in the area or territory where you are located. KFUI currently receives a fee equal to 10% of all collected Advertising Fund Contributions to cover related administrative expenses.

During KFUI's last fiscal year, 96% of the Advertising Fund expenditures was spent on internet advertising and 4% on the website. Advertising Fund Contribution not spent in any fiscal year will be carried over for future use.

You may use any materials KFUI or outside agencies develop and produce using the Advertising Fund for your own local advertising. In some cases, the Advertising Fund only covers the cost of creating these materials and you may have to pay for the duplication and production of copies for your own use. In addition for your local advertising requirements, as described in Item 6, you may develop advertisement materials for your own use, at your own cost, if your materials are factually correct and accurately depict the Kennedy Transmission® Brake & Auto Service Trademarks. KFUI must approve the advertising materials in advance and in writing for any local advertising you produce.

Computer System. KFUI requires that you use a computer system in operating your Kennedy Transmission® Brake & Auto Service store. You must use a Store management software package (providing point-of-sales, inventory, accounting, and marketing functions) which KFUI has selected and approved. You may use any compatible non-proprietary software packages which meet KFUI's minimum specifications. Although KFUI currently does not have independent access to the

data produced by your computer system, KFUI may, on prior written notice to you, access this information and data in the future.

All computer hardware and software currently used by KFUI (for company accounting and word processing) was purchased from vendors as new equipment since March, 1999. No Y2K related problems have been identified on or after January 1, 2000. KFUI has approved the Master Repair 8000 Kennedy Version software system as the recommended Kennedy Transmission® Brake & Auto Service store management software. KFUI may require a "PC Anywhere" program linked to KFUI in Long Lake, Minnesota at some time in the future.

Site Selection. If you already have a potential site for a Kennedy Transmission® Brake & Auto Service store, you may propose the location to KFUI. We may consent to the site after we have independently evaluated it. If you do not have a proposed site, KFUI may provide you certain assistance in locating the site. KFUI may, with your consent, contract with third parties to provide site location assistance for your Store. If you agree to this assistance, you may be obligated to pay for all or a portion of the expenses related to this assistance. You are solely responsible, however, for locating and obtaining a site which meets KFUI's standards and criteria and that is acceptable to KFUI. You are also responsible for determining that the proposed site meets all zoning and other applicable government requirements, and that you have obtained all required government permits.

You must obtain KFUI's consent to the proposed site for your Store. The general site selection and evaluation criteria which you should consider include traffic patterns, parking, site access, layout of the facility, population of the surrounding area, size and rental cost of property and similar factors. KFUI's evaluation of a site for the Store does not constitute a recommendation or guarantee as to the success of the site.

Development Time. A typical length of time between KFUI's acceptance of the Franchise Agreement and the opening of your business varies from 6 to 12 months. This period can be longer or shorter depending on the time of year, availability of financing, local construction delays, how soon you can attend training or other factors.

Training. KFUI will provide you and your Designated Service Manager (if any) with a 3-week initial training program at KFUI's headquarters in Long Lake, Minnesota as well as at a Kennedy Transmission® Brake & Auto Service store in the Minneapolis area. The initial training program is intended to provide you and your Designated Service Manager (if any) with basic training in store operation and management following the Kennedy Transmission® Brake & Auto Service System. This training program focuses on various aspects of managing and operating a Kennedy Transmission® Brake & Auto Service store, including customer relations, office procedures, sales techniques, management, mechanics, and other methods and procedures used in the Business System. You may not open your Store unless you and your Designated Service Manager (if any) successfully complete the initial training program.

Item 11 Table

TRAINING PROGRAM

Subject	Time	Instructional Materials Used	Hours of Classroom Training	Hours of "On-the-Job" Training	Instructor
Introduction	1 hour	See below	1	0	CEO, CFO, General Manager
Telephone Procedures	22 hours	See below	12	10	General Manager
Greeting the Customer	2 hours	See below	1	1	General Manager
Test Drive Procedures	3 hours	See below	1	2	General Manager
Starting the Repair Procedures	10 hours	See below	3.5	6.5	General Manager
Handling Price Objections	2 hours	See below	1.5	0.5	General Manager
Recommending the Repair	12 hours	See below	6	6	General Manager
Work in Progress Procedures, Car Delivery, Warranties	5 hours	See below	3	2	General Manager
Recheck Procedures, Handling Comebacks	2 hours	See below	1	1	General Manager
Pricing	4 hours	See below	2	2	General Manager
Front office Paperwork; managing the flow of work	6 hours	See below	3.0	3.0	General Manager
Filing system recommendations & requirements	2 hours	See below	1	1	General Manager
Daily Office Procedures	8 hours	See below	3	5	General Manager
Weekly Office Procedures	4 hours	See below	2	2	General Manager
End-of-Month Procedures	2 hours	See below	2	0	General Manager
Annual Procedures	1.5 hours	See below	1.5	0	General Manager

Subject	Time	Instructional Materials Used	Hours of Classroom Training	Hours of "On-the-Job" Training	Instructor
Payroll Procedures	2 hours	See below	2	0	CFO
Employee Relations, Hiring & Firing, Policies	3 hours	See below	3	0	General Manager
Employee Compensation and Benefits	3 hours	See below	3	0	CEO
Hazardous Materials and Right to Know	1 hour	See below	1	0	General Manager
Warranty Policies	2 hours	See below	1	1	CFO, General Manager
Handling Complaints	2.5 hours	See below	2	0.5	General Manager
Insurance	1 hour	See below	1	0	CEO, General Manager
Store Opening	3 hours	See below	3	0	CEO, General Manager
Review, Graduation	1		1	0	General Manager, CFO, CEO
TOTAL	105 hours		61.5	43.5	

Notes:

- (1) The instructional materials for each subject include the Operations Manual, training manual, lecture, classroom discussion, videotape, hands-on demonstration and practice at a local Kennedy Transmission® Brake & Auto Service store.
- (2) ~~Mike Ekstrom has developed and is responsible for the initial training program. He is our General Manager. Mike has a total of over 40 years industry experience. Kevin Nelson has been the general manager of KFUI since July of 2024. Mr. Nelson has been employed as the Operation Manager for HEI since September of 2023. Previous employment included Genuine Parts Company from January of 2003 to July of 2023 in progressively responsible roles, lastly as District Sales Manager from February of 202 to July of 2023. Mr. Nelson has over twenty-two years of automotive service and repair experience.~~

KFUI does not charge a fee for your initial training program. KFUI does charge a fee of \$1,500 for training a Designated Service Manager. You are responsible for travel and living expense that you and your Designated Service Manager incur while attending the training program. See Item 7 for additional information on travel and living expenses. KFUI provides additional training for

transmission rebuilders. If you hire a new transmission builder during the term of your License Agreement, KFUI requires that that person complete one week of on-the-job training before commencing work at your Store. You are responsible for travel and living expenses that your transmission rebuilder incurs while attending this training session. KFUI charges a fee of \$500 for this training.

Operations Manual. KFUI will provide you a copy of its confidential Kennedy Transmission® Brake & Auto Service Operations Manual. The current Operations Manual is divided into the following subjects:

Operations Manual

SUBJECT TOPIC	NUMBER OF PAGES
Introduction, Company History, Mission Statement	5
Review of License Agreement	14
Product and Services	11
Running the Store	28
Customer Sales Practices	78
Warranties	9
Advertising & Promotion	22
Personnel	26
Purchasing of Parts, Supplies	9
Business Management and Goal Setting	45
Reporting Requirements	16
Policies	27
TOTAL	290

ITEM 12

TERRITORY

You will receive an "Exclusive Territory" surrounding the location of the Store when granted a Kennedy Transmission® Brake & Auto Service franchise. The Exclusive Territory will be a 2-mile radius surrounding the Store site you have proposed and KFUI has consented to. KFUI will not establish another franchised or company-owned Kennedy Transmission® Brake & Auto Service store or any other transmission business in your Exclusive Territory. KFUI cannot distribute products and services through alternative channels of distribution using the "Kennedy Transmission®" Trademark within your Exclusive Territory. KFUI reserves the right, however, to establish franchised or company-owned businesses outside your Exclusive Territory and distribute products and services through alternative channels of distribution selling similar products or services under a trademark different from the "Kennedy Transmission®" Trademark, although we do not currently do so. You do not need to achieve a certain sales volume or market penetration to retain the Exclusive Territory under the License Agreement. You may relocate the Store only with KFUI's written consent, which KFUI will not unreasonably withhold.

You must concentrate your local advertising activities within your Exclusive Territory, but you may serve customers located outside your Exclusive Territory. Likewise, except for system-wide advertising that KFUI conducts from the Advertising Fund, KFUI and other Kennedy Transmission® Brake & Auto Service franchisees must concentrate their advertising activities within their own Exclusive Territory, but may serve customers who reside within your Exclusive Territory without compensation to you.

KFUI generally will not grant to you any options, rights of first refusal or similar rights to acquire additional franchises within a particular territory.

ITEM 13

TRADEMARKS

KFUI grants you the right to operate a transmission repair business under the name "Kennedy Transmission," federally registered trademark. You must also use other trademarks, service marks, trade names and commercial symbols (collectively, "Trademarks") which KFUI develops or requires to identify your business and its goods and services. KFUI has obtained registration of the mark "Kennedy Transmission" on the Principal Register of the United States Patent and Trademark Office (Registration No. 2428315 (February 13, 2001)).

Your use of the Trademarks and any goodwill is to KFUI's exclusive benefit and you retain no rights in the Trademarks. You retain no rights in the Trademarks when the License Agreement expires or terminates. You may make changes or substitutions to the use of the Trademarks only if KFUI directs you to do so.

There are no currently effective determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving any Trademarks that are relevant to Kennedy Transmission® Brake & Auto Service operations in this state. There are currently no agreements in effect that significantly limit KFUI's rights to use or license the use of any Trademarks listed in this Item 13 in any manner material to the franchise. KFUI is unaware of any superior rights or infringing uses which could materially affect your use of the Trademarks.

Federal trademark registration provides KFUI with nationwide priority to the use of the mark "Kennedy Transmission®," dating back to the date of application, December 23, 1999, as against any subsequent user or applicant. KFUI does not have the ability, however, to inhibit the use of any similar service mark or trademark first used by another before the date of application. If others have established rights to the "Kennedy Transmission®" service mark in certain areas, KFUI may be restricted in its ability to use the Trademarks in those areas.

KFUI is not required to protect you against infringement or unfair competition claims arising out of your use of the Trademarks, or to participate in your defense or indemnify you. KFUI reserves the right to control any trademark litigation and will take the action KFUI believes appropriate if a third party infringes KFUI's Trademarks. You must notify KFUI promptly if you become aware of any infringement or unauthorized use of the Trademarks and cooperate with any action that KFUI takes. If any party claims that its rights to use any of the Trademarks are superior and KFUI confirms that claim, you must, at your expense, immediately make the changes and use the substitutions to the Trademarks as KFUI requires.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or copyrights currently registered which are material to the "Kennedy Transmission® Brake & Auto Service" franchise offered, although KFUI does claim copyright protection for its Operations Manual, television commercials and for various sales promotional and other materials periodically published. You must keep confidential during and after the term of the License Agreement all information contained in the Operations Manual. You can not duplicate or provide any information contained in the Operations Manual to any party other than, during the term of the License Agreement, those of your employees who need to know that information. When the License Agreement terminates, you must return to KFUI all copies of the Operations Manual and all other material KFUI has copyrighted.

KFUI does not contract with individual franchisees to protect the copyrights, to protect individual franchisees against infringement or unfair competition claims arising out of the franchisee's use of the copyrights, or to participate in the franchisee's defense or indemnify the franchisee. KFUI reserves the right to control any copyright litigation and will be the sole judge as to whether any suit will be brought or settled when any person or entity infringes KFUI's copyrights.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

If you are an individual, you must be the on-site owner/operator and personally manage the Kennedy Transmission® Brake & Auto Service business unless you receive KFUI's prior written consent to delegate your authority to manage the business. If you delegate your authority, your Designated Service Manager must attend and complete KFUI's training program. (See Item 11.)

You and your Designated Service Manager (if any) will be responsible for the day-to-day management of your Kennedy Transmission® Brake & Auto Service business. You must use your best efforts to promote and enhance your Kennedy Transmission® Brake & Auto Service business.

Each individual who owns (either on the date of the License Agreement or in the future) a 10% or greater interest in the franchisee entity is considered a principal owner and must sign the Personal Guaranty attached to the License Agreement. These people agree to discharge all obligations of the franchisee under the License Agreement and are bound by all its provisions, including maintaining the confidentiality of proprietary information described in Item 14 and abiding by the noncompete covenants described in Item 17. In addition, all of your employees who have managerial duties at the Kennedy Transmission® Brake & Auto Service store, as well as all corporate officers and directors of a corporate franchisee entity (all partners in a partnership), must sign a written agreement to maintain the confidentiality of KFUI's trade secrets described in Item 14.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only those goods and services that KFUI has approved (see Items 8 and 9). You also must offer all goods and services that KFUI designates as required for all franchisees. KFUI may, at its discretion, add new goods and services, based on our evaluation of various factors, including customer demands, the geographic location of your Store and any other factor which KFUI deems important to the operation of your Store. KFUI's right to modify the approved list of goods and services to be offered at a Kennedy Transmission® Brake & Auto Service store is not limited. You may use only approved advertising and promotional materials.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

PROVISION		SECTION IN LICENSE AGREEMENT	SUMMARY
a.	Term of the franchise	Article 2(A)	15 years
b.	Renewal or extension of the term	Article 2(B)	If you are in good standing, you may renew the License Agreement for additional 15 year period(s).
c.	Requirements for you to renew or extend	Article 2(B)	Be in compliance with current License Agreement, pay renewal fee, remodel, provide advance notice, sign a general release and sign new agreement.
d.	Termination by you	Articles 9(A) and (B)	KFUI does not cure a material default within 30 days after written notice.
e.	Termination by KFUI without cause	None	
f.	Termination by KFUI with cause	Articles 8(A) and (B)	KFUI can terminate the License Agreement only if you default.
g.	"Cause" defined-defaults which can be cured	Articles 8(A) and (B)	You have 30 days to cure the failure to open the Store when it is ready for operation, a violation of any material provision of the License Agreement, conviction of felony or violation of a statute which harms the Store's reputation, failure to meet KFUI's standards and requirements in operating the Store, non-payment of amounts owed to KFUI, insolvency, an assignment of assets to creditors, insufficient funds to cover check, failure to purchase and pay for items required to operate your Store, abandonment of the Store, defaults which harm the goodwill associated with the Trademarks, failure to commence construction within 6 months after you sign the License Agreement, the expiration or termination of your lease, and the offer of unauthorized products or

PROVISION	SECTION IN LICENSE AGREEMENT	SUMMARY
		services at your Store.
h. "Cause" defined-defaults which cannot be cured	None	
i. Your obligations on termination/non-renewal	Article 10	Pay all amounts due KFUI, return manuals and other materials to KFUI, assign the telephone number to KFUI, redecorate the Store premises and remove franchise signs (also see r, below).
j. Assignment of contract by KFUI	Article 19(A)	Assignee must fulfill KFUI's License Agreement obligations.
k. "Transfer" by you-definition	Article 19(E)	Includes any transfer of the Store, or its assets, your interest in the License Agreement or any significant ("controlling interest") ownership change.
l. KFUI's approval of transfer by franchisee	Articles 19(E) and (F)	KFUI has the right to consent to all transfers of the License Agreement, but will not unreasonably withhold consent.
m. Conditions for KFUI's approval of transfer	Articles 19(F) and (G)	New franchisee must qualify and complete training, pay transfer fee, you must pay all amounts owed to KFUI and be in good standing, you must sign a general release, new franchisee assumes existing Agreement or (at KFUI's option) signs then-current agreement, and you agree to observe all post-termination obligations under License Agreement (also see r, below).
n. KFUI's right of first refusal to acquire your business	Article 12	KFUI can match any offer for all or any part of your business assets or the License Agreement, or any portion of stock in a corporate franchisee.
o. KFUI's option to purchase your business	None	
p. Your death or disability	Articles 12(B) and 19(C)	You can transfer stock to other shareholders without offering KFUI a right of first refusal; if assignee is your spouse or child, no transfer fee is required. In addition, if you are an individual, you may transfer your interest in the License Agreement if you give KFUI notice, transferee is approved by KFUI and transferee signs necessary agreements.

PROVISION		SECTION IN LICENSE AGREEMENT	SUMMARY
q.	Non-competition covenants during the term of the franchise	Article 11(A)	No direct or indirect involvement in any transmission business or other related business other than one authorized in License Agreement.
r.	Non-competition covenants after the franchise is terminated or expires	Article 11(B)	No competing business for 1 year within 10 miles of the Store or any other Kennedy Transmission® Brake & Auto Service Store.
s.	Modification of the agreement	Articles 3, 7(F) and (M), 15(D) and 20(B) and (C)	No modifications generally, but Operations Manual, list of authorized Trademarks, required goods, uniforms and signs subject to change.
t.	Integration/merger clause	Article 20(I)	Only the terms of the License Agreement are binding (subject to state law). Any other promises may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Articles 9(C), 11(C) and 20(B)	Arbitration with American Arbitration Association in Minneapolis, Minnesota of most disputes other than those enforcing injunctive rights.
v.	Choice of forum	Article 20(B)	Arbitration required (i) with American Arbitration Association (ii) in Minneapolis, Minnesota.
w.	Choice of law	Article 20(G)	Apply law of the state where the Store is located.

This table lists important provisions of the Kennedy Transmission® Brake & Auto Service Sublease. You should read these provisions in the Kennedy Transmission® Brake & Auto Service Sublease attached to this Franchise Disclosure Document.

	PROVISION	SECTION IN SUBLEASE	SUMMARY
a.	Term of the Sublease	Section 3	Term of Sublease will be coterminous with the prime lease.
b.	Renewal or extension of the term	Section 11	Depends upon extension or renewal of prime lease
c.	Requirements for you to renew or extend	None (See b, above)	
d.	Termination by you	None	
e.	Termination by KFUI without cause	None	
f.	Termination by KFUI with cause	Section 9	KFUI can terminate only if you default
g.	"Cause" defined - defaults which can be cured	Section 4	Default of the terms and conditions of the Sublease, prime lease or License Agreement.
h.	"Cause" defined - defaults which cannot be cured	None	
i.	Your obligations on termination/non-renewal	None	
j.	Assignment of contract by KFUI	None	May be subject to term in prime lease.
k.	"Transfer" by you - definition	None	May be subject to term in prime lease.
l.	KFUI's approval of transfer by franchisee	None	May be subject to term in prime lease.
m.	Conditions for KFUI's approval of transfer	None	May be subject to term in prime lease.
n.	KFUI's right of first refusal to acquire your business	None	Upon termination or expiration of Sublease, KFUI retains possession of the demised premises in accordance with the prime lease.
o.	KFUI's option to purchase your business	None	Upon termination or expiration of Sublease, KFUI retains possession of the demised premises in accordance with the prime lease.
p.	Your death or disability	Section 16(a)	Sublease will be binding upon your successors, assigns, heirs, executors and administrators.
q.	Non-competition covenants during	None	May be subject to term in prime lease.

	PROVISION	SECTION IN SUBLEASE	SUMMARY
	the term of the Sublease		
r.	Non-competition covenants after the Sublease is terminated or expires	None	May be subject to term in prime lease.
s.	Modification of the Sublease	Section 11	Sublease is subject and subordinate to the prime lease and any extension, renewal, amendment or modification thereof.
t.	Integration/merger clause	None	
u.	Dispute resolution by arbitration or mediation	None	May be subject to term in prime lease.
v.	Choice of forum	None	May be subject to term in prime lease.
w.	Choice of law	None	May be subject to term in prime lease.

These states have statutes which may supersede the license agreement in your relationship with KFUI including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e, *et. seq.*], DELAWARE [Code. tit.], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [Rev. Stat. Chapter 121 1/2 par. 1719 - 1720], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], RHODE ISLAND [Stat. Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a 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 enforceable under this Act."], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574 - 13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supersede the license agreement in your relationship with KFUI including the areas of termination and renewal of your franchise.

ITEM 18

PUBLIC FIGURES

KFUI currently does not use any public figure to promote its franchise, although KFUI reserves the right to engage a public figure for endorsements in the future. No public figure is involved in the actual management or control of KFUI.

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 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 KFUI at 2225 Daniels Street, Long Lake, Minnesota; telephone number (952)476-4338, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years ~~2021-2022~~ through ~~2023~~2024

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2022 ₁	7	7	0
	2023 ₂	7	7	0
	2024 ₃	7	7	0
Company-Owned	2022 ₁	-	-	-
	2023 ₂	-	-	-
	2024 ₃	-	-	-
Total Outlets	2022 ₁	7	7	0
	2023 ₂	7	7	0
	2024 ₃	7	7	0

Table No. 2
Transfer of Outlets From Franchisees to New Owners (other than franchisor)
For Years ~~2022~~₁ through ~~2024~~₃

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Minnesota	2022 ₁	0
	2023 ₂	0
	2024 ₃	0
Total Transfers	2022 ₁	0
	2023 ₂	0
	2024 ₃	0

Table No. 3
Status of Franchised Outlets
For Years 202~~21~~ to 202~~43~~

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Minnesota	202 21	7	0	0	0	0	0	7
	202 32	7	0	0	0	0	0	7
	202 43	7	0	0	0	0	0	7
Totals	202 21	7	0	0	0	0	0	7
	202 32	7	0	0	0	0	0	7
	202 43	7	0	0	0	0	0	7

Table No. 4
Status of Company-Owned Outlets
For Years 202~~21~~ to 202~~43~~

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
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
Minnesota	202 21	0	0	0	0	0	0
	202 32	0	0	0	0	0	0
	202 43	0	0	0	0	0	0
Totals	202 21	0	0	0	0	0	0
	202 32	0	0	0	0	0	0
	202 43	0	0	0	0	0	0

Table No. 5
Projected Openings as of December 31, ~~2023~~2024

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet in The Next Fiscal Year	Column 4 Projected New Company-Owned Outlet in the Next Fiscal Year
Minnesota	0	0	0
TOTALS	0	0	0

A list of all franchised Kennedy Transmission® Brake & Auto Service stores is included in this Franchise Disclosure Document as Exhibit A.

Information concerning the name, city and state, and current business or last known home telephone number of each franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the last fiscal year, or has not communicated with franchisor within 10 weeks of this disclosure document are as follows:

None

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM.

Franchisor is not selling any previously owned franchised outlet now under its control.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Kennedy Transmission® Brake & Auto Service Business System. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

ITEM 21

FINANCIAL STATEMENTS

The following audited financial statements of KFUI are included in this Offering Circular as Exhibit B: the Balance Sheets of KFUI at December 31, ~~2023~~2024, December 31, ~~2022~~2023 and December 31, ~~2021~~2022 and related Statements of Income, Changes in Stockholder's Equity & Cash Flows, and Notes to Financial Statements together with the report of the independent auditors.

ITEM 22

CONTRACTS

The Kennedy Transmission® Brake & Auto Service License Agreement and Personal Guaranty are attached to this Franchise Disclosure Document as Exhibit C. The Kennedy Transmission® Brake & Auto Service Sublease is attached to this Franchise Disclosure Document as Exhibit E.

ITEM 23

RECEIPT

This Franchise Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully.

If KFUI offers you a franchise, it must provide this Franchise Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, KFUI or an affiliate in connection with the proposed franchise sale **or sooner if required by applicable state law.**

IF KFUI DOES NOT DELIVER THIS FRANCHISE DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE STATE AGENCY LISTED ON EXHIBIT D.

I have received a Franchise Disclosure Document dated _____. This Franchise Disclosure Document included the following Exhibits: List of Franchised Stores (Exhibit A), KFUI's Audited Financial Statements (Exhibit B), Kennedy Transmission® Brake & Auto Service License Agreement (Exhibit C), List of State Administrators/Agents for Service of Process (Exhibit D), Kennedy Transmission® Brake & Auto Service Sublease (Exhibit E), and Receipt (Exhibit F).

Date

Franchisee

-SAMPLE-

EXHIBIT A

LIST OF FRANCHISED STORES

KENNEDY FRANCHISING USA, INC.
LIST OF FRANCHISED STORES
AS OF DECEMBER 31, ~~2023~~2024

Matt Johnson & Blaise Bayer
14620 Glenda Drive
Apple Valley, MN 55124
(952)432-6600

~~Michael F. Ekstrom~~Elizabeth A. Bidon
9721 Humboldt Avenue South
Bloomington, MN 55431
(952) 884-5211

Matt Johnson & Blaise Bayer
3423 East Lake Street
Minneapolis, MN 55406
(612)721-3189

Sherman Coffing
630 First Avenue East
Shakopee, MN 55379
(952)496-2633

Mario Russo
1079 Broadway Avenue West
Forest Lake, MN 55025
(651)466-2111

~~Michael F. Ekstrom~~Elizabeth A. Bidon
15600 34th Avenue North
Plymouth, MN 55447
(763)559-2558

Jim Brugh
50 11th Avenue South
Waite Park, MN 56387
(320)251-4086

EXHIBIT B

KFUI'S AUDITED FINANCIAL STATEMENTS

**KENNEDY FRANCHISING USA, INC.
FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT**

Years Ended December 31, 2024, 2023 and 2022

**KENNEDY FRANCHISING USA, INC.
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JOD LTD.
Certified Public Accountants

2209 BARD AVENUE
FARIBAULT, MINNESOTA 55021

TELEPHONE: (507) 334-5516
FAX: (507) 334-2882

Dennis L. Aldrich, CPA
Eric C. Craig, CPA
Jason W. Paulson, CPA
Adam S. Jensen, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Kennedy Franchising USA, Inc.
Long Lake, Minnesota

Opinion

We have audited the accompanying financial statements of Kennedy Franchising USA, Inc., (an S corporation), which comprise the balance sheets as of December 31, 2024, 2023 and 2022, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kennedy Franchising USA, Inc. as of December 31, 2024, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kennedy Franchising USA, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kennedy Franchising USA, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

JOD, Ltd.

Faribault, Minnesota

March 31, 2025

KENNEDY FRANCHISING USA, INC.
BALANCE SHEETS
December 31, 2024, 2023 and 2022

	ASSETS		
	2024	2023	2022
CURRENT ASSETS			
Cash	\$ 41,859	\$ 50,707	\$ 66,051
Restricted cash	94,302	111,607	129,142
Accounts receivable	196,225	145,879	123,258
Total current assets	332,386	308,193	318,451
PROPERTY AND EQUIPMENT			
Vehicles and equipment	69,983	96,213	96,213
Accumulated depreciation	(69,859)	(95,629)	(94,956)
	124	584	1,257
	\$ 332,510	\$ 308,777	\$ 319,708
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	\$ 2,828	\$ 4,172	\$ 2,096
Accrued expenses	18,492	8,437	15,195
Advertising fund payable	181,186	194,146	204,268
Note payable - shareholder	-	2,168	2,168
Total current liabilities	202,506	208,923	223,727
STOCKHOLDERS' EQUITY			
Common stock, no par value, Authorized 10,000 shares Issued and outstanding 1,000 shares	1,000	1,000	1,000
Additional paid-in capital	196,893	196,893	196,893
Retained earnings (deficit)	(67,889)	(98,039)	(101,912)
	130,004	99,854	95,981
	\$ 332,510	\$ 308,777	\$ 319,708

See accompanying notes to financial statements.

KENNEDY FRANCHISING USA, INC.
STATEMENTS OF INCOME
Years Ended December 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
REVENUES			
Continuing franchise fees	\$ 339,096	\$ 305,802	\$ 366,095
OPERATING EXPENSES			
Advertising	3,420	9,456	-
Automobile expense	11,711	14,304	28,575
Charitable contributions	1,000	1,000	1,000
Depreciation	460	672	692
Employee benefits	1,235	2,631	3,050
Retirement plan	4,310	5,700	5,710
Insurance	3,291	2,830	3,025
Office expense	10,579	12,404	9,275
Memberships & dues	-	-	1,795
Subscriptions	2,656	2,270	2,175
Bank charges	-	258	260
Payroll	155,679	202,278	203,106
Payroll taxes	12,589	15,614	14,771
Professional services	9,794	8,232	7,079
Promotion	7,630	11,710	9,840
Penalties	731	-	-
State tax expense	10,131	423	6,560
Telephone	11,898	12,147	10,345
	<u>247,114</u>	<u>301,929</u>	<u>307,258</u>
Net income (loss)	<u>\$ 91,982</u>	<u>\$ 3,873</u>	<u>\$ 58,837</u>

See accompanying notes to financial statements.

KENNEDY FRANCHISING USA, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2024, 2023 and 2022

	Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Total
	Number of Shares	Amount			
BALANCE, DECEMBER 31, 2021	1,000	\$ 1,000	\$ 196,893	\$ (160,749)	\$ 37,144
Net income (loss)				58,837	58,837
BALANCE, DECEMBER 31, 2022	1,000	1,000	196,893	(101,912)	95,981
Net income (loss)	-	-	-	3,873	3,873
BALANCE, DECEMBER 31, 2023	1,000	1,000	196,893	(98,039)	99,854
Net income (loss)	-	-	-	91,982	91,982
Distributions	-	-	-	(61,832)	(61,832)
BALANCE, DECEMBER 31, 2024	<u>1,000</u>	<u>1,000</u>	<u>196,893</u>	<u>(67,889)</u>	<u>130,004</u>

See accompanying notes to financial statements.

KENNEDY FRANCHISING USA, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ 91,982	\$ 3,873	\$ 58,837
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	460	672	692
(Increase) decrease in:			
Restricted cash	17,305	17,535	(38,029)
Accounts receivable	(50,345)	(22,620)	(31,209)
Increase (decrease) in:			
Accounts payable	(1,345)	2,076	(795)
Accrued expenses	10,055	(6,758)	3,070
Advertising fund payable	(12,960)	(10,122)	41,474
Net cash provided (used) by operating activities	<u>55,152</u>	<u>(15,344)</u>	<u>34,040</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Note receivable advance to shareholders	-	-	307
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>307</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment on note payable - shareholder	(2,168)	-	2,168
Distributions to shareholders	(61,832)	-	-
Net cash provided (used) by financing activities	<u>(64,000)</u>	<u>-</u>	<u>2,168</u>
NET INCREASE (DECREASE) IN CASH	(8,848)	(15,344)	36,515
CASH AT BEGINNING OF YEAR	<u>50,707</u>	<u>66,051</u>	<u>29,536</u>
CASH AT END OF YEAR	<u><u>\$ 41,859</u></u>	<u><u>\$ 50,707</u></u>	<u><u>\$ 66,051</u></u>

See accompanying notes to financial statements.

**KENNEDY FRANCHISING USA, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company was incorporated in February 1999. On March 26, 1999, the Company purchased the assets of a franchisor of automotive transmission service. The Company's revenue is primarily from franchised stores which currently operate in Minnesota.

Franchise Operations

The Company is obligated under each franchisees' respective franchise license agreement to provide various management services (i.e., training, operations manuals, site location and layout, continuing assistance, advertising, supplies, pricing, etc). The franchisees are charged a monthly franchise fee based on gross revenues and for reimbursable expenses. Fees are recognized as revenue when charged to the franchisees. The Company had the following franchises as of:

	2024	2023	2022
Minneapolis, MN	6	6	6
St. Cloud, MN	1	1	1
Total franchises	7	7	7

Cash and Cash Equivalents

The Company considers all cash equivalents as cash. There were no cash equivalents at December 31, 2024, 2023 and 2022.

Allowance for Doubtful Accounts

The Company considers accounts receivable to be fully collectible and, accordingly, no allowance for doubtful accounts has been recorded.

Equipment

The Company capitalizes the cost of equipment having an estimated economic life greater than one year. Equipment is depreciated over 5 to 7 years using the straight-line method.

Income Taxes

Effective February 25, 1999, the Company elected under the Internal Revenue Code to be an "S" corporation. An "S" corporation does not pay federal or state income taxes, except in certain circumstances. Normally, in lieu of corporation income taxes, the stockholders of an "S" corporation are taxed on their proportionate share of the company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

See accountant's report.

KENNEDY FRANCHISING USA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

The Company's income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitation on those tax returns. In general, the tax returns essentially remain open for a period of three years after the date on which those returns are filed. During the years ended December 31, 2024, 2023, and 2022, the Company has not incurred any interest or penalties on its income tax returns.

Presentation of Sales Tax

The State of Minnesota imposes a sales tax of 6.875% on sales to nonexempt customers. In addition to the state sales and use tax rate, Minnesota has local taxing jurisdictions (cities, counties, local and special purpose districts and transit authorities), which may also impose sales and use taxes. The Company collects that sales tax from customers and remits the entire amount to the State. The Company's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

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. Significant estimates include the lives used for equipment and the valuation of an amortization period for intangibles. Actual results could differ from those estimates.

Concentration of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The Company places its cash and temporary cash investments with high quality institutions. At times, such investments may be in excess of the FDIC insurance limit.

Advertising Fund

The Company maintains and administers an advertising fund for certain advertising and public relations programs which are determined at the discretion of the Company.

The franchisees are obligated to contribute a percentage of their sales to the advertising fund. The Company is obligated to spend 90% of the fees on advertising and promotion. However, for 2024, 2023 and 2022 the Company forgave the 10% usually charged as the administration fee. Such advertising revenues and expenses are not included on the Company's statement of income, as related advertising expenses are charged against the advertising fund payable. Advertising fees that have not been collected are included in trade receivables and aggregated \$50,910, \$32,663, and \$25,227 at December 31, 2024, 2023 and 2022, respectively. Advertising fund cash represents cash for amounts collected from franchisees but not yet disbursed for advertising expenses. Advertising funds shown as restricted cash at December 2024, 2023 and 2022, were \$94,302, \$111,607 and \$129,142, respectively.

See accountant's report.

**KENNEDY FRANCHISING USA, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Continuing franchise fees	\$ 143,993	\$ 111,894	\$ 96,885
Miscellaneous	1,322	1,322	1,146
Advertising fees	50,910	32,663	25,227
	<u>\$ 196,225</u>	<u>\$ 145,879</u>	<u>\$ 123,258</u>

NOTE 3 - PENSION PLAN

The Company adopted a SIMPLE plan in 2000. Contributions to the plan consist of 3% of compensation paid to employees who make, or are expected to make, at least \$5,000 in wages for the year. The Company opted for 3% contribution for 2024, 2023 and 2022.

NOTE 4 - ACCRUED EXPENSES

The Company had the following accrued expenses at December 31, 2024, 2023 and 2022:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Payroll taxes payable	\$ 3,319	\$ 2,314	\$ 6,235
State taxes payable	10,862	423	3,260
Accrued retirement contribution	4,310	5,700	5,700
	<u>\$ 18,491</u>	<u>\$ 8,437</u>	<u>\$ 15,195</u>

NOTE 5 - NOTES PAYABLE - STOCKHOLDER

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Note payable - Stephen Hendrickson; Dated 11-22-12; Non-interest bearing; Due on demand.	<u>\$ -</u>	<u>\$ 2,168</u>	<u>\$ 2,168</u>

NOTE 6 - SUBSEQUENT EVENT

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 31, 2025, the date the financial statements were available to be issued.

See accountant's report.

EXHIBIT C

KENNEDY TRANSMISSION® BRAKE & AUTO SERVICE LICENSE AGREEMENT (and exhibits)

KENNEDY FRANCHISING USA, INC.

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EXHIBITS

A	PERSONAL GUARANTY
B	AGREEMENT AND CONTINGENT ASSIGNMENT OF LEASE

LICENSE AGREEMENT

THIS LICENSE AGREEMENT is made and entered into this _____ day of _____, _____, by and between Kennedy Franchising USA, Inc. (the "Licensor") and _____ (the "Licensee").

WITNESSETH:

WHEREAS, the Licensor has developed systems, methods and techniques for diagnosing malfunctions in automotive automatic and manual transmissions and rebuilding, repairing, and maintaining automotive automatic and manual transmissions under the name "Kennedy Transmission® Brake and Auto Service" (hereinafter referred to as the "Business System" or the "Kennedy Transmission® Brake & Auto Service Business System"); and

WHEREAS, the Licensor has the right to license the use of the name "Kennedy Transmission® Brake & Auto Service" and such other trade names, trademarks, logos, service marks and commercial symbols as may be designated by the Licensor for use in connection with the Business System (hereinafter referred to as the "Marks"); and

WHEREAS, the Licensee desires, upon the terms and conditions herein fully set forth, to be trained and licensed by the Licensor to operate a business under the Kennedy Transmission® Brake & Auto Service Business System at the location set forth and designated in Article 1 of this License Agreement; and

WHEREAS, the Licensee has had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this License Agreement by legal counsel, and has had sufficient time to evaluate and investigate both the Kennedy Transmission® Brake & Auto Service Business System and financial investment requirements associated with the Business System;

WHEREAS, the Licensee recognizes the importance to the Licensor, to other Kennedy Transmission® Brake & Auto Service licensees and to the public of maintaining the distinctive standards, qualities, attributes and services identified by the Marks and the Business System and is willing to maintain such standards, qualities and attributes;

NOW, THEREFORE, the parties, in consideration of the mutual promises herein expressed and for other good and valuable consideration, the receipt and adequacy of which is acknowledged, hereby agree as follows:

ARTICLE 1 - LICENSED LOCATION; GRANT OF LICENSE

(A) The Licensor hereby grants to the Licensee a personal license to operate one transmission and brake business in conformity with the Licensor's Business System under the name "Kennedy Transmission® Brake & Auto Service" at the following location:

Street

City

State

(hereinafter referred to as the "Licensed Location"). The Licensee hereby undertakes the obligation to operate a transmission business using the name "Kennedy Transmission® Brake & Auto Service in strict compliance with the terms and conditions of this License Agreement.

(B) During the term of this License Agreement, the Licensor shall not establish for its own account or license others to operate a Kennedy Transmission® Brake & Auto Service business or any other transmission business within a two (2) mile radius of the Licensed Location. The exclusive area identified above is referred to as the "Exclusive Territory". The Licensee understands, however, that the Licensor may sell similar products or services under trademarks other than the Marks through other channels of distribution. The rights and privileges granted to the Licensee by the Licensor under this License Agreement are applicable only to this single location, are personal in nature, and may not be used elsewhere or at any other location by the Licensee. In addition, the Licensee agrees to concentrate its advertising and sales effort within the Exclusive Territory. The Licensee shall not relocate its Kennedy Transmission® Brake & Auto Service business without the prior written consent of the Licensor and shall not open any other Kennedy Transmission® Brake & Auto Service business in the Exclusive Territory. The Licensee shall not have the right to franchise, subfranchise, license or sublicense its rights under this License Agreement. The Licensee shall not assign or transfer its rights under this License Agreement, except as specifically provided for in this License Agreement.

ARTICLE 2 - TERM OF LICENSE: LICENSEE'S RIGHT OF FIRST REFUSAL TO RELICENSE

(A) The term of this License Agreement shall be for fifteen (15) years commencing on the date this License Agreement is executed by both the Licensor and the Licensee. This License Agreement shall not be considered executed and shall not be enforceable until it has been signed by both the Licensee and the Licensor.

(B) The Licensee shall have the right of first refusal to relicense the Licensed Location for continuing fifteen (15) year terms providing that the following conditions have been met:

(1) The Licensee has complied with, at the time it exercises its option and is in compliance with, all of the material terms and conditions of the License Agreement and the operating and quality standards and procedures established for all Kennedy Transmission® Brake & Auto Service businesses, including payment of all fees and other monies due to the Licensor and any other obligations owed by the Licensee to the Licensor in any form; and

(2) The Licensee has agreed in writing to make the reasonable capital expenditures necessary to remodel and modernize the Licensed Location and the building, furniture, fixtures, sign and equipment in accordance with the then-existing specifications of the Licensor so that the Licensee's business will reflect the common image intended to be portrayed by Kennedy Transmission® Brake & Auto Service businesses;

(3) The Licensee has given the Licensor written notice at least ninety (90) days prior to the end of the term of this License Agreement of the Licensee's intention to relicense.

(4) The Licensee executes a general release, in a form satisfactory to the Licensor, of any and all claims it may have against the Licensor, and its officers, directors, shareholders, and employees, in their corporate and individual capacities including all claims arising under either common law or under any federal, state or local law, rule or ordinance; and

(5) The Licensee pays to the Licensor a Renewal Fee equal to one half of the Initial Franchise Fee then being charged to new licensees, with the Renewal Fee payable either (i) in cash at the time of Licensee's execution of the renewed License Agreement, or (ii) one third in cash and two-thirds by promissory note payable to Licensor in two equal annual installments due, respectively, on the first and second anniversary of the renewal, together with interest at a market rate.

(6) The Licensee agrees to comply with and execute the then-current standard License Agreement being offered to new licensees by the Licensor.

(C) The Licensee shall have the right of first refusal to relicense the Licensed Location under the same terms and conditions then being offered to other licensees by the Licensor under the then-current standard License Agreement; however, the Licensee shall not be required to pay the Initial Franchise Fee if the Licensee exercises its right to relicense the Licensed Location, but shall only be required to pay the Renewal Fee. The Licensor will not offer to license the Licensed Location at the end of the term of this License Agreement to any licensee on more favorable terms or conditions than those offered to the Licensee. The Licensee acknowledges that the terms, conditions and economics of the then-current standard License Agreement of the Licensor may at that time, vary in substance and form from the terms, conditions and economics of this License Agreement.

ARTICLE 3 – LICENSOR'S RIGHT TO LICENSE THE MARKS

(A) The Licensee hereby acknowledges the validity of the Marks and acknowledges that they are the sole property of the Licensor. Any and all improvements made by the Licensee relating to the Marks and the Business System shall become the sole and absolute property of the Licensor, and the Licensor shall have the sole and exclusive right to register or otherwise protect such improvements in its name. The Licensee's right to use and identify with the Marks shall exist concurrently with the term of this License Agreement.

(B) The Licensee agrees that its right to use the name "Kennedy Transmission" Brake & Auto Service and the Marks and the Business System applies only to the Licensed Location and only so long as the Licensee shall fully perform and comply with all of the conditions, terms and covenants in this License Agreement. The Licensee shall not have or acquire any rights in the Marks other than the right of the use as provided herein and such use shall inure to the benefit of the Licensor. The Licensee shall only have the right to use the Marks in the manner prescribed, directed

or approved by the Licensor in writing. If, in the judgment of the Licensor, the acts of the Licensee infringe upon or demean the goodwill, standards of quality, or business standing associated with the Marks, then the Licensee shall upon written notice from the Licensor, immediately modify its use of the Marks in the manner prescribed by the Licensor in writing.

(C) If there is a claim by any party that its rights to any of the Marks are superior to the Licensor's rights and if the Licensor's legal counsel opines that such claim is legally meritorious, then upon receiving written notice from the Licensor, the Licensee will at its expense, make all changes and amendments to the Marks specified by the Licensor and, if so specified by the Licensor, the Licensee will immediately cease using the Marks, and will, as soon as reasonably possible, commence using the new trademarks, trade names, service marks, logos and commercial symbols designated by the Licensor in writing. The Licensee will not make any changes or modifications to the Marks unless required to do so by the Licensor in writing.

(D) The Licensee shall have no obligation or right to defend or enforce any rights associated with the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or any other allegation. However, the Licensee will give the Licensor prompt and timely written notice of any and all such claims or complaints made against or associated with the Marks and will cooperate in all respects with the Licensor in any lawsuits or other proceedings involving the Marks. The cost of all litigation incurred by the Licensor, including attorneys' fees, specifically relating to the Marks, shall be paid for by the Licensor. The Licensor and its legal counsel shall exclusively control and conduct all litigation involving the Marks.

ARTICLE 4 - INITIAL FRANCHISE FEE AND APPROVAL OF LICENSEE

(A) The Licensee shall pay to the Licensor an Initial Franchise Fee of Seventeen Thousand Five Hundred and No/100 Dollars (\$17,500.00), which shall be due and payable in full on the date of this License Agreement. The Initial Franchise Fee payable by the Licensee is, in part, for sales and administrative salaries and expenses, travel costs, long distance telephone calls, advertising and production costs, training and other personnel costs, legal fees, compliance with franchising and other laws, and for services rendered by the Licensor to the Licensee as set forth in this License Agreement.

(B) The Licensor shall have the sole and unilateral right to terminate this License Agreement at any time prior to the opening of the Licensee's Kennedy Transmission® Brake & Auto Service business if the Licensor determines that: (1) any financial, personal or moral information provided by the Licensee to the Licensor is materially false, misleading, incomplete, or inaccurate; or (2) the Licensee, the Licensee's Service Manager (as defined below), if applicable, or the Licensee's transmission rebuilder is not qualified or competent to properly operate the licensed business because he has not successfully completed the Licensor's training program or is deemed to be incapable of successfully completing the Licensor's training program. The Licensee will be notified by the Licensor in writing if this License Agreement is subject to termination pursuant to this Article 4(B).

(C) If the Licensor subsequently determines prior to training that the Licensee is not qualified to properly operate the Kennedy Transmission® Brake & Auto Service business, the Licensor may retain Seven Thousand Five Hundred Dollars (\$7,500) of the Initial Franchise Fee, and shall refund any balance of the Initial Franchise Fee to the Licensee. If the Licensee fails to successfully complete the Licensor's initial training program, the Licensor may retain Twelve Thousand Five Hundred Dollars (\$12,500) of the Initial Franchise Fee and shall refund any balance of the Initial Franchise Fee to the Licensee.

ARTICLE 5 - CONTINUING ROYALTIES

(A) In addition to the Initial Franchise Fee, the Licensee shall, for the term of this License Agreement, pay to the Licensor weekly Continuing Royalties equal to six percent (6%) of the weekly "Gross Revenues", as defined herein, which are received, billed or generated by, as a result of, or from the Licensee's Kennedy Transmission® Brake & Auto Service business. The weekly Continuing Royalties shall be paid to the Licensor on or before Friday of each week for the preceding week, and shall be submitted with the Licensee's weekly sales report required under Article 18 of this License Agreement.

(B) If during the first (1st) year of this License Agreement, the combined weekly Continuing Royalties payable by the Licensee under Article 5(A) are less than Twelve Thousand Dollars (\$12,000), the Licensee shall pay to the Licensor an amount equal to Twelve Thousand Dollars (\$12,000) less the amount paid to the Licensor under Article 5(A) for the year. Commencing with the second (2nd) year of this License Agreement and continuing each year thereafter for the remaining term of this License Agreement, in any year that the Continuing Royalties payable by the Licensee under Article 5(A) are less than Eighteen Thousand Dollars (\$18,000), the Licensee shall pay to the Licensor an amount equal to Eighteen Thousand Dollars (\$18,000) less the amount paid by the Licensee to the Licensor under Article 5(A) for the year. Each year shall be determined from the date of this License Agreement, so that each year shall be twelve (12) months from the date of this License Agreement. The amount payable to the Licensor pursuant to this provision shall be paid by the Licensee within thirty (30) days of the anniversary date of this License Agreement for each year in which the Licensee fails to pay to the Licensor the minimum combined weekly Continuing Royalties as set forth herein during the year.

(C) The Continuing Royalties payable to the Licensor under this Article shall be calculated and paid to the Licensor by the Licensee on a weekly basis during the entire term of this License Agreement and the Licensee's failure to pay the weekly Continuing Royalties to the Licensor shall be deemed to be a material breach of this License Agreement. The Licensee's obligation to pay the Licensor the Continuing Royalties under the terms of this License Agreement shall remain in full force and effect until the term of this License Agreement has expired or until this License Agreement is terminated in accordance with the terms and conditions set forth in this License Agreement. The Licensee shall not have the right to "offset" and, as a consequence, the Licensee will timely pay all weekly Continuing Royalties due the Licensor under this License Agreement regardless of any claims that the Licensee may allege against the Licensor.

(D) In the event the Licensee fails to remit the weekly Continuing Royalties due the Licensor by Friday of each week, as provided in this License Agreement, then the unpaid weekly Continuing Royalties due to the Licensor shall bear interest at the rate of eighteen percent (18%) per annum or the maximum rate permitted by law, whichever is less.

(E) The weekly Continuing Royalties are, in part, payment to the Licensor for: (1) the services and materials provided to the Licensee by the Licensor pursuant to Article 14 of this License Agreement; (2) the costs incurred by the Licensor in protecting the Marks and the Business System; (3) legal fees and accounting fees incurred by the Licensor to comply with federal, state, local and other laws; and (4) supervision of the Licensee's Kennedy Transmission® Brake & Auto Service business to insure compliance with this License Agreement.

ARTICLE 6 - ADVERTISING

(A) The Licensee will pay the Licensor a weekly "Advertising Budget Contribution" of six percent (6%) of the Licensee's weekly Gross Revenues. The Advertising Budget Contribution will be deposited in an advertising fund (the "Fund") to be managed by the Licensor. Ten Percent (10%) of all collected Advertising Budget Contributions shall be payable to Licensor as a fee for administration of all efforts to develop and implement advertising and promotional campaigns and to cover related administrative expenses. The balance of the Fund shall be expended at Licensor's sole discretion for purposes of formulating, developing, and implementing advertising and promotional campaigns. The methods of advertising, media employed, and contents, terms and conditions of advertising campaigns and promotional programs shall be selected and developed at the sole discretion of the Licensor. Although Licensor will strive to manage the Fund in such a manner as to benefit Licensees uniformly, taking into account regional and/or local advertising costs in forms of media available, Licensor does not represent that any individual Licensee benefits or will benefit directly or on a pro-rata basis from the placement or future placement of any such advertising in its local market. Any interest earned on the Fund shall be used for advertising. Licensor will provide the Licensee with an annual unaudited statement summarizing the receipts and disbursements from the Fund.

(B) The Advertising Budget Contribution shall be paid directly to the Licensor on or before Friday of each week for the preceding week. Advertising Fees not paid by the Licensee as required herein shall bear interest at the rate of eighteen percent (18%) per annum or the maximum rate permitted by law, whichever is less. Failure of the Licensee to pay the Advertising Budget Contribution shall constitute a material breach of this License Agreement and shall be grounds for termination of this License Agreement by the Licensor.

(C) In addition to the Advertising Budget Contribution to be paid to the Licensor, each calendar year the Licensee will spend at least two percent (2%) of its Gross Revenues for approved media advertising and promotion such as television time, radio time, newspaper space, magazine space, billboards, direct mailings and other recognized mass media advertising in the Licensee's local geographic area. All media advertising and promotion must be approved in writing by the Licensor. On or before January 31 of each year, the Licensee will provide the Licensor with an accounting of the monies it has spent for approved local media advertising for the preceding calendar

year (January through December). If the Licensee has failed to spend at least two percent (2%) of its Gross Revenues for the calendar year on such advertising as required under this Article, then the Licensee shall deposit with the Licensor the difference between what it should have spent for local media advertising during the calendar year and what it actually spent for such advertising during the calendar year as an additional Advertising Budget Contribution which shall be subject to the provisions of Article 6(A) and (B), above.

ARTICLE 7 - QUALITY CONTROL, UNIFORMITY AND STANDARDS REQUIRED OF LICENSEE

It is recognized by the Licensee that the Licensor has expended large sums of money to popularize the Marks and the Business System and that the same represent very valuable goodwill distinctive of the Licensor's business and reputation. It is also recognized that the Licensor must promulgate from time to time, uniform standards of quality and service regarding the business operations of the Licensee's Kennedy Transmission® Brake & Auto Service business, so as to protect (for the benefit of all Licensees and the Licensor), the distinction, valuable goodwill and uniformity represented and symbolized by the Marks and the Business System. Accordingly, to insure that all Licensees will maintain the goodwill and the product and service quality standards associated with Kennedy Transmission® Brake & Auto Service businesses and with the Marks and the Business System, the Licensee agrees to maintain the quality standards required by the Licensor for all products and services and agrees to the following terms and conditions to insure the public that all Kennedy Transmission® Brake & Auto businesses will be uniform in nature and will sell and dispense quality products and services:

(A) The Licensee will operate its transmission business in such manner that it is clearly identified and advertised as a Kennedy Transmission® Brake & Auto business. However, the style or form of the words "Kennedy Transmission® Brake & Auto Service" in any advertising must have the prior written approval of the Licensor and must conform to the Licensor's Marks. Whenever practical, the public shall be informed that the Kennedy Transmission® Brake & Auto Service business is owned by the Licensee and that it is operating under written authority from the Licensor. The Licensee will not use the word "Kennedy" in its corporate, sole proprietorship, or partnership name. Whenever practical, the Licensee will use the name "Kennedy Transmission® Brake & Auto Service" and other Marks which now or hereafter may form a part of the Business System, on all paper supplies, stationery, uniforms, furnishings, advertising material, ad mats, signs or other articles in the same combination and manner prescribed by Licensor in writing. The Licensee will also comply with all notices of registration required by the Licensor and will comply with any other trademark, trade name, service mark, copyright or patent notice marking requirements.

(B) The interior and exterior of Licensee's Kennedy Transmission® Brake & Auto Service business shall be constructed and equipped in accordance with the Licensor's current approved specifications and standards pertaining to equipment, inventory, signs, and design and layout. If the Licensee enters into a lease for the Licensed Location, such lease must be approved by the Licensor prior to its execution, but such approval will not be unreasonably withheld. The Licensee's lease, if any, shall be expressly be made subject to a written Agreement and Contingent Assignment Agreement substantially in the form of attached Exhibit B containing provisions

requiring that: (1) the premises be used only for a Kennedy Transmission® Brake & Auto Service business; (2) the Licensor be granted the right (but not the duty) to take possession of the premises and assume the lease without liability for the Licensee's monetary defaults in the event of a termination of this Agreement or a threatened termination of the lease as a result of a breach by the Licensee; (3) the landlord provide the Licensor written notice of any Licensee default and/or right to cure; (4) the Licensor be granted the right to enter the premises to inspect the Licensee's Kennedy Transmission® Brake & Auto Service business during regular business hours; and (5) upon termination of this Agreement or the Lease, the Licensee will be obligated to remove all signs and materials bearing the name "Kennedy Transmission® Brake & Auto Service" and other Marks.

(C) The Licensee will not use the name "Kennedy Transmission® Brake & Auto Service" or the Marks on any free standing or other signs of any kind or nature without the express written approval of the Licensor except as provided for in this License Agreement.

(D) The Licensee will use only approved advertising materials for the advertising and promotions conducted by the Licensee. The Licensee must obtain written approval from the Licensor prior to using any unapproved advertising or promotional materials. The Licensee will not display advertising of any kind which has not been first approved in writing by the Licensor. The Licensor or its authorized agents may, at any time enter the Licensee's transmission business and remove any objectionable signs or advertising media, and may keep or destroy such signs or advertising without paying therefor or without being deemed guilty of trespass or any other tort.

(E) The Licensee will use the Marks and the Business System only in strict compliance with the standards, operating procedures, specifications, requirements and instructions required of all Kennedy Transmission® Brake & Auto Service businesses which may be amended and supplemented by the Licensor from time to time.

(F) The Licensee will sell only those items, products and services approved by the Licensor in writing and will offer all goods and services prescribed by the Licensor. The Licensee will conform to customer service standards prescribed by the Licensor in writing. The Licensee will not sell any product or service at the Licensed Location unless first approved in writing by the Licensor. If the Licensee desires to purchase any goods which Licensor has not approved, the Licensee shall submit samples to the Licensor for testing to determine whether the products comply with the Licensor's standards and specifications. The Licensee shall comply with all requirements promulgated by the Licensor with regards to product and service quality. The Licensor will provide the Licensee with a copy of the Licensor's Operations Manuals, catalogs, sales promotion aids and other manuals and written materials. The Licensee will conform to the common image and identity created by the goods, products and services sold and associated with the Marks and the Business System. These manuals and materials are the sole and exclusive property of the Licensor, are confidential in all respects and shall not be duplicated or used for any purpose other than the operation of the Licensee's Kennedy Transmission® Brake & Auto Service business, and shall not be removed from the Licensee's Licensed Location. During and after the term of this License Agreement, Licensee shall keep the manuals and materials strictly confidential. Licensee shall not disclose the manuals and materials and any confidential information contained therein to any third party other than, during the term of this License Agreement, those of Licensee's employees who

need to know such information. In addition, all of the Licensee's employees who have managerial duties with respect to the Licensee's Kennedy Transmission® Brake & Auto Service business and who have access to confidential information of the Licensor, as well as all corporate officers, directors and shareholders if the Licensee is a corporation (all partners if the Licensee is a partnership), must sign agreements in a form satisfactory to the Licensor, agreeing to maintain the confidentiality, during the course of their agreement and thereafter, of all information copyrighted or designated by the Licensor as confidential and proprietary. Copies of the executed agreements will be submitted to the Licensor upon request.

(G) The Licensee shall purchase its invoices and/or work orders from the Licensor, or from a supplier who can provide such items in accordance with the Licensor's specifications. All invoices and/or work orders shall be prepared in a manner prescribed by the Licensor. All invoices and/or work orders shall be consecutively numbered and the Licensee shall account for all invoices and/or work orders used, including voided invoices and/or work orders, on the Weekly Sales Reports forwarded to the Licensor. All voided invoices shall be maintained in their original form with all copies intact at the Licensee's premises and shall be available for auditing inspection, along with all unused invoice and/or work order inventory, at any time by the Licensor.

(H) The Licensee will, at its expense, repair, and paint, and keep in a clean and sanitary condition, the interior, the exterior and, where applicable, the grounds of the Licensed Location. All mechanical equipment shall be kept in good working order by the Licensee at all times. At Licensor's request, which shall not be made more often than once every five (5) years, Licensee shall, at Licensee's sole expense, refurbish the Store to conform to the building design, trade dress, color schemes, and presentation then being used in connection with new Kennedy Transmission® Brake & Auto Service stores. Such refurbishment may include, without limitation, structural changes, remodeling, redecoration, and modifications to existing improvements; provided, however, Licensee shall not be required to expend at any one time an amount in excess of fifty percent (50%) of the total straight-line depreciation allowable for federal income tax purposes on the Store premises and personal property from date the Store was opened for business, less amounts previously expended for refurbishment during the previous five-year period. If Licensee leases the Store premises, allowable depreciation for purposes of this section shall be computed as if Licensee owned the Store building and property.

(I) The Licensee will, at its expense, comply with all applicable local, state, federal and municipal laws, ordinances, rules and regulations pertaining to the operation of the Licensee's Kennedy Transmission® Brake & Auto Service business. The Licensee will, at its expense, be absolutely and exclusively responsible for obtaining and qualifying for all licenses and permits required by law for the Licensee's business.

(J) The Licensee will timely pay all noncontested and liquidated obligations and liabilities due and payable to the Licensor, and to the Licensee's suppliers, lessors and creditors. The Licensee's failure to comply with this provision shall be deemed a material breach of this License Agreement.

(K) The Licensee will be solely responsible for and liable for the prompt payment of all federal, state, city and local taxes including individual and corporate income taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, personal property taxes and real estate taxes payable in connection with the Licensee's Kennedy Transmission® Brake & Auto Service business. The Personal Guarantors under this License Agreement expressly agree that their guarantee includes payment of all taxes payable as a result of the Licensee's business.

(L) The Licensee shall require its employees to wear the standard attire or uniforms approved by the Licensor and will comply with such programs of standardization as may from time to time be promulgated by the Licensor to promote the common business image and to protect the goodwill associated with the Licensor's Marks and Business System. All persons employed by the Licensee must practice good personal hygiene and must wear clean and neat attire or uniforms.

(M) The Licensee shall use its best efforts to promote the licensed business. The Licensee shall personally manage and operate the licensed business unless the Licensor approves the appointment of a Licensee employee to exercise such full-time management and control (the "Service Manager"). Any proposed Service Manager must successfully complete the Licensor's training program, prior to assuming full-time management and control. The Licensee will, during business hours, have a designated supervisor on duty who is responsible for supervising the employees and the business operations of the Licensee's business. The Licensee shall provide the Licensor with the name of the Licensee's designated supervisor. The Licensee shall have a sufficient number of adequately trained and competent personnel on duty at all times to ensure efficient service to the customers who patronize the Licensee's Kennedy Transmission® Brake & Auto Service business, and any Service Manager and designated supervisor and all employees must conduct themselves in a professional and ethical manner with the highest regard for customer service.

(N) The Licensee agrees to abide by and honor any warranty given to Kennedy Transmission® Brake & Auto Service customers in connection with transmission work performed at any Kennedy Transmission® Brake & Auto Service business provided that the customer requesting the corrective work does so within the warranty time period. The Licensee agrees to abide by and honor all warranties for parts and labor as established, supplemented and revised from time to time by the Licensor. The Licensee agrees to reimburse any other licensee (or other authorized transmission repair shop) for the cost of parts, accessories and supplies, and to pay for the labor expended for corrective work performed pursuant to a warranty issued by the Licensee. Payment shall be made directly to the Licensee (or other authorized transmission or brake repair shop) who performed the warranty work immediately upon receipt of a request for payment. Licensee's obligation to reimburse for such corrective work shall specifically survive any termination, transfer, assignment or other disposition of this License Agreement.

(O) The Licensee shall at all times operate its Kennedy Transmission® Brake & Auto Service business in an ethical and honest manner. All customer work orders shall be complete and accurately reflect those elements of repair actually performed on the customer's vehicle. Unless otherwise stated in writing, all parts used in the repair of customer vehicles shall be new. All customers of the Licensee's business must be kept informed of the status of work in progress

respecting their vehicles and no customer vehicles may be driven for any purposes other than reasonable amounts for road-testing. The Licensee acknowledges that any false or misleading statements, whether written or verbal, respecting any work order or customer communication shall materially impair the goodwill associated with the Licensor's Marks and business System and shall be grounds for immediate termination of this License Agreement under Article 8 below.

(P) The Licensee is required to be a member of a Better Business Bureau identified by Licensor to be most applicable to Licensee's Licensed Location. In addition, the Licensee is required to become a member of the Automatic Transmission Rebuilders Association (ATRA). The Licensee shall provide the Licensor with written notice of any and all complaints, charges or claims by customers, the Better Business Bureau, any consumer protection group, any governmental agency or regulatory agency with respect to the licensed business. Such notice shall be given to the Licensor within five (5) days of the complaint and shall contain the name and address of the complainant, and the precise nature of the complaint.

(Q) To determine whether the Licensee is complying with this Agreement, the Licensor shall have the right at any time during normal business hours and without prior notice to inspect the Licensed Location, inspect invoices and other sales-related documentation, and interview managers and other personnel of the Licensee's business. The Licensee agrees to lend its reasonable cooperation to the Licensor's personnel conducting such inspections.

(R) The Licensor shall have the absolute right to take photographs and videotapes of the interior and exterior of the Licensee's business at all reasonable times. The Licensor shall have the right to photograph and videotape all employees, equipment, floors, ceilings, and fixtures used in the Licensee's business.

(S) The Licensee shall install a computer system for use in its Kennedy Transmission® Brake & Auto Service business, and Licensee shall acquire the point-of-sale and store management software selected and approved by the Licensor. The Licensee shall be obligated to acquire all updates or options to such software.

ARTICLE 8 – LICENSOR'S TERMINATION RIGHTS

(A) In addition to the other rights of termination contained in this License Agreement, the Licensor shall have the right to terminate this License Agreement, as provided herein, if: (1) the Licensee fails to open and commence operations of the Kennedy Transmission® Brake & Auto Service business when the Licensed Location is ready for the Licensee's occupancy; (2) the Licensee violates any material provision, term or condition of this License Agreement; (3) the Licensee or any of its managers, directors, officers and majority stockholders are convicted of, or plead guilty to, or plead no contest to (a) a charge of violating any law relating to the licensed business or, (b) any felony; (4) the Licensee fails to conform to the Business System and standards of quality for all products and services required of all Kennedy Transmission® Brake & Auto Service businesses promulgated by the Licensor in connection with the licensed business; (5) the Licensee fails to timely pay any Continuing Royalties, Advertising Fees or other obligations or fees due and owing to the Licensor; (6) the Licensee is deemed insolvent within the meaning of any state or federal law or

files for bankruptcy or is adjudicated a bankrupt under any state or federal law; (7) the Licensee makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors; (8) any check or checks issued by the Licensee are dishonored because of insufficient funds (except where the check is dishonored because of a bookkeeping or accounting error) or closed accounts; (9) the Licensee fails to purchase or pay for the equipment, fixtures and supplies required for the Kennedy Transmission® Brake & Auto Service business prior to the opening of the Licensee's business; (10) the Licensee voluntarily or otherwise "abandons", as defined herein, the licensed business; (11) the Licensee is involved in any act or conduct which materially impairs the goodwill associated with the name "Kennedy Transmission® Brake & Auto Service" or with the Marks or the Business System; (12) construction on the building for the licensed business has not commenced within six months from the date of this License Agreement; (13) the Licensee's building lease for the Licensed Location is terminated or canceled for any reason; or (14) the Licensee offers products or services not authorized by the Licensor or uses the Licensed Location for any purpose other than the operation of a Kennedy Transmission® Brake & Auto Service business in the manner authorized by Licensor.

(B) The Licensor shall not have the right to terminate this License Agreement unless and until: (1) written notice by personal service or prepaid registered or certified mail setting forth the alleged breach in detail has been given by the Licensor to the Licensee; and (2) after receiving the written notice the Licensee fails to correct the alleged breach within the period of time specified by applicable law. In the event the applicable law does not specify a time period to correct an alleged breach, then the Licensee shall have thirty (30) days after receipt of written notice by personal service or prepaid registered or certified mail to correct the alleged breach. If the Licensee fails to correct the alleged breach set forth in the written notice within the applicable period of time, then this License Agreement may be terminated by the Licensor as provided in this License Agreement. For purposes of this License Agreement, an alleged breach of this License Agreement shall be deemed to be "corrected" if both the Licensor and the Licensee agree in writing that the alleged breach has been corrected.

(C) If the Licensor has timely complied with the notice provisions of Article 8(B) of this License Agreement and if the Licensee has not corrected the alleged breach set forth in the written notice within the time period specified in Article 8(B), then the Licensor shall have the right to terminate this License Agreement by giving the Licensee written notice by personal service or prepaid registered or certified mail that this License Agreement is terminated and in that event, the effective date of termination of this License Agreement shall be the day the written notice of termination is received by the Licensee.

(D) In the event this License Agreement is terminated by the Licensor pursuant to this Article 8, or if the Licensee breaches this License Agreement by a wrongful termination or a termination that is not in accordance with the terms and conditions of Article 9 of this License Agreement, then the Licensor shall be entitled to seek recovery of all damages from the Licensee that the Licensor has sustained and will sustain in the future as a result of the Licensee's breach of this License Agreement.

(E) Nothing in this Article 8 shall preclude the Licensor from seeking other remedies under state and federal laws or under this License Agreement against the Licensee including, but not limited to, attorneys' fees, punitive damages, and injunctive relief.

ARTICLE 9 – LICENSEE'S TERMINATION RIGHTS

(A) The Licensee shall have the right to terminate this License Agreement, as provided herein if the Licensor violates any material provisions, term or condition of this License Agreement. The Licensee shall not have the right to terminate this License Agreement nor commence any action against the Licensor for, injunctive relief, nor any arbitration proceeding for violation of any state, federal or local law, violation of common law (including allegations of fraud and misrepresentation), rescission, general or punitive damages, or termination, unless and until: (1) written notice by personal service or prepaid registered or certified mail setting forth the alleged breach or violation in detail has been delivered to the Licensor by the Licensee; and (2) the Licensor fails to correct the alleged breach or violation within thirty (30) days after receipt of the written notice by personal service or prepaid registered or certified mail. If the Licensor fails to correct the alleged breach or violation as provided herein within thirty (30) days after receiving notice, then this License Agreement may be terminated by the Licensee as provided in this License Agreement. For the purposes of this License Agreement, an alleged breach of this License Agreement by the Licensor shall be deemed to be "corrected" if both the Licensor and the Licensee agree in writing that the alleged breach or violation has been corrected.

(B) The Licensee must give the Licensor immediate written notice of an alleged breach or violation of this License Agreement after the Licensee has knowledge of, determines, or is of the opinion that there has been an alleged breach or violation of this License Agreement by the Licensor. If the Licensee fails to give written notice to the Licensor for an alleged breach of this License Agreement within one (1) year from the date that the Licensee has knowledge of, determines, or is of the opinion that there has been an alleged breach by the Licensor, then the alleged breach shall be deemed condoned and waived by the Licensee, and the alleged breach or violation shall not be deemed a breach or violation of this License Agreement by the Licensor.

(C) Notwithstanding any of the foregoing provisions, if the Licensee gives the Licensor any notice of an alleged breach or violation of this License Agreement or of any laws that gives rise to the termination of this License Agreement by the Licensee, the Licensor shall have the absolute right to immediately commence action against the Licensee to seek to enjoin and prevent the termination of this License Agreement without giving the Licensee any notice and without regard to any waiting period that may be contained in this License Agreement. If the Licensor commences such action against the Licensee, then the Licensee will not have the right to terminate this License Agreement unless and until an arbitrator has ruled on the merits that the Licensor has breached this License Agreement in the manner alleged by the Licensee, and then only if the Licensor fails to correct the breach or violation determined by the arbitrator within thirty (30) days after a final decision has been made against the Licensor and all time for appeals by the Licensor has expired. If the Licensor commences an action against the Licensee as contemplated by this provision for injunctive relief against the Licensee to enjoin termination of this License Agreement, then the Licensor shall not be required to post any bonds or security whatever in such a legal action.

ARTICLE 10 – LICENSEE'S OBLIGATIONS UPON TERMINATION

(A) In the event this License Agreement is terminated for any reason, then the Licensee will: (1) within five (5) days after termination, pay all amounts due and owing to the Licensor; (2) return to the Licensor by first class prepaid mail all manuals, advertising materials, receipt books, and all other printed materials pertaining to the operation of the licensed business; and (3) comply with all other applicable provisions of this License Agreement.

(B) Upon termination of this License Agreement for any reason, the Licensee's right to use the name "Kennedy Transmission® Brake & Auto Service" and all other Marks and the Business System shall terminate immediately, and the Licensee agrees and warrants never to use any names, marks, commercial symbols or the Business System or any combination of words or symbols which would suggest the same meaning or would in any way be confusingly similar to any of the Marks or the Business System of the Licensor.

(C) In the event the Licensed Location ever ceases to be used as a Kennedy Transmission® Brake & Auto Service business, then the Licensee will modify and change, at its expense, both the exterior and interior appearance of the Licensed Location including the removal of all signs so that it will be easily distinguished from the standard appearance of a Kennedy Transmission® Brake & Auto Service business.

(D) Upon termination or expiration of this License Agreement, the Licensor shall have the right to notify the telephone company and all listing agencies of the termination or expiration of the Licensee's right to use all telephone numbers and all classified and other directory listings under the "Kennedy Transmission® Brake & Auto Service" name and to authorize the telephone company and all listing agencies to transfer to the Licensor or its assignee all telephone numbers and directory listings of the Licensee's Kennedy Transmission® Brake & Auto Service business. The Licensee acknowledges that the Licensor has the absolute right and interest in and to all telephone numbers and directory listings associated with the Marks and the Licensee hereby authorizes the Licensor to direct the telephone company and all listing agencies to transfer all telephone numbers and directory listings to the Licensor or its assignee if this License Agreement is terminated for any reason. The telephone company and all listing agencies may accept this License Agreement as evidence of the exclusive rights of the Licensor to such telephone numbers and directory listings and this License Agreement shall constitute the authority from the Licensee for the telephone company and listing agency to transfer all Kennedy Transmission® Brake & Auto Service telephone numbers and directory listings to the Licensor.

ARTICLE 11 – LICENSEE'S COVENANTS NOT TO COMPETE

(A) The Licensee, the Licensee's shareholders (if any) and the Personal Guarantors (if any) will not, during the term of this License Agreement, on their own account or as an employee, agent, consultant, partner, officer, director, or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any transmission business or other

related business, that is in any way competitive with or similar to the Kennedy Transmission® Brake & Auto Service business conducted by the Licensor or the Licensor's licensees, except with the prior written consent of the Licensor.

(B) The Licensee, the Licensee's shareholders (if any) and the Personal Guarantors (if any) will not, for a period of two (2) years after the termination of this License Agreement, on their own account or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or entity engaged in any transmission business or other related business that is in any way competitive with or similar to the Kennedy Transmission® Brake & Auto Service business conducted by the Licensor or the Licensor's licensees, which is located within ten (10) miles of either the Licensed Location or any existing Kennedy Transmission® Brake & Auto Service business operated by the Licensor or any of the Licensor's licensees. The Licensee, the Licensee's shareholders (if any) and the Personal Guarantors (if any) expressly agree that the two (2) years period and the ten (10) mile limit are the reasonable and necessary time and distance needed to protect the Licensor and the Licensor's licensees if this License Agreement is terminated for any reason.

(C) The Licensee, the Licensee's shareholders (if any) and the Personal Guarantors (if any) agree that the provisions of this Article are necessary to protect the legitimate business interests of the Licensor and the Licensor's licensees and to prevent the unauthorized dissemination of confidential information to competitors of the Licensor and the Licensor's licensees. The Licensee, the Licensee's shareholders (if any) and the Personal Guarantors (if any) also agree that damages alone cannot adequately compensate the Licensor if there is a violation of this Article by the Licensee and that injunctive relief against the Licensee is essential for the protection of the Licensor and the Licensor's licensees. The Licensee, the Licensee's shareholders (if any) and the Personal Guarantors (if any) agree therefore, that if the Licensor alleges that the Licensee, the Licensee's shareholders (if any) or the Personal Guarantors (if any) have breached or violated this Article, then the Licensor shall have the right to seek injunctive relief against the Licensee, the Licensee's shareholders (if any) and the Personal Guarantors (if any), which, in the discretion of the Court, may be granted without posting any bond or security, in addition to all other legal remedies that may be available to the Licensor through arbitration pursuant to the provisions of Article 20(B). In cases where the Licensor is granted ex parte injunctive relief against the Licensee, the Licensee's shareholders (if any) or the Licensee's Personal Guarantors (if any), then the Licensee, the Licensee's shareholders (if any) or the Personal Guarantors (if any) shall have the right to petition the court for a hearing on the merits at the earliest time convenient to the court.

(D) The parties to this License Agreement acknowledge and agree that if any part of this Article is adjudicated to be invalid or unenforceable, this Article shall be deemed amended to modify or delete that portion thus adjudicated to be invalid or unenforceable, such modification or deletion to apply only with respect to the operation of this Article and the particular jurisdiction in which said adjudication is made. Further, to the extent any provision of this Article is deemed unenforceable by virtue of its scope or limitation, the parties to this License Agreement agree that the scope and limitation provisions shall, nevertheless, be enforceable to the fullest extent permissible under the laws and public policies applied in such jurisdiction where enforcement is sought.

(E) The Licensee's Service Manager and any other employees of the Licensee who have managerial duties with respect to the licensed business and confidential knowledge of all or any material portion of the Kennedy Transmission® Brake & Auto Service Business System shall execute non-compete agreements, in form acceptable to the Licensor, whereby such individuals agree to abide by the restrictions set forth in this Article 11. Copies of the executed agreements shall be submitted to the Licensor upon request.

ARTICLE 12 – LICENSOR'S RIGHT OF FIRST REFUSAL TO PURCHASE OR LEASE

(A) The Licensee will not sell, assign, trade, transfer, lease, sublease, or otherwise dispose of any interest in or any part of: (1) the Licensee's Kennedy Transmission® Brake & Auto Service business; (2) the Licensed Location; (3) the land and building; (4) the lease agreement for land and building; (5) the furniture, fixtures, equipment, and tools used in or in connection with the Licensee's Kennedy Transmission® Brake & Auto Service business; or (6) this License Agreement, without first offering the same to the Licensor, in a written offer that contains all material terms and conditions of the proposed sale or transfer including price and payment terms. The Licensor may accept in writing at any time within sixty (60) days from receipt of the written offer by the Licensee. If the Licensor declines, or does not accept the Licensee's offer specifying the proposed price and terms of the proposed sale, within sixty (60) days, then the Licensee may thereafter consummate the transaction described in the written notice to the Licensor, but not at a lower price nor on more favorable terms than have been offered to the Licensor in writing. If the transaction is not completed by the Licensee within six (6) months from the date it is offered to the Licensor, then the Licensee must re-offer it to the Licensor prior to the sale or disposition to a third party after that period of time.

(B) If the Licensee is a corporation, then the shares of capital stock of the Licensee ("capital stock"), may not be sold, pledged, assigned, traded, transferred or otherwise disposed of by the shareholders until the capital stock has been first offered to the Licensor in writing under the same terms and conditions offered to any third party. The Licensor shall have sixty (60) days to accept or reject any offer made by the Licensee's shareholders for the purchase of their capital stock. Notwithstanding the terms of this Article, a shareholder of the Licensee may bequeath, sell, assign, trade or transfer his or her capital stock in the Licensee to the Licensee or other shareholders of the Licensee because of death or permanent disability without first offering it to the Licensor: however, the Licensee must provide the Licensor with timely written notice of all such transactions. The assignment of the License Agreement to the beneficiary, purchaser, transferee, or assignee shall not be valid or effective until the Licensor has received the properly executed legal documents which its legal counsel deems necessary to properly and legally document the bequeath, sale, assignment or transfer of this License Agreement, and until the beneficiary, purchaser, transferee, or assignee agrees in writing to be unconditionally bound by the terms and conditions of this License Agreement. All shares of capital stock issued by the Licensee to its shareholders must bear the following legend:

The shares of capital stock represented by this stock certificate are subject to a written License Agreement which grants Kennedy

Franchising USA, Inc. the right of first refusal to purchase these shares of capital stock from the shareholder.

(C) Any shareholder of the Licensee that sells or assigns his or her capital stock in the Licensee shall be subject to the provisions of Article 11 of this License Agreement after the sale or assignment.

ARTICLE 13 - TRAINING PROGRAM

(A) The Licensor will provide a training program in Minneapolis, Minnesota (or such other location designated by the Licensor) for the Licensee, its Service Manager (if any) and other key employees to acquaint them with the operations of the licensed transmission repair and service business. The period of the training program will be at the discretion of the Licensor, but generally shall not be less than three (3) weeks, and shall be scheduled by the Licensor in its sole discretion. The Licensee may not commence the licensed business until the Licensee and its Service Manager (if any) have successfully completed the training program, to Licensor's satisfaction. If the Licensee fails to successfully complete the training program, the Licensor shall have the right to terminate this License Agreement. In the event of termination hereunder, the Licensor will refund a portion of the Initial Service Fee to the Licensee as set forth in Article 4 above. The Licensee will not be charged a fee for this training program, although the Licensor will charge a training fee for attendance at the program by the Licensee's Service Manager (if such person is not the Licensee) and other key employees of the Licensee.

(B) During the training program, the Licensee is required to provide and pay for any room and board for all persons attending the Licensor's training program on behalf of the Licensee. The Licensee shall pay the salaries and payroll taxes, unemployment compensation insurance, fringe benefits, travel costs and all other expenses for all persons sent to the training program by the Licensee, and shall comply with all applicable state and federal laws pertaining to employees.

(C) The Licensor shall have the right to approve any Service Manager or new transmission rebuilder or brake person hired by the Licensee. Any new Service Manager shall attend the initial training program and any new transmission rebuilder shall attend one (1) week of on-the-job training approved by the Licensor. The Licensee shall be liable for all costs and expenses of such training, including any training fees charged by the Licensor.

ARTICLE 14 – LICENSOR'S OTHER OBLIGATIONS

Consistent with the uniform standards, the Licensor will, at its expense: (A) provide a schedule of all approved fixtures, parts and equipment required to be used at the Licensed Location in the operation of the Licensee's Kennedy Transmission® Brake & Auto Service business; (B) make available to the Licensee such information as the Licensor may have as to financing, and to assist the Licensee in securing credit arrangements and financial assistance (however, the Licensor will not obtain or provide any financing for the Licensee); (C) use reasonable means to assist the Licensee in installing the systems, methods and procedures for the business operations prescribed by the Licensor; (D) inspect and photograph the Licensee's business as often as the Licensor deems

necessary; (E) make available to the Licensee, at the Licensee's expense, forms, brochures, bulletins and procedures, signs and other advertising displaying the Licensor's Marks; (F) make advertising materials and advice available for local advertising; and (G) provide, at the Licensee's request, consultation on any aspect of management of a Kennedy Transmission® Brake & Auto Service business.

ARTICLE 15 - APPROVED SIGN

(A) The Licensee will, at its expense, purchase from Licensor's approved sign vendor the standard Kennedy Transmission® Brake & Auto Service signs ("Signs") which shall be displayed at the Licensed Location. The Licensee will pay for all costs incurred in connection with the erection and installation of the Signs. The Signs must conform exactly to the Licensor's standard Sign plans and specifications and shall be installed at the Licensed Location precisely in the place, location and manner specified by the Licensor in writing.

(B) The Licensee will, at its expense, be responsible for any and all permits, licenses, repairs, maintenance, utilities, insurance, taxes, assessments and levies in connection with the installation or use of the Signs.

(C) The Licensee may not alter, remove, change, modify, or redesign the Signs unless approved by the Licensor in writing. The Licensor shall have the right to inspect, examine, videotape and photograph the Signs at any time during the term of this License Agreement.

(D) The Licensor shall have the unilateral right to redesign the Signs plans and specifications during the term of this License Agreement without the approval or consent of the Licensee. In that event, the Licensee must, at its expense, either modify or replace one or more of its Signs so that the Signs displayed at the Licensed Location will comply with the Licensor's redesigned Sign plans and specifications. The Licensee shall not be required to modify or replace its Signs more than once every five (5) years commencing with the date of this License Agreement.

(E) The Licensee will, at its expense, remove the Kennedy Transmission® Brake & Auto Service Signs upon the termination or expiration of this License Agreement.

(F) The Licensor shall be entitled to seek injunctive relief against the Licensee, which in the discretion of the Court may be granted without posting any bond or security, to enforce the provisions of this Article 15.

ARTICLE 16 - INSURANCE

(A) The Licensee shall procure and maintain in full force and effect, at its sole cost and expense, an insurance policy or policies insuring the Licensee, the Licensor, and their respective officers, directors and employees from and against any loss, liability, claim or expense of any kind whatsoever including fire, bodily injury, personal injury, death, property damage, products liability, malpractice and all other occurrences resulting from the condition, operation, use, business, or

occupancy of the Licensee's Kennedy Transmission® Brake & Auto Service business including, if applicable, the surrounding premises, the parking area and the sidewalks of the Licensed Location.

(B) The Licensee shall also procure and maintain in full force and effect, at its sole cost and expense, general automobile liability coverage and direct primary form customer automobile liability insurance (also known as garage-keepers insurance) insuring the Licensee, the Licensor, and their respective officers, directors, and employees from any and all loss, liability, claim or expense of any kind resulting from the use, operations or maintenance of any automobile or vehicle used in connection with the Licensee's Kennedy Transmission® Brake & Auto Service business.

(C) Liability coverages for both the general liability insurance coverage and automobile coverage shall have limits of at least Five Hundred Thousand Dollars (\$500,000) for each person and One Million Dollars (\$1,000,000) for each occurrence. The Licensee shall, where appropriate, also maintain "all risks" property insurance coverage for the machinery, equipment, fixtures, furnishings, inventory and signs at the Licensed Location with limits equal to at least "replacement" cost.

(D) All insurance companies must be creditworthy and must be licensed in the state where coverage is provided. The Licensee will provide the Licensor with certificates of insurance evidencing the required insurance coverage no later than the date the Licensee takes possession of the Licensed Location and shall provide, upon expiration, change or cancellation, new certificates of insurance to the Licensor.

(E) The Licensee will, at its sole cost and expense, procure and pay for all other insurance required by state and federal law, including workers' compensation insurance for its employees.

(F) All insurance policies shall name the Licensor as an additional insured, shall contain endorsements by the insurance companies waiving all rights of subrogation against the Licensor, and shall stipulate that the Licensor will receive copies of all notices of cancellation, nonrenewal, or coverage reduction or elimination at least thirty (30) days prior to the effective date of such cancellation, nonrenewal or coverage change.

(G) All liability insurance policies procured and maintained by the Licensee shall require the insurance companies to provide and pay for legal counsel to defend any legal actions, lawsuits or claims brought against the Licensee, the Licensor, and their respective officers, directors and employees.

ARTICLE 17 - INDEPENDENT CONTRACTORS: INDEMNIFICATION

(A) The Licensor and the Licensee are each independent contractors. The Licensee shall not make any agreements, representations or warranties in the name of or on behalf of the Licensor or represent that their relationship is other than that of licensor and licensee. Neither the Licensor nor the Licensee shall be obligated by or have any liability to the other under any agreements or representations made by the other to any third parties. The Licensor will not be obligated to any person for any damages arising out of the operation of the Licensee's business that is conducted pursuant to this License Agreement. The Licensee will indemnify the Licensor against and will

reimburse the Licensor for all such obligations and damages for which it is held liable and for all costs reasonably incurred by the Licensor in the defense of any such claim brought against it or in any action in which it is named as a party including costs for reasonable attorneys' fees, investigation expense, court costs, deposition expenses, and travel and living expenses. The Licensor shall always have the right to defend any claim made against it that results from the Licensee's Kennedy Transmission® Brake & Auto Service business.

(B) The Licensee will pay all costs and expenses, including reasonable attorneys' fees, incurred by the Licensor in any judicial action or arbitration proceeding to enforce any term, condition or provision of this License Agreement or to enjoin any violation of this License Agreement by the Licensee.

(C) The indemnification and other obligations contained herein shall continue in full force and effect subsequent to the expiration or termination of this License Agreement.

ARTICLE 18 - FINANCIAL MANAGEMENT, FINANCIAL STATEMENTS, SALES REPORTS, AND ACCOUNTING

(A) The Licensee will employ sound financial management and planning practices in connection with the Licensee's Kennedy Transmission® Brake & Auto Service business. To that end, the Licensee is required to prepare a business plan covering a period of not less than three (3) years. The Licensee must prepare and submit this business plan to the Licensor subsequent to execution of the License Agreement but prior to the commencement of Licensee's business. The business plan must include certain information prescribed by the Licensor. Licensor may, but is not obligated to, assist Licensee in the preparation of this business plan. Licensee shall maintain a rolling three (3) year plan throughout the duration of this License Agreement.

(B) The Licensee will, at its expense, provide the Licensor with a monthly balance sheet and statement of income and annual financial statements consisting of a balance sheet, statement of income, statement of changes in financial condition and explanatory footnotes. All financial statements provided to the Licensor for the Licensee's Kennedy Transmission® Brake & Auto Service business shall be verified by the Licensee, shall be presented in the exact form prescribed by the Licensor in writing, and shall be categorized according to the chart of accounts prescribed by the Licensor. These financial statements shall be prepared in accordance with generally accepted accounting principles applied on a consistent basis. The monthly financial statements shall be delivered to the Licensor by the Licensee within thirty (30) days after the end of each month, and the annual financial statements shall be delivered to the Licensor by the Licensee within ninety (90) days after the end of the Licensee's fiscal year. The Licensee's annual financial statements shall be prepared and reviewed by an independent certified public accountant prior to the time they are furnished to the Licensor. The Licensee's independent certified public accountant must be approved by the Licensor; however, such approval will not be unreasonably withheld.

(C) The Licensee will maintain an accurate written record of daily Gross Revenues and will remit a signed and verified statement of the weekly Gross Revenues generated from the Licensee's Kennedy Transmission® Brake & Auto Service business using such forms as the

Licensor may prescribe in writing. The weekly statement of Gross Revenues for the preceding week shall accompany the Licensee's weekly Continuing Royalties and Advertising Fees and, thus, shall be provided to the Licensor on or before Wednesday of each week for the preceding week, or the next business day if that Wednesday is not a business day observed by Licensor.

(D) The Licensee will make all of its books and records available to the Licensor at all reasonable times for review and audit by the Licensor or its designee, and the books and records for each fiscal year shall be kept in a secure place by the Licensee for at least five (5) years. In the event that an audit by the Licensor results in a determination that the weekly Continuing Royalties payable to the Licensor are underpaid by more than one percent (1%), then the Licensee shall pay the Licensor all costs and expenses that it has incurred as a result of the audit.

(E) Within thirty (30) days after the end of each calendar quarter, the Licensee will provide the Licensor with: (1) a written certification that all federal and state social security taxes, payroll taxes, withholding taxes, unemployment taxes, income taxes, and sales and use taxes have been paid for the quarter; and (2) a copy of the federal and state reports and returns filed with the applicable governmental agency for the quarter, including the forms prescribed by the Internal Revenue Service.

(F) Within ninety (90) days after the end of the Licensee's fiscal year, the Licensee shall provide the Licensor with: (1) a verified copy of all federal and state income tax returns filed by the Licensee; and (2) an opinion letter from the Licensee's independent certified public accountant and addressed to the Licensor stating whether or not (a) all required federal and state sales tax returns, payroll and withholding tax returns, unemployment tax returns and income tax returns have been filed by the Licensee; (b) all federal and state sales taxes, payroll and withholding taxes, employment taxes and income taxes have been paid by the Licensee; and (c) all federal and state franchise and other taxes have been paid by the Licensee as required by law. In addition, Licensor or its designated agents shall have the right at all reasonable times to examine and copy, at Licensor's expense, the books, records, and tax returns of Licensee and the Licensed Location. Licensee agrees to execute, at Licensor's request, a Power of Attorney, I.R.S. Form 4506, or similar document to authorize Licensor to obtain copies of Licensee's previous years' tax filings from federal or state tax authorities.

ARTICLE 19 - ASSIGNMENT OF LICENSE AGREEMENT

(A) This License Agreement and all rights hereunder may be assigned and transferred by the Licensor by giving thirty (30) days written notice to the Licensee and shall inure to the benefit of the Licensor's successors and assigns. Any such assignment or transfer shall require the assignee to fulfill the Licensor's obligations under this License Agreement.

(B) If the Licensee is an individual or a group of individuals (partnership or joint venture), then the License Agreement may be transferred or assigned by the Licensee to a corporation which is owned or controlled by the Licensee, provided that the Licensee and all the shareholders of the corporation owning ten percent (10%) or more of the capital stock (including shareholders who later accumulate, in one or more transactions, ten percent (10%)) sign or have

signed a personal guaranty as to the performance of the terms and conditions of this License Agreement, and further provided that the Licensee furnishes prior written proof to the Licensor that the corporation will be financially able to perform all of the terms and conditions of this License Agreement. The Licensee will give the Licensor fifteen (15) days written notice prior to the proposed date of assignment or transfer of this License Agreement to an owned or controlled corporation of the Licensee; however, the transfer or assignment of the License Agreement shall not be valid or effective until the Licensor has received the legal documents which its legal counsel deems necessary to properly and legally document the transfer or assignment of this License Agreement to the corporation, as provided herein.

(C) If the Licensee is an individual, then in the event of the death or permanent disability of the Licensee, this License Agreement may be assigned, transferred or bequeathed by the Licensee to any designated person, persons or heirs. However, the assignment of this License Agreement to the transferee, assignee or beneficiary of the Licensee shall not be valid or effective until the Licensor has received the properly executed legal documents which its legal counsel deems necessary to properly and legally document the transfer, assignment or bequeath of the License Agreement, and until the transferee, assignee or beneficiary agrees to be bound by the terms and conditions of this License Agreement. In addition, the transferee may not manage or operate the licensed business unless such person is approved in writing by the Licensor.

(D) The Licensor's consent to any transfer or assignment of this License Agreement shall not release the Licensee from the performance of its obligations under this License Agreement.

(E) The rights and duties set forth in this License Agreement are personal to the Licensee. The Licensor has granted this license to the Licensee in reliance on the Licensee's or its present owners' business skill, financial capacity and personal character. Accordingly, neither the Licensee, nor any partner or shareholder of the Licensee who is a party to this License Agreement, shall sell, assign, transfer, pledge or otherwise encumber any interest in this License Agreement or in the Licensee without the prior written consent of the Licensor under Article 19(F) below. Any attempt to do so without the written consent of the Licensor shall be null and void and shall constitute a material breach of this Agreement, for which the Licensor may then terminate without opportunity to cure pursuant to Article 8 above. Upon any transfer by the owner of any shares or general partnership interest or other voting capital interest in the Licensee to any person or entity not at that time already a shareholder, general partner, or other voting capital interest holder in the Licensee, such transferring owner shall, prior to effectuating any such transfer, cause the transferee to execute a counterpart of this License Agreement and of a written agreement in form satisfactory to the Licensor assuming and agreeing to discharge all of the Licensee's obligations and covenants under this License Agreement.

(F) The Licensor shall not unreasonably withhold its consent to a transfer of any interest in the Licensee, in the license or in this License Agreement; provided, however, that if a transfer, alone or together with other previous, simultaneous, or proposed transfers, would have the effect of transferring operating control in the licensed business (without limiting the generality of the foregoing, a transfer of operating control shall be deemed to occur at such time as when in any one or more transactions –whether related or unrelated– there is a change in the beneficial or record

ownership of a majority in interest of the voting capital interests in the Licensee), or of this license itself, the Licensor may, in its sole discretion, require as conditions of approval that:

(a) All of the Licensee's monetary obligations due to the Licensor shall have been paid in full, and the Licensee shall not be in default under this License Agreement.

(b) The Licensee has executed a general release under seal, in a form satisfactory to the Licensor, releasing any and all common law and statutory claims that the Licensee may have against the Licensor and its officers, directors, shareholders, and employees, in their corporate and individual capacities.

(c) The Licensee has executed a written agreement in a form satisfactory to the Licensor, in which the Licensee agrees to observe all applicable post-term obligations and covenants contained in this License Agreement.

(d) The transferee-licensee and its shareholders agree to be personally liable to discharge all of the Licensee's obligations under this License Agreement, and shall enter into a written agreement in a form satisfactory to the Licensor assuming and agreeing to discharge all of the Licensee's obligations and covenants under this License Agreement.

(e) The transferee-licensee has demonstrated to the Licensor's satisfaction that it meets the Licensor's managerial, financial, and business standards for new licensees, possesses a good business reputation and credit rating, and possesses the aptitude and ability to conduct the licensed business (as may be evidenced by prior related business experience or otherwise).

(f) The transferee-licensee shall execute, upon the Licensor's request, and cause all parties having a legal or beneficial interest in the transferee-license to execute, the Licensor's then-current standard License Agreement for a term ending with the term of this License Agreement, and such other ancillary agreements as the Licensor may require for the licensed business. The transferee-licensee shall not be required to pay an Initial Franchise fee, and shall pay the continuing Royalties and Advertising Fees to the Licensor at the rate specified in this License Agreement; however, the transferee-licensee shall be required to pay any additional fees not provided for in this License Agreement but which are required to be paid to the Licensor by other licensees pursuant to the terms of the then-current standard License Agreement.

(g) The transferee-licensee must successfully complete the training program prescribed by the Licensor. The transferee-licensee will provide and pay for the room and board of the persons attending the Licensor's training program, and will pay the salaries, fringe benefits, payroll taxes, unemployment compensation,

workers' compensation insurance, travel costs and other expenses for all persons sent to the training program.

(G) If pursuant to the terms of Article 19, this License Agreement is assigned, transferred or bequeathed to another person or entity, the Licensee will pay the Licensor a transfer fee of Seven Thousand Five Hundred Dollars (\$7,500). This fee is to cover the costs incurred by the Licensor for training of the new licensee, attorneys' fees, accountants' fees, out-of-pocket expense, long distance telephone calls, and the time of its employees; provided, however, that there will be no transfer fee in connection with any transfer pursuant to Article 19(B) of this License Agreement.

ARTICLE 20 - ENFORCEMENT

(A) The Licensor shall be entitled to seek the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this License Agreement from a Court of competent jurisdiction relating to: (1) the Licensee's use of the Marks or the Business System; (2) the obligations of the Licensee upon termination or expiration of this License Agreement; (3) assignment of the licensed business and ownership interests in Licensee; (4) any act or omission by the Licensee, the Licensee's business or the employees of the Licensee that, (a) constitutes a violation of any applicable law, ordinance or regulation, (b) is dishonest or misleading to customers or prospective customers of the Licensee's business or other Kennedy Transmission® Brake & Auto Service businesses, or constitutes a danger to employees or customers of the Licensee's business, or to the public, or may impair the goodwill associated with the Marks or the Business System. The Licensee will indemnify the Licensor for all costs that it incurs in any such proceedings, including reasonable attorneys' fees, expert witness fees, costs of investigation, court costs, deposition expenses, travel and living expenses and all other costs and damages incurred by the Licensor.

(B) Except as to those matters referenced in Articles 9(A) and (C), 11 (C) 15(E) and 20(A) wherein the initiation of Court proceedings are expressly authorized, or as otherwise required under any state or federal law, all disputes between Licensor and Licensee shall be resolved by binding arbitration before the American Arbitration Association only in Minneapolis, Minnesota pursuant to such rules of said Association as are in effect as of the date of the initiation of any such arbitration proceeding. The arbitrator shall be authorized to make such findings of fact and award such damages as the arbitrator shall see fit, and either Licensor or Licensee shall be authorized to enter any arbitrator decision or award as a judgment in a Court of competent jurisdiction.

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

or unenforceable provision, specification, standard or operating procedure shall be modified to the extent required to be valid and enforceable. Such modifications to this License Agreement shall be effective only in such jurisdiction and shall be enforced as originally made and entered into in all other jurisdictions.

(D) The Licensor and the Licensee may by written instrument signed by both the Licensor and the Licensee waive any obligation of or restriction upon the other under this License Agreement. Acceptance by the Licensor of any payment by the Licensee and the failure, refusal or neglect of the Licensor to exercise any right under this License Agreement or to insist upon full compliance by the Licensee of its obligations hereunder, including any mandatory specification, standard or operating procedure, shall not constitute a waiver by the Licensor of any provision of this License Agreement.

(E) The Licensee will not, on grounds of the alleged nonperformance by the Licensor of any of its obligations hereunder, withhold payment of any Continuing Royalties, Advertising Fees, or any other payments due the Licensor under this License Agreement. The Licensee shall not have the right to "offset" any liquidated or unliquidated amounts allegedly due to the Licensee from the Licensor against the Continuing Royalties, Advertising Fees or any other payments due to the Licensor under this License Agreement.

(F) The rights of the Licensor hereunder are cumulative and no exercise or enforcement by the Licensor of any right or remedy hereunder shall preclude the exercise or enforcement by the Licensor of any other right or remedy hereunder or which the Licensor is entitled by law to enforce.

(G) Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. § 1051, et. seq.), this License Agreement and the relationship between the Licensor and the Licensee shall be governed by the laws of the state in which the Licensed Location is located.

(H) This License Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest.

(I) This License Agreement supersedes and terminates all prior agreements, either oral or in writing, between the parties and therefore, any representations, inducements, promises or agreements between the parties not contained in this License Agreement or not in writing signed by the Licensor and the Licensee shall not be enforceable. The preambles are a part of this License Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between the Licensor and the Licensee relating to the subject matter of this License Agreement.

(J) The headings of the Articles are for convenience only and do not define, limit or construe the contents of such Articles. The term "Licensee" as used herein is applicable to one or more persons, a corporation or a partnership, as the case may be, and the singular usage includes the plural, the masculine usage includes the neuter and the feminine, and the neuter usage includes the masculine and the feminine. References to "Licensee," "assignee" and "transferee" which are applicable to an individual or individuals shall mean the principal owner or owners of the equity or

operating control of the Licensee or any such assignee or transferee if the Licensee or such assignee or transferee is a corporation or partnership. If the Licensee consists of more than one individual, then all individuals shall be bound jointly and severally by the terms and conditions of this License Agreement.

ARTICLE 21 - NOTICES

All notices to the Licensor shall be by personal service upon an officer of the Licensor or sent by prepaid registered or certified mail, addressed to the Licensor at the Licensor's principal place of business or such other address as the Licensor may designate in writing. All notices to the Licensee shall be by personal service upon the Licensee or sent by prepaid registered or certified mail addressed to the Licensee at the Licensed Location, or such other address as the Licensee may designate in writing.

ARTICLE 22 - AGREEMENTS NOT TO BE CONSTRUED AS JOINT VENTURE, PARTNERSHIP, AGENCY, ETC.

The Licensor and the Licensee are not and shall not be considered as joint venturers, partners, agents, servants, employees, fiduciaries, or representatives of each other, and none shall have the power to bind or obligate the other, except as specifically set forth in this License Agreement.

ARTICLE 23 - SEVERABILITY OF OBLIGATIONS

Should any part of this License Agreement, for any reason, be declared invalid by a Court of competent jurisdiction, such decision shall not affect the validity of any remaining portion, which shall remain in force and effect as if this License Agreement had been executed with the invalid portion eliminated, and it is the intention of the parties that they would have executed the remaining portion of this License Agreement without including any such part, parts or portion which may, for any reason, be declared invalid.

ARTICLE 24 - DEFINITIONS

For purposes of this License Agreement, the following terms shall have the following definitions:

(A) "Abandon" the licensed business as used in Article 8(A)(10) shall mean that the conduct of the Licensee, including acts of omission as well as commission, indicates a willingness, desire or intent to discontinue its participation in the licensed business in accordance with the quality standards, uniform requirements and Business System. In the event Licensee's Kennedy Transmission® Brake & Auto Service business is closed for a period of three or more consecutive business days without Licensor's prior written consent, such closure shall constitute voluntary abandonment of the licensed business by Licensee.

(B) "Business System" shall mean the distinctive goods and services which are associated with the trademarks, trade names, service marks, designs, decor, slogans, signs, logos, commercial

symbols and color combinations of the Licensor. "Business System" shall include all of the standards, procedures, specifications, requirements and instructions promulgated by the Licensor.

(C) "Gross Revenues" shall mean the total dollar income for the Licensee's Kennedy Transmission® Brake & Auto Service business from all cash, credit, and charge sales of every kind and nature made at or from the Licensee's Kennedy Transmission® Brake & Auto Service business, including but not limited to, income from wholesale parts sales, retail parts sales, supplies and accessories sales, repair charges, service charges, bench charges and labor charges. "Gross Revenues" shall not include any sales tax, use or gross receipts tax imposed by any federal, state, or municipal or government authority directed upon sales, if (1) the amount of the tax is added to the selling price and is expressly charged to the customer, (2) a specified record is made at the time of each sale of the amount of such tax, and (3) the amount thereof is paid over to the appropriate taxing authority by the Licensee. In addition, "Gross Revenues" shall not include income from vending machines, nor any amounts collected from an ATRA warranty repair, and shall include only the net revenues derived from towing.

ARTICLE 25 - ACKNOWLEDGMENTS

(A) The Licensee acknowledges that it has conducted an independent investigation of the Kennedy Transmission® Brake & Auto Service business licensed hereunder, and recognizes that the business venture contemplated by this License Agreement involves business and economic risks and that the success of the business will be primarily dependent upon the personal efforts of the Licensee. The Licensor expressly disclaims the making of, and the Licensee acknowledges that it has not received, any estimates, projections, warranties or guaranties, express or implied, regarding potential gross revenues, profits, expenses or the financial success of the Licensee's Kennedy Transmission® Brake & Auto Service business.

(B) The Licensee acknowledges that the Licensor does not warrant or guarantee: (1) that the Licensee will derive income from the Licensee's Kennedy Transmission® Brake & Auto Service business; or (2) that the Licensor will refund all or part of the price paid for the Licensee's Kennedy Transmission® Brake & Auto Service business or repurchase any of the products, merchandise, furniture, fixtures, equipment, supplies or chattels supplied by the Licensor or an approved supplier, if the Licensee is unsatisfied with its Kennedy Transmission® Brake & Auto Service business.

(C) The Licensee acknowledges that the Licensor has recommended to the Licensee that the Licensee should retain legal counsel to review this License Agreement and advise the Licensee as to the terms and conditions of this License Agreement and the potential economic benefits and risks of loss relating to this License Agreement and the Kennedy Transmission® Brake & Auto Service business.

(D) The Licensee acknowledges that other licensees of the Licensor have or will be granted licenses or franchises at different times and in different situations, and further acknowledges that the terms and conditions of such licenses or franchises may vary substantially in form and in substance from those contained in this License Agreement.

(E) The Licensee acknowledges that it received a copy of this License Agreement at least five (5) business days prior to the date that this License Agreement was executed. The Licensee further acknowledges that it has received a Franchise Disclosure Document at least ten (10) business days prior to the date on which this License Agreement was executed.

IN WITNESS WHEREOF, the Licensor and the Licensee have executed this License Agreement as of the day and year first above-written.

LICENSOR:

In the Presence of:

KENNEDY FRANCHISING USA, INC.

By: _____
Its: _____

TO THE LICENSEE:

THE LICENSOR DISCLAIMS ANY WARRANTY OR REPRESENTATION AS TO THE POTENTIAL FINANCIAL SUCCESS OF THE LICENSEE'S BUSINESS OPERATIONS UNDER THIS LICENSE AGREEMENT.

NOTE: This is a legal document which grants specific rights to and imposes certain obligations upon the Licensee. Consult legal counsel prior to the time that this License Agreement is signed to be sure that you understand your rights and obligations. Please insert the name and address of your attorney or other advisor below.

Attorney's Name: _____

Address: _____

City, State, Zip Code: _____

Telephone Number: _____

In the Presence of:

LICENSEE:

EXHIBIT A TO LICENSE AGREEMENT

PERSONAL GUARANTY

In consideration of the execution of this License Agreement by the Licensor, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, jointly, individually and severally guarantee the payment of all amounts and the performance of the covenants, terms and conditions in this License Agreement, to be paid, kept and performed by the Licensee.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in this License Agreement and agree that this Personal Guaranty should be construed as though the undersigned and each of them executed a License Agreement containing the identical terms and conditions of this License Agreement.

If any default should at any time be made therein by the Licensee, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay to the Licensor all monies due and payable to the Licensor under the terms and conditions of this License Agreement.

In addition, if the Licensee fails to comply with any other terms and conditions of this License Agreement, the undersigned, their heirs, successors and assigns, individually and jointly and severally, promise and agree to comply with the terms and conditions of this License Agreement for and on behalf of the Licensee.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guaranty shall inure to the benefit of the successors and assigns of the Licensor.

In the Presence of:

PERSONAL GUARANTORS

_____ Individually

_____ Address

_____ City State Zip Code

_____ Telephone Number

Individually

Address

City

State

Zip Code

Telephone Number

EXHIBIT B TO LICENSE AGREEMENT

AGREEMENT AND CONTINGENT ASSIGNMENT OF LEASE

This Agreement and Contingent Assignment of Lease ("Agreement") is made this _____ day of _____, _____, by and among the following parties:

LESSOR: _____

LESSEE: _____

LICENSOR: Kennedy Franchising USA, Inc.
2225 Daniels Street
Long Lake, Minnesota 55356

RECITALS

WHEREAS, under the terms of the Lease Agreement attached hereto as Exhibit A, Lessor has agreed to lease to Lessee certain premises (the "Premises") located at the following street address:

WHEREAS, Lessee has entered into a License Agreement with Licensor under which Lessee proposes to operate a Kennedy Transmission® Brake & Auto Service business to be located at the Premises;

WHEREAS, Licensor has accepted the Premises as a suitable location for Lessee's Kennedy Transmission® Brake & Auto Service business, subject to the provisions of the License Agreement and further subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, including the acceptance by Licensor of the Premises as a location for a Kennedy Transmission® Brake & Auto Service business, the parties hereby agree as follows:

1. Use of Premises. Lessee shall use the Premises only for the operation of a Kennedy Transmission® Brake & Auto Service business pursuant to its License Agreement with Licensor, and for no other purposes whatsoever.

2. Signage, Etc. Lessor hereby consents to Lessee's use and display on the Premises of such exterior and interior signs, posters, promotional materials, and equipment, furnishings, and decor as are currently required by Licensor pursuant to the License Agreement. In the event that such requirements are changed in the future, Lessor agrees that it will not unreasonably withhold its consent to Lessee's compliance with such changes. In the event that local ordinances or zoning requirements prohibit the use of Licensor's standard signage, Licensor will not unreasonably withhold its consent to the modification of its standard signage to comply with such requirements.

3. Notices. Lessor agrees to furnish Licensor copies of any and all letters and notices to Lessee pertaining to any default by Lessee under the Lease at the same time and in the same manner as any such notice is sent to Lessee. Lessee agrees to furnish Licensor prompt written notice of any and all amendments, waivers, extensions, renewals or other modifications of the Lease. All notices hereunder shall be mailed or delivered to the addresses set forth above, unless changed from time to time by any party through written notice mailed or delivered to the other parties.

4. Assignment. Lessor hereby acknowledges that Lessee has agreed under the License Agreement that, in the event of termination or expiration of the License Agreement or Lessee's default under the Lease, Lessee shall, at Licensor's option, assign to Licensor any and all interest of Lessee in the Lease, including any rights to renew the Lease or to sublease the Premises; and Lessor hereby consents to such assignment, subject to the following conditions:

(a) Licensor shall notify Lessor in writing within fifteen (15) days after termination or expiration of the License Agreement or Licensor's receipt of any notice of default by Lessee under the Lease if Licensor elects to accept assignment of the Lease; Licensor's failure to accept assignment of the Lease upon any default of Lessee under the Lease shall not be deemed a waiver of Licensor's future right to accept such assignment in the event of any future default by Lessee;

(b) If Licensor elects to accept assignment of the lease, Licensor shall execute and deliver to Lessor a lease containing the same terms and conditions (including rental rates) as the Lease; provided, however, that Licensor's leasehold interest shall not be subject to any defaults or claims that may exist between Lessor and Lessee;

(c) If Licensor elects to accept assignment of the Lease, Licensor shall take possession of the Premises within fifteen (15) days after notice of such election to Lessor, and Licensor shall commence payment of rent upon taking possession of the Premises;

(d) Nothing herein shall affect Lessor's right to recover from Lessee any and all amounts due under the Lease or to exercise any rights of Lessor against Lessee as provided under the Lease.

5. Assignment to Third Party. At any time after giving notice of its election to accept assignment of the Lease, Licensor may request to assign its lease, or sublease the Premises, to a third party. Lessor agrees not to unreasonably withhold its consent to any such assignment or sublease on the same terms as the Lease; provided, however, that if Lessor refuses to consent to such assignment or sublease by Licensor, Licensor shall have the right to revoke its acceptance of assignment of the Lease and shall have no further obligations thereunder.

6. Entry by Licensor. Lessor and Lessee hereby acknowledge that Lessee has agreed under the License Agreement that Licensor and its employees or agents shall have the right to enter the Kennedy Transmission® Brake & Auto Service business operated by Lessee at the Premises at any reasonable time for the purpose of conducting inspections, protecting Licensor's proprietary marks, and correcting deficiencies of Lessee. Lessor and Lessee hereby agree not to interfere with or prevent such entry by Licensor, its employees or agents.

7. De-Identification. Lessor and Lessee hereby acknowledge that in the event the License Agreement expires or is terminated, Lessee is obligated under the License Agreement to take certain steps to de-identify the location as a Kennedy Transmission® Brake & Auto Service business operated by Lessee. Lessor agrees to cooperate fully with Licensor in enforcing such provisions of the License Agreement against Lessee, including allowing Licensor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos of Licensor; provided, however, that Lessor shall not be required to bear any expense thereof. Lessee agrees that if Lessee fails to de-identify the Premises promptly upon termination or expiration as required under the License Agreement, Licensor may cause all required de-identification to be completed at Lessee's expense.

8. General Provisions.

(a) This Agreement shall run with the land and be binding upon the parties hereto and their successors, assigns, heirs, executors, and administrators. The rights and obligations herein contained shall continue notwithstanding changes in the persons or entities that may hold any leasehold or ownership in the land or building. Any party hereto may record this agreement or a memorandum hereof.

(b) Any party hereto may seek equitable relief, including without limitation injunctive relief or specific performance, for actual or threatened violation or non-performance of this Agreement by any other party. Such remedies shall be in addition to all other rights provided for under law or other agreements between any of the parties. The prevailing party in any action shall be entitled to recover its legal fees together with Court costs and expense of litigation.

(c) Nothing contained in this Agreement shall affect any term or condition in the License Agreement between Lessee and Licensor. Nothing herein shall be deemed to constitute a guaranty or endorsement by Licensor of the terms and conditions of the Lease between Lessor and Lessee. In

the event that Licensor, in its sole discretion, determines not to accept assignment of the Lease as permitted hereunder, neither Lessor nor the Lessee shall have any claims against Licensor. No terms or conditions contained in the Lease shall be binding on Licensor unless and until it elects to accept assignment of the Lease hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Witness:

LESSOR:

By: _____

Title: _____

LESSEE:

By: _____

Title: _____

LICENSOR:

KENNEDY FRANCHISING USA, INC.

By: _____

Title: _____

KENNEDY FRANCHISING USA, INC.
ADDENDUM TO MINNESOTA LICENSE AGREEMENT

In consideration of the execution of the License Agreement, Licensor and Licensee agree to amend the License Agreement as follows:

1. Article 2(B)(4) of the License Agreement for the State of Minnesota is revised to include the following language:

Notwithstanding the above, the Licensee shall have no obligation to execute a general release with respect to rights or claims arising pursuant to Minn. Stat. §80C.01 through 80C.22.

2. Article 3 of the License Agreement for the State of Minnesota is revised to include the following language:

The Licensor will indemnify a Minnesota License for damages for which such Licensee is held liable in any proceeding arising out of the use of the Kennedy Transmission mark provided that the Licensee has used the mark properly and has notified the Licensor of any claim against the Licensee within ten (10) days of Licensee's knowledge of such claim. The Licensor shall have sole control of any litigation involving the marks. The Licensor's indemnification obligation shall not apply to any licensee residing outside the State of Minnesota who purchases a franchise to be located outside of Minnesota.

3. Article 8 of the License Agreement for the State of Minnesota is revised to include the following language:

Minnesota law provides Licensees with certain termination and non-renewal rights. As of the date of the License Agreement, Minn. Stat. § 80C.14, Subds. 3, 4 and 5 required that, except in certain specified cases, a Licensee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the License Agreement.

4. Article 9 of the License Agreement for the State of Minnesota is revised to delete in its entirety the last sentence of paragraph 9(C).

5. Article 19(F)(b) of the License Agreement for the State of Minnesota is revised to include the following language:

Notwithstanding the above, the Licensee shall have no obligation to execute a general release with respect to claims or rights arising pursuant to Minn. Stat. §80C.01 through 80C.22.

6. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit Licensor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the offering circular or agreement can abrogate or reduce any of Licensee's rights as provided for in Minnesota Statutes, Chapter 80C, or Licensee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction except that the offering circular and agreement may impose an exclusive arbitration clause.

7. In all respects, the License Agreement will be construed and enforced with its terms.

Licensee's Initials

Licensor's Initials

EXHIBIT D

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

FTC OFFERING CIRCULAR

EFFECTIVE DATE: April 30, ~~2023~~2024

MINNESOTA

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
651-539-1600

EFFECTIVE DATE: April 30, ~~2023~~2024

EXHIBIT E

KENNEDY TRANSMISSION® BRAKE & AUTO SERVICE SUBLEASE (AND EXHIBITS)

SUBLEASE

This Sublease is made this _____ day of _____, _____, among the following parties:

Licensor: Kennedy Franchising USA, Inc.
2225 Daniels Street
Long Lake, Minnesota 55356

Licensee: _____

RECITALS

WHEREAS, Licensor has leased from ("Landlord"), under the terms of a Lease Agreement ("Prime Lease") attached as Exhibit 1, certain premises ("Premises") located at the following street address:

WHEREAS, Licensee has entered into a License Agreement with Licensor, attached as Exhibit 2, licensing Licensee to operate a Kennedy Transmission® Brake & Auto Service store in _____, _____;
(Municipality) (State);

WHEREAS, Licensee desires to sublease the Premises from Licensor and to operate a Kennedy Transmission® Brake & Auto Service store at the Premises,

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

1. SUITABILITY. Licensee agrees and accepts the Premises as a suitable location for operation of a Kennedy Transmission® Brake & Auto Service business.

2. USE OF PREMISES. Licensee shall use the Premises only for the operation of a Kennedy Transmission® Brake & Auto Service store pursuant to its License Agreement with Licensor, and for no other purpose whatsoever.

3. TERM. This Agreement shall be in full force and effect as to both Licensor and Licensee as of the date hereof. The term of this Agreement shall be for a term coterminous with the term of the Prime Lease, unless sooner terminated as expressly provided herein.

4. RENT PAYMENTS. Licensee hereby agrees to promptly make all rent payments as specified in the Prime Lease, directly to Landlord at the address therein set forth or as may be changed from time to time by Landlord. Licensor reserves the right to so notify Licensee and require that all subsequent rent payments be paid to Licensor if more than one payment in any consecutive twenty-four (24) month period fails to be received by Landlord within fifteen (15) days of its due date, for reasons other than clerical error by Landlord.

5. DEVELOPMENT PAYMENTS. Licensee hereby agrees to compensate Licensor for Licensor's costs in locating, developing, and negotiating for the Premises covered by the Prime Lease, by reimbursing Licensor for said costs as incurred.

6. CONSTRUCTION. Licensee, at its cost and expense and with no right of reimbursement from Licensor, shall undertake, complete and pay for any and all improvements to and equipping of the Premises, in a timely manner, all of which shall be consistent with the applicable provisions of the Prime Lease and the License Agreement. Licensee's work, including without limitation any remodeling or redecorating work that may be performed on the Premises from time to time, shall be performed in a good and workmanlike manner, shall be in conformity with the Prime Lease, the License Agreement and all applicable federal, state and local laws, ordinances, building codes and fire regulations, and shall be free of all liens for labor and material.

7. LICENSEE COVENANTS. Licensee covenants and agrees: (1) to perform and observe all of the terms, covenants, conditions and agreements of the Prime Lease designated therein to be performed by Licensor as Tenant with respect to the Premises during the term of this Agreement, to the extent that they are not modified or amended by this Agreement and any extension or renewal thereof; (2) that with respect to the Premises, Licensee shall not do or suffer or permit anything to be done which would constitute a default under the Prime Lease or might cause the Prime Lease to be canceled, terminated or forfeiture reserved or vested in Landlord under the Prime Lease; and (3) to indemnify and hold Licensor harmless from and against any and all claims, liabilities, losses and damages of any kind whatsoever that Licensor may incur by reason of, resulting from or arising out of a failure by Licensee to comply with the provisions of this Agreement.

8. DEFAULT BY LICENSEE AND REMEDIES. Licensee acknowledges and agrees that a default of the terms and conditions of this Agreement and/or of the Prime Lease shall constitute a default of the License Agreement, as defined therein, and that a default of the terms of the License Agreement shall constitute a default of this Agreement. In the event that Licensee defaults under the terms of this Agreement or the Prime Lease, Licensor may exercise any and all remedies available to it at law or in equity.

9. TERMINATION. In the event that the License Agreement is terminated by Licensor, this Agreement, at Licensor's option, may also be terminated as of the same date and time.

In the alternative, Licensor may exercise any other remedies available to it at law or in equity as a result of Licensee's default.

10. INSURANCE. Licensee shall keep in full force and effect, at its expense, a policy or policies of public liability insurance with respect to the Premises, in accordance with the terms of the License Agreement and the Prime Lease, in which Licensor shall be named insured. Licensee shall furnish Licensor with certificates evidencing that such insurance is in effect stating that Licensor shall be notified in writing thirty (30) days prior to cancellation, material change or non-renewal of insurance.

11. SUBORDINATION. Licensee acknowledges that this Agreement is subject and subordinate to the Prime Lease, to all terms, covenants and conditions contained therein and to any extension, renewal, amendment or modification thereof. To the extent that the Prime Lease is also subject and subordinate to such instruments, this Agreement is also subject and subordinate to all ground and underlying leases and all mortgages which might now or hereafter affect such leases, leasehold estate or estates thereby created on the real property of which the Premises forms a part, and to any and all renewals, modifications, consolidations, replacements and extensions thereof.

12. ENVIRONMENTAL. Licensee shall at all times and in all respects comply with all federal, state, and local laws, ordinances and regulations ("Hazardous Materials Laws") relating to the industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, presence, disposal or transportation of any oil, petroleum products, flammable explosives, asbestos, urea formaldehyde, polychlorinated biphenyls, radioactive materials or waste, or other hazardous toxic, contaminated or polluting materials, substances or wastes, including without limitation any "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under any such laws, ordinances or regulations (collectively, "Hazardous Materials") in or about the Premises.

Licensee shall at its own expense procure, maintain in effect and comply with all conditions of any and all permits, licenses and other governmental and regulatory approvals required for Licensee's use of the Premises, including, without limitation, discharge of (appropriately treated) materials or waste into or through any sanitary sewer system serving the Premises. Except as discharged into the sanitary sewer in strict accordance and conformity with all applicable Hazardous Materials Laws. Licensee shall cause any and all Hazardous Materials located on the Premises to be removed from the Premises and transported solely by duly licensed haulers to duly licensed facilities for final disposal of such Hazardous Materials and wastes. Licensee shall in all respects handle, treat, deal with and manage any and all Hazardous Materials in, on, under or about the Premises in complete conformity with all applicable Hazardous Materials Laws and prudent industry practices regarding the management of such Hazardous Materials. All reporting obligations to the extent imposed upon Licensee by Hazardous Materials Laws are solely the responsibility of Licensee. Upon expiration or earlier termination of this Agreement, Licensee shall cause all Hazardous Materials (irrespective of whether such Hazardous Materials are or were generated, stored, released or disposed of during the term of this Agreement by Licensee) to be removed from the Premises and transported for use, storage or disposal in accordance and in compliance with all applicable Hazardous Materials Laws. Licensee shall not take any remedial action in response to the presence

of any Hazardous Materials in, on, about or under the Premises, nor enter into any settlement agreement, consent, decree or other compromise in respect to any claims relating to any way connected with the Premises without first notifying Licensor of Licensee's intention to do so and affording Licensor ample opportunity to appear, intervene or otherwise appropriate assert and protect Licensor's interest with respect thereto. In addition, at Licensor's request, at the expiration of the term of this Agreement, Licensee shall remove all tanks or fixtures which were placed in the Premises during the term of this Agreement and which contain, have contained or are contaminated with, Hazardous Materials.

Licensee shall immediately notify Licensor in writing of (a) any enforcement, clean-up, removal or other governmental or regulatory action instituted, completed or threatened pursuant to any Hazardous Materials Laws; (b) any claim made or threatened by any person against Licensor, or the Premises, relating to damage, contribution, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials; and (c) any reports made to any environmental agency arising out of or in connection with any Hazardous Materials in, on or about the Premises or with respect to any Hazardous Materials removed from the premises, including, any complaints, notices, warnings, reports or asserted violations in connection therewith. Licensee shall also provide to Licensor, as promptly as possible, and in any event within five (5) business days after Licensee first receives or sends the same, with copies of all claims, reports, complaints, notices, warnings or asserted violations relating in any way to the Premises or Licensee's use thereof. Upon written request of Licensor (to enable Licensor to defend itself from any claim or charge related to any Hazardous Materials Law), Licensee shall promptly deliver to Licensor notices of hazardous waste manifests reflecting the legal and proper disposal of all such Hazardous Materials removed or to be removed from the Premises. All such manifests shall list the Licensee or its agent as a responsible party and in no way shall attribute responsibility for any such Hazardous Materials to Licensor.

Licensee shall indemnify, defend (with counsel reasonably acceptable to Licensor), protect and hold Licensor and each of Licensor's officers, directors, partners, employees, agents, attorneys, successors and assigns free and harmless from and against any and all claims, liabilities, damages, costs, penalties, forfeitures, losses or expenses (including attorneys' fees) for death or injury to any person or damage to any property whatsoever (including water tables and atmosphere) arising or resulting in whole or in part, directly or indirectly, from the presence or discharge of Hazardous Materials, in, on, under, upon or from the Premises or from the transportation or disposal of Hazardous Materials to or from the Premises, the standard herein being one of strict liability. Licensee's obligations hereunder shall include, without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary repairs, clean-up or detoxification or decontamination of the Premises, and the presence and implementation of any closure, remedial action or other required plans in connection therewith, and shall survive the expiration of or early termination of the term of this Sublease.

13. INDEMNIFICATION. Licensee agrees to indemnify, defend (through counsel reasonably acceptable to Licensor), and hold Licensor harmless against all expenses, liability, and claims for damages to property or injury to or death of persons directly or indirectly resulting from anything occurring from any cause on or about or in connection with the use, maintenance or

operation of the Premises. This provision shall survive the expiration of or early termination of the term of this Sublease.

14. NOTICES. Licensor agrees to furnish Licensee with copies of any and all letters and notices to Licensor pertaining to any default under the Prime Lease, at the same time and in the same manner as any such notice is sent to Licensor. Licensor agrees to furnish Licensee with prompt written notice of any and all amendments, waivers, extensions, renewals, or other modifications of the Prime Lease. All notices hereunder shall be mailed or delivered to the address set forth above, unless changed from time to time by any party through written notice mailed or delivered to the other party.

15. ENTRY BY LICENSOR. Licensee hereby acknowledges that it has agreed under terms of the License Agreement that Licensor and its employees or agents shall have the right to enter the Kennedy Transmission® Brake & Auto Service store operated by Licensee at the Premises at any reasonable time for the purpose of conducting inspections, protecting Licensor's proprietary marks, and correcting deficiencies of Licensee, and assuring compliance with the terms of the Prime Lease.

16. GENERAL PROVISIONS.

- (a) This Agreement shall be binding upon the parties hereto and their successors, assigns, heirs, executors, and administrators. The rights and obligations contained shall continue notwithstanding changes in the persons or entities that may hold any leasehold or ownership of the land or building.
- (b) Any party hereto may seek equitable relief, including without limitation injunctive relief or specified performance, for actual or threatened violation or non-performance of this Agreement by any other party. Such remedies shall be in addition to all other rights as provided by law or other agreements between any of the parties. The prevailing party in any action shall be entitled to recover its reasonable legal fees together with court costs and expenses of litigation.
- (c) Nothing contained in this Agreement shall affect any term or condition in the License Agreement between Licensor and Licensee. Nothing herein shall be deemed to constitute a guaranty of endorsement by Licensor of the terms and conditions of the Prime Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

LICENSOR:

KENNEDY FRANCHISING USA, INC.

By: _____
Its: _____

LICENSEE:

By: _____
Its: _____

EXHIBIT 1

PRIME LEASE

SUBLEASE

This Sublease is made this _____ day of _____, _____, among the following parties:

Licensor: Kennedy Franchising USA, Inc.
2225 Daniels Street
Long Lake, Minnesota 55356

Licensee: _____

RECITALS

WHEREAS, Licensor has leased from ("Landlord"), under the terms of a Lease Agreement ("Prime Lease") attached as Exhibit 1, certain premises ("Premises") located at the following street address:

WHEREAS, Licensee has entered into a License Agreement with Licensor, attached as Exhibit 2, licensing Licensee to operate a Kennedy Transmission® Brake & Auto Service store in _____, _____;
(Municipality) (State);

WHEREAS, Licensee desires to sublease the Premises from Licensor and to operate a Kennedy Transmission® Brake & Auto Service store at the Premises,

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

1. SUITABILITY. Licensee agrees and accepts the Premises as a suitable location for operation of a Kennedy Transmission® Brake & Auto Service business.

2. USE OF PREMISES. Licensee shall use the Premises only for the operation of a Kennedy Transmission® Brake & Auto Service store pursuant to its License Agreement with Licensor, and for no other purpose whatsoever.

3. TERM. This Agreement shall be in full force and effect as to both Licensor and Licensee as of the date hereof. The term of this Agreement shall be for a term coterminous with the term of the Prime Lease, unless sooner terminated as expressly provided herein.

4. RENT PAYMENTS. Licensee hereby agrees to promptly make all rent payments as specified in the Prime Lease, directly to Landlord at the address therein set forth or as may be changed from time to time by Landlord. Licensor reserves the right to so notify Licensee and require that all subsequent rent payments be paid to Licensor if more than one payment in any consecutive twenty-four (24) month period fails to be received by Landlord within fifteen (15) days of its due date, for reasons other than clerical error by Landlord.

5. DEVELOPMENT PAYMENTS. Licensee hereby agrees to compensate Licensor for Licensor's costs in locating, developing, and negotiating for the Premises covered by the Prime Lease, by reimbursing Licensor for said costs as incurred.

6. CONSTRUCTION. Licensee, at its cost and expense and with no right of reimbursement from Licensor, shall undertake, complete and pay for any and all improvements to and equipping of the Premises, in a timely manner, all of which shall be consistent with the applicable provisions of the Prime Lease and the License Agreement. Licensee's work, including without limitation any remodeling or redecorating work that may be performed on the Premises from time to time, shall be performed in a good and workmanlike manner, shall be in conformity with the Prime Lease, the License Agreement and all applicable federal, state and local laws, ordinances, building codes and fire regulations, and shall be free of all liens for labor and material.

7. LICENSEE COVENANTS. Licensee covenants and agrees: (1) to perform and observe all of the terms, covenants, conditions and agreements of the Prime Lease designated therein to be performed by Licensor as Tenant with respect to the Premises during the term of this Agreement, to the extent that they are not modified or amended by this Agreement and any extension or renewal thereof; (2) that with respect to the Premises, Licensee shall not do or suffer or permit anything to be done which would constitute a default under the Prime Lease or might cause the Prime Lease to be canceled, terminated or forfeiture reserved or vested in Landlord under the Prime Lease; and (3) to indemnify and hold Licensor harmless from and against any and all claims, liabilities, losses and damages of any kind whatsoever that Licensor may incur by reason of, resulting from or arising out of a failure by Licensee to comply with the provisions of this Agreement.

8. DEFAULT BY LICENSEE AND REMEDIES. Licensee acknowledges and agrees that a default of the terms and conditions of this Agreement and/or of the Prime Lease shall constitute a default of the License Agreement, as defined therein, and that a default of the terms of the License Agreement shall constitute a default of this Agreement. In the event that Licensee

defaults under the terms of this Agreement or the Prime Lease, Licensor may exercise any and all remedies available to it at law or in equity.

9. TERMINATION. In the event that the License Agreement is terminated by Licensor, this Agreement, at Licensor's option, may also be terminated as of the same date and time. In the alternative, Licensor may exercise any other remedies available to it at law or in equity as a result of Licensee's default.

10. INSURANCE. Licensee shall keep in full force and effect, at its expense, a policy or policies of public liability insurance with respect to the Premises, in accordance with the terms of the License Agreement and the Prime Lease, in which Licensor shall be named insured. Licensee shall furnish Licensor with certificates evidencing that such insurance is in effect stating that Licensor shall be notified in writing thirty (30) days prior to cancellation, material change or non-renewal of insurance.

11. SUBORDINATION. Licensee acknowledges that this Agreement is subject and subordinate to the Prime Lease, to all terms, covenants and conditions contained therein and to any extension, renewal, amendment or modification thereof. To the extent that the Prime Lease is also subject and subordinate to such instruments, this Agreement is also subject and subordinate to all ground and underlying leases and all mortgages which might now or hereafter affect such leases, leasehold estate or estates thereby created on the real property of which the Premises forms a part, and to any and all renewals, modifications, consolidations, replacements and extensions thereof.

12. ENVIRONMENTAL. Licensee shall at all times and in all respects comply with all federal, state, and local laws, ordinances and regulations ("Hazardous Materials Laws") relating to the industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, presence, disposal or transportation of any oil, petroleum products, flammable explosives, asbestos, urea formaldehyde, polychlorinated biphenyls, radioactive materials or waste, or other hazardous toxic, contaminated or polluting materials, substances or wastes, including without limitation any "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under any such laws, ordinances or regulations (collectively, "Hazardous Materials") in or about the Premises.

Licensee shall at its own expense procure, maintain in effect and comply with all conditions of any and all permits, licenses and other governmental and regulatory approvals required for Licensee's use of the Premises, including, without limitation, discharge of (appropriately treated) materials or waste into or through any sanitary sewer system serving the Premises. Except as discharged into the sanitary sewer in strict accordance and conformity with all applicable Hazardous Materials Laws. Licensee shall cause any and all Hazardous Materials located on the Premises to be removed from the Premises and transported solely by duly licensed haulers to duly licensed facilities for final disposal of such Hazardous Materials and wastes. Licensee shall in all respects handle, treat, deal with and manage any and all Hazardous Materials in, on, under or about the Premises in complete conformity with all applicable Hazardous Materials Laws and prudent industry practices regarding the management of such Hazardous Materials. All reporting obligations to the extent imposed upon Licensee by Hazardous Materials Laws are solely the responsibility of Licensee. Upon expiration or earlier termination of this Agreement, Licensee shall cause all Hazardous Materials (irrespective of whether such Hazardous Materials are or were generated, stored, released or disposed of during the term of this Agreement by Licensee) to be removed from the Premises and transported for use, storage or disposal in accordance and in compliance with all applicable

Hazardous Materials Laws. Licensee shall not take any remedial action in response to the presence of any Hazardous Materials in, on, about or under the Premises, nor enter into any settlement agreement, consent, decree or other compromise in respect to any claims relating to any way connected with the Premises without first notifying Licensor of Licensee's intention to do so and affording Licensor ample opportunity to appear, intervene or otherwise appropriately assert and protect Licensor's interest with respect thereto. In addition, at Licensor's request, at the expiration of the term of this Agreement, Licensee shall remove all tanks or fixtures which were placed in the Premises during the term of this Agreement and which contain, have contained or are contaminated with, Hazardous Materials.

Licensee shall immediately notify Licensor in writing of (a) any enforcement, clean-up, removal or other governmental or regulatory action instituted, completed or threatened pursuant to any Hazardous Materials Laws; (b) any claim made or threatened by any person against Licensor, or the Premises, relating to damage, contribution, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials; and (c) any reports made to any environmental agency arising out of or in connection with any Hazardous Materials in, on or about the Premises or with respect to any Hazardous Materials removed from the premises, including, any complaints, notices, warnings, reports or asserted violations in connection therewith. Licensee shall also provide to Licensor, as promptly as possible, and in any event within five (5) business days after Licensee first receives or sends the same, with copies of all claims, reports, complaints, notices, warnings or asserted violations relating in any way to the Premises or Licensee's use thereof. Upon written request of Licensor (to enable Licensor to defend itself from any claim or charge related to any Hazardous Materials Law), Licensee shall promptly deliver to Licensor notices of hazardous waste manifests reflecting the legal and proper disposal of all such Hazardous Materials removed or to be removed from the Premises. All such manifests shall list the Licensee or its agent as a responsible party and in no way shall attribute responsibility for any such Hazardous Materials to Licensor.

Licensee shall indemnify, defend (with counsel reasonably acceptable to Licensor), protect and hold Licensor and each of Licensor's officers, directors, partners, employees, agents, attorneys, successors and assigns free and harmless from and against any and all claims, liabilities, damages, costs, penalties, forfeitures, losses or expenses (including attorneys' fees) for death or injury to any person or damage to any property whatsoever (including water tables and atmosphere) arising or resulting in whole or in part, directly or indirectly, from the presence or discharge of Hazardous Materials, in, on, under, upon or from the Premises or from the transportation or disposal of Hazardous Materials to or from the Premises, the standard herein being one of strict liability. Licensee's obligations hereunder shall include, without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary repairs, clean-up or detoxification or decontamination of the Premises, and the presence and implementation of any closure, remedial action or other required plans in connection therewith, and shall survive the expiration of or early termination of the term of this Sublease.

13. INDEMNIFICATION. Licensee agrees to indemnify, defend (through counsel reasonably acceptable to Licensor), and hold Licensor harmless against all expenses, liability, and claims for damages to property or injury to or death of persons directly or indirectly resulting from anything occurring from any cause on or about or in connection with the use, maintenance or

operation of the Premises. This provision shall survive the expiration of or early termination of the term of this Sublease.

14. NOTICES. Licensor agrees to furnish Licensee with copies of any and all letters and notices to Licensor pertaining to any default under the Prime Lease, at the same time and in the same manner as any such notice is sent to Licensor. Licensor agrees to furnish Licensee with prompt written notice of any and all amendments, waivers, extensions, renewals, or other modifications of the Prime Lease. All notices hereunder shall be mailed or delivered to the address set forth above, unless changed from time to time by any party through written notice mailed or delivered to the other party.

15. ENTRY BY LICENSOR. Licensee hereby acknowledges that it has agreed under terms of the License Agreement that Licensor and its employees or agents shall have the right to enter the Kennedy Transmission® Brake & Auto Service store operated by Licensee at the Premises at any reasonable time for the purpose of conducting inspections, protecting Licensor's proprietary marks, and correcting deficiencies of Licensee, and assuring compliance with the terms of the Prime Lease.

16. GENERAL PROVISIONS.

- (a) This Agreement shall be binding upon the parties hereto and their successors, assigns, heirs, executors, and administrators. The rights and obligations contained shall continue notwithstanding changes in the persons or entities that may hold any leasehold or ownership of the land or building.
- (b) Any party hereto may seek equitable relief, including without limitation injunctive relief or specified performance, for actual or threatened violation or non-performance of this Agreement by any other party. Such remedies shall be in addition to all other rights as provided by law or other agreements between any of the parties. The prevailing party in any action shall be entitled to recover its reasonable legal fees together with court costs and expenses of litigation.
- (c) Nothing contained in this Agreement shall affect any term or condition in the License Agreement between Licensor and Licensee. Nothing herein shall be deemed to constitute a guaranty of endorsement by Licensor of the terms and conditions of the Prime Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

LICENSOR:

KENNEDY FRANCHISING USA, INC.

By: _____

Its: _____

LICENSEE:

By: _____

Its: _____

EXHIBIT 2

LICENSE AGREEMENT

LICENSE AGREEMENT

THIS LICENSE AGREEMENT is made and entered into this ____ day of _____, _____, by and between Kennedy Franchising USA, Inc. (the "Licensor") and _____ (the "Licensee").

WITNESSETH:

WHEREAS, the Licensor has developed systems, methods and techniques for diagnosing malfunctions in automotive automatic and manual transmissions and rebuilding, repairing, and maintaining automotive automatic and manual transmissions under the name "Kennedy Transmission® Brake and Auto Service" (hereinafter referred to as the "Business System" or the "Kennedy Transmission® Brake & Auto Service Business System"); and

WHEREAS, the Licensor has the right to license the use of the name "Kennedy Transmission® Brake & Auto Service" and such other trade names, trademarks, logos, service marks and commercial symbols as may be designated by the Licensor for use in connection with the Business System (hereinafter referred to as the "Marks"); and

WHEREAS, the Licensee desires, upon the terms and conditions herein fully set forth, to be trained and licensed by the Licensor to operate a business under the Kennedy Transmission® Brake & Auto Service Business System at the location set forth and designated in Article 1 of this License Agreement; and

WHEREAS, the Licensee has had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this License Agreement by legal counsel, and has had sufficient time to evaluate and investigate both the Kennedy Transmission® Brake & Auto Service Business System and financial investment requirements associated with the Business System;

WHEREAS, the Licensee recognizes the importance to the Licensor, to other Kennedy Transmission® Brake & Auto Service licensees and to the public of maintaining the distinctive standards, qualities, attributes and services identified by the Marks and the Business System and is willing to maintain such standards, qualities and attributes;

NOW, THEREFORE, the parties, in consideration of the mutual promises herein expressed and for other good and valuable consideration, the receipt and adequacy of which is acknowledged, hereby agree as follows:

ARTICLE 1 - LICENSED LOCATION; GRANT OF LICENSE

(A) The Licensor hereby grants to the Licensee a personal license to operate one transmission and brake business in conformity with the Licensor's Business System under the name "Kennedy Transmission® Brake & Auto Service" at the following location:

Street	City	State
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(hereinafter referred to as the "Licensed Location"). The Licensee hereby undertakes the obligation to operate a transmission business using the name "Kennedy Transmission® Brake & Auto Service" in strict compliance with the terms and conditions of this License Agreement.

(B) During the term of this License Agreement, the Licensor shall not establish for its own account or license others to operate a Kennedy Transmission® Brake & Auto Service business or any other transmission business within a two (2) mile radius of the Licensed Location. The exclusive area identified above is referred to as the "Exclusive Territory". The Licensee understands, however, that the Licensor may sell similar products or services under trademarks other than the Marks through other channels of distribution. The rights and privileges granted to the Licensee by the Licensor under this License Agreement are applicable only to this single location, are personal in nature, and may not be used elsewhere or at any other location by the Licensee. In addition, the Licensee agrees to concentrate its advertising and sales effort within the Exclusive Territory. The Licensee shall not relocate its Kennedy Transmission® Brake & Auto Service business without the prior written consent of the Licensor and shall not open any other Kennedy Transmission® Brake & Auto Service business in the Exclusive Territory. The Licensee shall not have the right to franchise, subfranchise, license or sublicense its rights under this License Agreement. The Licensee shall not assign or transfer its rights under this License Agreement, except as specifically provided for in this License Agreement.

ARTICLE 2 - TERM OF LICENSE: LICENSEE'S RIGHT OF FIRST REFUSAL TO RELICENSE

(A) The term of this License Agreement shall be for fifteen (15) years commencing on the date this License Agreement is executed by both the Licensor and the Licensee. This License Agreement shall not be considered executed and shall not be enforceable until it has been signed by both the Licensee and the Licensor.

(B) The Licensee shall have the right of first refusal to relicense the Licensed Location for continuing fifteen (15) year terms providing that the following conditions have been met:

(1) The Licensee has complied with, at the time it exercises its option and is in compliance with, all of the material terms and conditions of the License Agreement and the operating and quality standards and procedures established for all Kennedy Transmission® Brake & Auto Service businesses, including payment of all fees and other monies due to the Licensor and any other obligations owed by the Licensee to the Licensor in any form; and

(2) The Licensee has agreed in writing to make the reasonable capital expenditures necessary to remodel and modernize the Licensed Location and the building, furniture, fixtures, sign and equipment in accordance with the then-existing

specifications of the Licensor so that the Licensee's business will reflect the common image intended to be portrayed by Kennedy Transmission® Brake & Auto Service businesses;

(3) The Licensee has given the Licensor written notice at least ninety (90) days prior to the end of the term of this License Agreement of the Licensee's intention to relicense.

(4) The Licensee executes a general release, in a form satisfactory to the Licensor, of any and all claims it may have against the Licensor, and its officers, directors, shareholders, and employees, in their corporate and individual capacities including all claims arising under either common law or under any federal, state or local law, rule or ordinance; and

(5) The Licensee pays to the Licensor a Renewal Fee equal to one half of the Initial Franchise Fee then being charged to new licensees, with the Renewal Fee payable either (i) in cash at the time of Licensee's execution of the renewed License Agreement, or (ii) one third in cash and two-thirds by promissory note payable to Licensor in two equal annual installments due, respectively, on the first and second anniversary of the renewal, together with interest at a market rate.

(6) The Licensee agrees to comply with and execute the then-current standard License Agreement being offered to new licensees by the Licensor.

(C) The Licensee shall have the right of first refusal to relicense the Licensed Location under the same terms and conditions then being offered to other licensees by the Licensor under the then-current standard License Agreement; however, the Licensee shall not be required to pay the Initial Franchise Fee if the Licensee exercises its right to relicense the Licensed Location, but shall only be required to pay the Renewal Fee. The Licensor will not offer to license the Licensed Location at the end of the term of this License Agreement to any licensee on more favorable terms or conditions than those offered to the Licensee. The Licensee acknowledges that the terms, conditions and economics of the then-current standard License Agreement of the Licensor may at that time, vary in substance and form from the terms, conditions and economics of this License Agreement.

ARTICLE 3 – LICENSOR'S RIGHT TO LICENSE THE MARKS

(A) The Licensee hereby acknowledges the validity of the Marks and acknowledges that they are the sole property of the Licensor. Any and all improvements made by the Licensee relating to the Marks and the Business System shall become the sole and absolute property of the Licensor, and the Licensor shall have the sole and exclusive right to register or otherwise protect such improvements in its name. The Licensee's right to use and identify with the Marks shall exist concurrently with the term of this License Agreement.

(B) The Licensee agrees that its right to use the name "Kennedy Transmission" Brake & Auto Service and the Marks and the Business System applies only to the Licensed Location and only

so long as the Licensee shall fully perform and comply with all of the conditions, terms and covenants in this License Agreement. The Licensee shall not have or acquire any rights in the Marks other than the right of the use as provided herein and such use shall inure to the benefit of the Licensor. The Licensee shall only have the right to use the Marks in the manner prescribed, directed or approved by the Licensor in writing. If, in the judgment of the Licensor, the acts of the Licensee infringe upon or demean the goodwill, standards of quality, or business standing associated with the Marks, then the Licensee shall upon written notice from the Licensor, immediately modify its use of the Marks in the manner prescribed by the Licensor in writing.

(C) If there is a claim by any party that its rights to any of the Marks are superior to the Licensor's rights and if the Licensor's legal counsel opines that such claim is legally meritorious, then upon receiving written notice from the Licensor, the Licensee will at its expense, make all changes and amendments to the Marks specified by the Licensor and, if so specified by the Licensor, the Licensee will immediately cease using the Marks, and will, as soon as reasonably possible, commence using the new trademarks, trade names, service marks, logos and commercial symbols designated by the Licensor in writing. The Licensee will not make any changes or modifications to the Marks unless required to do so by the Licensor in writing.

(D) The Licensee shall have no obligation or right to defend or enforce any rights associated with the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or any other allegation. However, the Licensee will give the Licensor prompt and timely written notice of any and all such claims or complaints made against or associated with the Marks and will cooperate in all respects with the Licensor in any lawsuits or other proceedings involving the Marks. The cost of all litigation incurred by the Licensor, including attorneys' fees, specifically relating to the Marks, shall be paid for by the Licensor. The Licensor and its legal counsel shall exclusively control and conduct all litigation involving the Marks.

ARTICLE 4 - INITIAL FRANCHISE FEE AND APPROVAL OF LICENSEE

(A) The Licensee shall pay to the Licensor an Initial Franchise Fee of Seventeen Thousand Five Hundred and No/100 Dollars (\$17,500.00), which shall be due and payable in full on the date of this License Agreement. The Initial Franchise Fee payable by the Licensee is, in part, for sales and administrative salaries and expenses, travel costs, long distance telephone calls, advertising and production costs, training and other personnel costs, legal fees, compliance with franchising and other laws, and for services rendered by the Licensor to the Licensee as set forth in this License Agreement.

(B) The Licensor shall have the sole and unilateral right to terminate this License Agreement at any time prior to the opening of the Licensee's Kennedy Transmission® Brake & Auto Service business if the Licensor determines that: (1) any financial, personal or moral information provided by the Licensee to the Licensor is materially false, misleading, incomplete, or inaccurate; or (2) the Licensee, the Licensee's Service Manager (as defined below), if applicable, or the Licensee's transmission rebuilder is not qualified or competent to properly operate the licensed business because he has not successfully completed the Licensor's training program or is deemed to be incapable of successfully completing the Licensor's training program. The Licensee will be

notified by the Licensor in writing if this License Agreement is subject to termination pursuant to this Article 4(B).

(C) If the Licensor subsequently determines prior to training that the Licensee is not qualified to properly operate the Kennedy Transmission® Brake & Auto Service business, the Licensor may retain Seven Thousand Five Hundred Dollars (\$7,500) of the Initial Franchise Fee, and shall refund any balance of the Initial Franchise Fee to the Licensee. If the Licensee fails to successfully complete the Licensor's initial training program, the Licensor may retain Twelve Thousand Five Hundred Dollars (\$12,500) of the Initial Franchise Fee and shall refund any balance of the Initial Franchise Fee to the Licensee.

ARTICLE 5 - CONTINUING ROYALTIES

(A) In addition to the Initial Franchise Fee, the Licensee shall, for the term of this License Agreement, pay to the Licensor weekly Continuing Royalties equal to six percent (6%) of the weekly "Gross Revenues", as defined herein, which are received, billed or generated by, as a result of, or from the Licensee's Kennedy Transmission® Brake & Auto Service business. The weekly Continuing Royalties shall be paid to the Licensor on or before Friday of each week for the preceding week, and shall be submitted with the Licensee's weekly sales report required under Article 18 of this License Agreement.

(B) If during the first (1st) year of this License Agreement, the combined weekly Continuing Royalties payable by the Licensee under Article 5(A) are less than Twelve Thousand Dollars (\$12,000), the Licensee shall pay to the Licensor an amount equal to Twelve Thousand Dollars (\$12,000) less the amount paid to the Licensor under Article 5(A) for the year. Commencing with the second (2nd) year of this License Agreement and continuing each year thereafter for the remaining term of this License Agreement, in any year that the Continuing Royalties payable by the Licensee under Article 5(A) are less than Eighteen Thousand Dollars (\$18,000), the Licensee shall pay to the Licensor an amount equal to Eighteen Thousand Dollars (\$18,000) less the amount paid by the Licensee to the Licensor under Article 5(A) for the year. Each year shall be determined from the date of this License Agreement, so that each year shall be twelve (12) months from the date of this License Agreement. The amount payable to the Licensor pursuant to this provision shall be paid by the Licensee within thirty (30) days of the anniversary date of this License Agreement for each year in which the Licensee fails to pay to the Licensor the minimum combined weekly Continuing Royalties as set forth herein during the year.

(C) The Continuing Royalties payable to the Licensor under this Article shall be calculated and paid to the Licensor by the Licensee on a weekly basis during the entire term of this License Agreement and the Licensee's failure to pay the weekly Continuing Royalties to the Licensor shall be deemed to be a material breach of this License Agreement. The Licensee's obligation to pay the Licensor the Continuing Royalties under the terms of this License Agreement shall remain in full force and effect until the term of this License Agreement has expired or until this License Agreement is terminated in accordance with the terms and conditions set forth in this License Agreement. The Licensee shall not have the right to "offset" and, as a consequence, the

Licensee will timely pay all weekly Continuing Royalties due the Licensor under this License Agreement regardless of any claims that the Licensee may allege against the Licensor.

(D) In the event the Licensee fails to remit the weekly Continuing Royalties due the Licensor by Friday of each week, as provided in this License Agreement, then the unpaid weekly Continuing Royalties due to the Licensor shall bear interest at the rate of eighteen percent (18%) per annum or the maximum rate permitted by law, whichever is less.

(E) The weekly Continuing Royalties are, in part, payment to the Licensor for: (1) the services and materials provided to the Licensee by the Licensor pursuant to Article 14 of this License Agreement; (2) the costs incurred by the Licensor in protecting the Marks and the Business System; (3) legal fees and accounting fees incurred by the Licensor to comply with federal, state, local and other laws; and (4) supervision of the Licensee's Kennedy Transmission® Brake & Auto Service business to insure compliance with this License Agreement.

ARTICLE 6 - ADVERTISING

(A) The Licensee will pay the Licensor a weekly "Advertising Budget Contribution" of six percent (6%) of the Licensee's weekly Gross Revenues. The Advertising Budget Contribution will be deposited in an advertising fund (the "Fund") to be managed by the Licensor. Ten Percent (10%) of all collected Advertising Budget Contributions shall be payable to Licensor as a fee for administration of all efforts to develop and implement advertising and promotional campaigns and to cover related administrative expenses. The balance of the Fund shall be expended at Licensor's sole discretion for purposes of formulating, developing, and implementing advertising and promotional campaigns. The methods of advertising, media employed, and contents, terms and conditions of advertising campaigns and promotional programs shall be selected and developed at the sole discretion of the Licensor. Although Licensor will strive to manage the Fund in such a manner as to benefit Licensees uniformly, taking into account regional and/or local advertising costs in forms of media available, Licensor does not represent that any individual Licensee benefits or will benefit directly or on a pro-rata basis from the placement or future placement of any such advertising in its local market. Any interest earned on the Fund shall be used for advertising. Licensor will provide the Licensee with an annual unaudited statement summarizing the receipts and disbursements from the Fund.

(B) The Advertising Budget Contribution shall be paid directly to the Licensor on or before Friday of each week for the preceding week. Advertising Fees not paid by the Licensee as required herein shall bear interest at the rate of eighteen percent (18%) per annum or the maximum rate permitted by law, whichever is less. Failure of the Licensee to pay the Advertising Budget Contribution shall constitute a material breach of this License Agreement and shall be grounds for termination of this License Agreement by the Licensor.

(C) In addition to the Advertising Budget Contribution to be paid to the Licensor, each calendar year the Licensee will spend at least two percent (2%) of its Gross Revenues for approved media advertising and promotion such as television time, radio time, newspaper space, magazine space, billboards, direct mailings and other recognized mass media advertising in the Licensee's

local geographic area. All media advertising and promotion must be approved in writing by the Licensor. On or before January 31 of each year, the Licensee will provide the Licensor with an accounting of the monies it has spent for approved local media advertising for the preceding calendar year (January through December). If the Licensee has failed to spend at least two percent (2%) of its Gross Revenues for the calendar year on such advertising as required under this Article, then the Licensee shall deposit with the Licensor the difference between what it should have spent for local media advertising during the calendar year and what it actually spent for such advertising during the calendar year as an additional Advertising Budget Contribution which shall be subject to the provisions of Article 6(A) and (B), above.

ARTICLE 7 - QUALITY CONTROL, UNIFORMITY AND STANDARDS REQUIRED OF LICENSEE

It is recognized by the Licensee that the Licensor has expended large sums of money to popularize the Marks and the Business System and that the same represent very valuable goodwill distinctive of the Licensor's business and reputation. It is also recognized that the Licensor must promulgate from time to time, uniform standards of quality and service regarding the business operations of the Licensee's Kennedy Transmission® Brake & Auto Service business, so as to protect (for the benefit of all Licensees and the Licensor), the distinction, valuable goodwill and uniformity represented and symbolized by the Marks and the Business System. Accordingly, to insure that all Licensees will maintain the goodwill and the product and service quality standards associated with Kennedy Transmission® Brake & Auto Service businesses and with the Marks and the Business System, the Licensee agrees to maintain the quality standards required by the Licensor for all products and services and agrees to the following terms and conditions to insure the public that all Kennedy Transmission® Brake & Auto businesses will be uniform in nature and will sell and dispense quality products and services:

(A) The Licensee will operate its transmission business in such manner that it is clearly identified and advertised as a Kennedy Transmission® Brake & Auto business. However, the style or form of the words "Kennedy Transmission® Brake & Auto Service" in any advertising must have the prior written approval of the Licensor and must conform to the Licensor's Marks. Whenever practical, the public shall be informed that the Kennedy Transmission® Brake & Auto Service business is owned by the Licensee and that it is operating under written authority from the Licensor. The Licensee will not use the word "Kennedy" in its corporate, sole proprietorship, or partnership name. Whenever practical, the Licensee will use the name "Kennedy Transmission® Brake & Auto Service" and other Marks which now or hereafter may form a part of the Business System, on all paper supplies, stationery, uniforms, furnishings, advertising material, ad mats, signs or other articles in the same combination and manner prescribed by Licensor in writing. The Licensee will also comply with all notices of registration required by the Licensor and will comply with any other trademark, trade name, service mark, copyright or patent notice marking requirements.

(B) The interior and exterior of Licensee's Kennedy Transmission® Brake & Auto Service business shall be constructed and equipped in accordance with the Licensor's current approved specifications and standards pertaining to equipment, inventory, signs, and design and layout. If the Licensee enters into a lease for the Licensed Location, such lease must be approved by

the Licensor prior to its execution, but such approval will not be unreasonably withheld. The Licensee's lease, if any, shall be expressly be made subject to a written Agreement and Contingent Assignment Agreement substantially in the form of attached Exhibit B containing provisions requiring that: (1) the premises be used only for a Kennedy Transmission® Brake & Auto Service business; (2) the Licensor be granted the right (but not the duty) to take possession of the premises and assume the lease without liability for the Licensee's monetary defaults in the event of a termination of this Agreement or a threatened termination of the lease as a result of a breach by the Licensee; (3) the landlord provide the Licensor written notice of any Licensee default and/or right to cure; (4) the Licensor be granted the right to enter the premises to inspect the Licensee's Kennedy Transmission® Brake & Auto Service business during regular business hours; and (5) upon termination of this Agreement or the Lease, the Licensee will be obligated to remove all signs and materials bearing the name "Kennedy Transmission® Brake & Auto Service" and other Marks.

(C) The Licensee will not use the name "Kennedy Transmission® Brake & Auto Service" or the Marks on any free standing or other signs of any kind or nature without the express written approval of the Licensor except as provided for in this License Agreement.

(D) The Licensee will use only approved advertising materials for the advertising and promotions conducted by the Licensee. The Licensee must obtain written approval from the Licensor prior to using any unapproved advertising or promotional materials. The Licensee will not display advertising of any kind which has not been first approved in writing by the Licensor. The Licensor or its authorized agents may, at any time enter the Licensee's transmission business and remove any objectionable signs or advertising media, and may keep or destroy such signs or advertising without paying therefor or without being deemed guilty of trespass or any other tort.

(E) The Licensee will use the Marks and the Business System only in strict compliance with the standards, operating procedures, specifications, requirements and instructions required of all Kennedy Transmission® Brake & Auto Service businesses which may be amended and supplemented by the Licensor from time to time.

(F) The Licensee will sell only those items, products and services approved by the Licensor in writing and will offer all goods and services prescribed by the Licensor. The Licensee will conform to customer service standards prescribed by the Licensor in writing. The Licensee will not sell any product or service at the Licensed Location unless first approved in writing by the Licensor. If the Licensee desires to purchase any goods which Licensor has not approved, the Licensee shall submit samples to the Licensor for testing to determine whether the products comply with the Licensor's standards and specifications. The Licensee shall comply with all requirements promulgated by the Licensor with regards to product and service quality. The Licensor will provide the Licensee with a copy of the Licensor's Operations Manuals, catalogs, sales promotion aids and other manuals and written materials. The Licensee will conform to the common image and identity created by the goods, products and services sold and associated with the Marks and the Business System. These manuals and materials are the sole and exclusive property of the Licensor, are confidential in all respects and shall not be duplicated or used for any purpose other than the operation of the Licensee's Kennedy Transmission® Brake & Auto Service business, and shall not be removed from the Licensee's Licensed Location. During and after the term of this License

Agreement, Licensee shall keep the manuals and materials strictly confidential. Licensee shall not disclose the manuals and materials and any confidential information contained therein to any third party other than, during the term of this License Agreement, those of Licensee's employees who need to know such information. In addition, all of the Licensee's employees who have managerial duties with respect to the Licensee's Kennedy Transmission® Brake & Auto Service business and who have access to confidential information of the Licensor, as well as all corporate officers, directors and shareholders if the Licensee is a corporation (all partners if the Licensee is a partnership), must sign agreements in a form satisfactory to the Licensor, agreeing to maintain the confidentiality, during the course of their agreement and thereafter, of all information copyrighted or designated by the Licensor as confidential and proprietary. Copies of the executed agreements will be submitted to the Licensor upon request.

(G) The Licensee shall purchase its invoices and/or work orders from the Licensor, or from a supplier who can provide such items in accordance with the Licensor's specifications. All invoices and/or work orders shall be prepared in a manner prescribed by the Licensor. All invoices and/or work orders shall be consecutively numbered and the Licensee shall account for all invoices and/or work orders used, including voided invoices and/or work orders, on the Weekly Sales Reports forwarded to the Licensor. All voided invoices shall be maintained in their original form with all copies intact at the Licensee's premises and shall be available for auditing inspection, along with all unused invoice and/or work order inventory, at any time by the Licensor.

(H) The Licensee will, at its expense, repair, and paint, and keep in a clean and sanitary condition, the interior, the exterior and, where applicable, the grounds of the Licensed Location. All mechanical equipment shall be kept in good working order by the Licensee at all times. At Licensor's request, which shall not be made more often than once every five (5) years, Licensee shall, at Licensee's sole expense, refurbish the Store to conform to the building design, trade dress, color schemes, and presentation then being used in connection with new Kennedy Transmission® Brake & Auto Service stores. Such refurbishment may include, without limitation, structural changes, remodeling, redecoration, and modifications to existing improvements; provided, however, Licensee shall not be required to expend at any one time an amount in excess of fifty percent (50%) of the total straight-line depreciation allowable for federal income tax purposes on the Store premises and personal property from date the Store was opened for business, less amounts previously expended for refurbishment during the previous five-year period. If Licensee leases the Store premises, allowable depreciation for purposes of this section shall be computed as if Licensee owned the Store building and property.

(I) The Licensee will, at its expense, comply with all applicable local, state, federal and municipal laws, ordinances, rules and regulations pertaining to the operation of the Licensee's Kennedy Transmission® Brake & Auto Service business. The Licensee will, at its expense, be absolutely and exclusively responsible for obtaining and qualifying for all licenses and permits required by law for the Licensee's business.

(J) The Licensee will timely pay all noncontested and liquidated obligations and liabilities due and payable to the Licensor, and to the Licensee's suppliers, lessors and creditors. The

Licensee's failure to comply with this provision shall be deemed a material breach of this License Agreement.

(K) The Licensee will be solely responsible for and liable for the prompt payment of all federal, state, city and local taxes including individual and corporate income taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, personal property taxes and real estate taxes payable in connection with the Licensee's Kennedy Transmission® Brake & Auto Service business. The Personal Guarantors under this License Agreement expressly agree that their guarantee includes payment of all taxes payable as a result of the Licensee's business.

(L) The Licensee shall require its employees to wear the standard attire or uniforms approved by the Licensor and will comply with such programs of standardization as may from time to time be promulgated by the Licensor to promote the common business image and to protect the goodwill associated with the Licensor's Marks and Business System. All persons employed by the Licensee must practice good personal hygiene and must wear clean and neat attire or uniforms.

(M) The Licensee shall use its best efforts to promote the licensed business. The Licensee shall personally manage and operate the licensed business unless the Licensor approves the appointment of a Licensee employee to exercise such full-time management and control (the "Service Manager"). Any proposed Service Manager must successfully complete the Licensor's training program, prior to assuming full-time management and control. The Licensee will, during business hours, have a designated supervisor on duty who is responsible for supervising the employees and the business operations of the Licensee's business. The Licensee shall provide the Licensor with the name of the Licensee's designated supervisor. The Licensee shall have a sufficient number of adequately trained and competent personnel on duty at all times to ensure efficient service to the customers who patronize the Licensee's Kennedy Transmission® Brake & Auto Service business, and any Service Manager and designated supervisor and all employees must conduct themselves in a professional and ethical manner with the highest regard for customer service.

(N) The Licensee agrees to abide by and honor any warranty given to Kennedy Transmission® Brake & Auto Service customers in connection with transmission work performed at any Kennedy Transmission® Brake & Auto Service business provided that the customer requesting the corrective work does so within the warranty time period. The Licensee agrees to abide by and honor all warranties for parts and labor as established, supplemented and revised from time to time by the Licensor. The Licensee agrees to reimburse any other licensee (or other authorized transmission repair shop) for the cost of parts, accessories and supplies, and to pay for the labor expended for corrective work performed pursuant to a warranty issued by the Licensee. Payment shall be made directly to the Licensee (or other authorized transmission or brake repair shop) who performed the warranty work immediately upon receipt of a request for payment. Licensee's obligation to reimburse for such corrective work shall specifically survive any termination, transfer, assignment or other disposition of this License Agreement.

(O) The Licensee shall at all times operate its Kennedy Transmission® Brake & Auto Service business in an ethical and honest manner. All customer work orders shall be complete and

accurately reflect those elements of repair actually performed on the customer's vehicle. Unless otherwise stated in writing, all parts used in the repair of customer vehicles shall be new. All customers of the Licensee's business must be kept informed of the status of work in progress respecting their vehicles and no customer vehicles may be driven for any purposes other than reasonable amounts for road-testing. The Licensee acknowledges that any false or misleading statements, whether written or verbal, respecting any work order or customer communication shall materially impair the goodwill associated with the Licensor's Marks and business System and shall be grounds for immediate termination of this License Agreement under Article 8 below.

(P) The Licensee is required to be a member of a Better Business Bureau identified by Licensor to be most applicable to Licensee's Licensed Location. In addition, the Licensee is required to become a member of the Automatic Transmission Rebuilders Association (ATRA). The Licensee shall provide the Licensor with written notice of any and all complaints, charges or claims by customers, the Better Business Bureau, any consumer protection group, any governmental agency or regulatory agency with respect to the licensed business. Such notice shall be given to the Licensor within five (5) days of the complaint and shall contain the name and address of the complainant, and the precise nature of the complaint.

(Q) To determine whether the Licensee is complying with this Agreement, the Licensor shall have the right at any time during normal business hours and without prior notice to inspect the Licensed Location, inspect invoices and other sales-related documentation, and interview managers and other personnel of the Licensee's business. The Licensee agrees to lend its reasonable cooperation to the Licensor's personnel conducting such inspections.

(R) The Licensor shall have the absolute right to take photographs and videotapes of the interior and exterior of the Licensee's business at all reasonable times. The Licensor shall have the right to photograph and videotape all employees, equipment, floors, ceilings, and fixtures used in the Licensee's business.

(S) The Licensee shall install a computer system for use in its Kennedy Transmission® Brake & Auto Service business, and Licensee shall acquire the point-of-sale and store management software selected and approved by the Licensor. The Licensee shall be obligated to acquire all updates or options to such software.

ARTICLE 8 – LICENSOR'S TERMINATION RIGHTS

(A) In addition to the other rights of termination contained in this License Agreement, the Licensor shall have the right to terminate this License Agreement, as provided herein, if: (1) the Licensee fails to open and commence operations of the Kennedy Transmission® Brake & Auto Service business when the Licensed Location is ready for the Licensee's occupancy; (2) the Licensee violates any material provision, term or condition of this License Agreement; (3) the Licensee or any of its managers, directors, officers and majority stockholders are convicted of, or plead guilty to, or plead no contest to (a) a charge of violating any law relating to the licensed business or, (b) any felony; (4) the Licensee fails to conform to the Business System and standards of quality for all products and services required of all Kennedy Transmission® Brake & Auto Service businesses

promulgated by the Licensor in connection with the licensed business; (5) the Licensee fails to timely pay any Continuing Royalties, Advertising Fees or other obligations or fees due and owing to the Licensor; (6) the Licensee is deemed insolvent within the meaning of any state or federal law or files for bankruptcy or is adjudicated a bankrupt under any state or federal law; (7) the Licensee makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors; (8) any check or checks issued by the Licensee are dishonored because of insufficient funds (except where the check is dishonored because of a bookkeeping or accounting error) or closed accounts; (9) the Licensee fails to purchase or pay for the equipment, fixtures and supplies required for the Kennedy Transmission® Brake & Auto Service business prior to the opening of the Licensee's business; (10) the Licensee voluntarily or otherwise "abandons", as defined herein, the licensed business; (11) the Licensee is involved in any act or conduct which materially impairs the goodwill associated with the name "Kennedy Transmission® Brake & Auto Service" or with the Marks or the Business System; (12) construction on the building for the licensed business has not commenced within six months from the date of this License Agreement; (13) the Licensee's building lease for the Licensed Location is terminated or canceled for any reason; or (14) the Licensee offers products or services not authorized by the Licensor or uses the Licensed Location for any purpose other than the operation of a Kennedy Transmission® Brake & Auto Service business in the manner authorized by Licensor.

(B) The Licensor shall not have the right to terminate this License Agreement unless and until: (1) written notice by personal service or prepaid registered or certified mail setting forth the alleged breach in detail has been given by the Licensor to the Licensee; and (2) after receiving the written notice the Licensee fails to correct the alleged breach within the period of time specified by applicable law. In the event the applicable law does not specify a time period to correct an alleged breach, then the Licensee shall have thirty (30) days after receipt of written notice by personal service or prepaid registered or certified mail to correct the alleged breach. If the Licensee fails to correct the alleged breach set forth in the written notice within the applicable period of time, then this License Agreement may be terminated by the Licensor as provided in this License Agreement. For purposes of this License Agreement, an alleged breach of this License Agreement shall be deemed to be "corrected" if both the Licensor and the Licensee agree in writing that the alleged breach has been corrected.

(C) If the Licensor has timely complied with the notice provisions of Article 8(B) of this License Agreement and if the Licensee has not corrected the alleged breach set forth in the written notice within the time period specified in Article 8(B), then the Licensor shall have the right to terminate this License Agreement by giving the Licensee written notice by personal service or prepaid registered or certified mail that this License Agreement is terminated and in that event, the effective date of termination of this License Agreement shall be the day the written notice of termination is received by the Licensee.

(D) In the event this License Agreement is terminated by the Licensor pursuant to this Article 8, or if the Licensee breaches this License Agreement by a wrongful termination or a termination that is not in accordance with the terms and conditions of Article 9 of this License Agreement, then the Licensor shall be entitled to seek recovery of all damages from the Licensee

that the Licensor has sustained and will sustain in the future as a result of the Licensee's breach of this License Agreement.

(E) Nothing in this Article 8 shall preclude the Licensor from seeking other remedies under state and federal laws or under this License Agreement against the Licensee including, but not limited to, attorneys' fees, punitive damages, and injunctive relief.

ARTICLE 9 – LICENSEE'S TERMINATION RIGHTS

(A) The Licensee shall have the right to terminate this License Agreement, as provided herein if the Licensor violates any material provisions, term or condition of this License Agreement. The Licensee shall not have the right to terminate this License Agreement nor commence any action against the Licensor for, injunctive relief, nor any arbitration proceeding for violation of any state, federal or local law, violation of common law (including allegations of fraud and misrepresentation), rescission, general or punitive damages, or termination, unless and until: (1) written notice by personal service or prepaid registered or certified mail setting forth the alleged breach or violation in detail has been delivered to the Licensor by the Licensee; and (2) the Licensor fails to correct the alleged breach or violation within thirty (30) days after receipt of the written notice by personal service or prepaid registered or certified mail. If the Licensor fails to correct the alleged breach or violation as provided herein within thirty (30) days after receiving notice, then this License Agreement may be terminated by the Licensee as provided in this License Agreement. For the purposes of this License Agreement, an alleged breach of this License Agreement by the Licensor shall be deemed to be "corrected" if both the Licensor and the Licensee agree in writing that the alleged breach or violation has been corrected.

(B) The Licensee must give the Licensor immediate written notice of an alleged breach or violation of this License Agreement after the Licensee has knowledge of, determines, or is of the opinion that there has been an alleged breach or violation of this License Agreement by the Licensor. If the Licensee fails to give written notice to the Licensor for an alleged breach of this License Agreement within one (1) year from the date that the Licensee has knowledge of, determines, or is of the opinion that there has been an alleged breach by the Licensor, then the alleged breach shall be deemed condoned and waived by the Licensee, and the alleged breach or violation shall not be deemed a breach or violation of this License Agreement by the Licensor.

(C) Notwithstanding any of the foregoing provisions, if the Licensee gives the Licensor any notice of an alleged breach or violation of this License Agreement or of any laws that gives rise to the termination of this License Agreement by the Licensee, the Licensor shall have the absolute right to immediately commence action against the Licensee to seek to enjoin and prevent the termination of this License Agreement without giving the Licensee any notice and without regard to any waiting period that may be contained in this License Agreement. If the Licensor commences such action against the Licensee, then the Licensee will not have the right to terminate this License Agreement unless and until an arbitrator has ruled on the merits that the Licensor has breached this License Agreement in the manner alleged by the Licensee, and then only if the Licensor fails to correct the breach or violation determined by the arbitrator within thirty (30) days after a final decision has been made against the Licensor and all time for appeals by the Licensor has expired. If

the Licensor commences an action against the Licensee as contemplated by this provision for injunctive relief against the Licensee to enjoin termination of this License Agreement, then the Licensor shall not be required to post any bonds or security whatever in such a legal action.

ARTICLE 10 – LICENSEE'S OBLIGATIONS UPON TERMINATION

(A) In the event this License Agreement is terminated for any reason, then the Licensee will: (1) within five (5) days after termination, pay all amounts due and owing to the Licensor; (2) return to the Licensor by first class prepaid mail all manuals, advertising materials, receipt books, and all other printed materials pertaining to the operation of the licensed business; and (3) comply with all other applicable provisions of this License Agreement.

(B) Upon termination of this License Agreement for any reason, the Licensee's right to use the name "Kennedy Transmission® Brake & Auto Service" and all other Marks and the Business System shall terminate immediately, and the Licensee agrees and warrants never to use any names, marks, commercial symbols or the Business System or any combination of words or symbols which would suggest the same meaning or would in any way be confusingly similar to any of the Marks or the Business System of the Licensor.

(C) In the event the Licensed Location ever ceases to be used as a Kennedy Transmission® Brake & Auto Service business, then the Licensee will modify and change, at its expense, both the exterior and interior appearance of the Licensed Location including the removal of all signs so that it will be easily distinguished from the standard appearance of a Kennedy Transmission® Brake & Auto Service business.

(D) Upon termination or expiration of this License Agreement, the Licensor shall have the right to notify the telephone company and all listing agencies of the termination or expiration of the Licensee's right to use all telephone numbers and all classified and other directory listings under the "Kennedy Transmission® Brake & Auto Service" name and to authorize the telephone company and all listing agencies to transfer to the Licensor or its assignee all telephone numbers and directory listings of the Licensee's Kennedy Transmission® Brake & Auto Service business. The Licensee acknowledges that the Licensor has the absolute right and interest in and to all telephone numbers and directory listings associated with the Marks and the Licensee hereby authorizes the Licensor to direct the telephone company and all listing agencies to transfer all telephone numbers and directory listings to the Licensor or its assignee if this License Agreement is terminated for any reason. The telephone company and all listing agencies may accept this License Agreement as evidence of the exclusive rights of the Licensor to such telephone numbers and directory listings and this License Agreement shall constitute the authority from the Licensee for the telephone company and listing agency to transfer all Kennedy Transmission® Brake & Auto Service telephone numbers and directory listings to the Licensor.

ARTICLE 11 – LICENSEE'S COVENANTS NOT TO COMPETE

(A) The Licensee, the Licensee's shareholders (if any) and the Personal Guarantors (if any) will not, during the term of this License Agreement, on their own account or as an employee,

agent, consultant, partner, officer, director, or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any transmission business or other related business, that is in any way competitive with or similar to the Kennedy Transmission® Brake & Auto Service business conducted by the Licensor or the Licensor's licensees, except with the prior written consent of the Licensor.

(B) The Licensee, the Licensee's shareholders (if any) and the Personal Guarantors (if any) will not, for a period of two (2) years after the termination of this License Agreement, on their own account or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation, own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or entity engaged in any transmission business or other related business that is in any way competitive with or similar to the Kennedy Transmission® Brake & Auto Service business conducted by the Licensor or the Licensor's licensees, which is located within ten (10) miles of either the Licensed Location or any existing Kennedy Transmission® Brake & Auto Service business operated by the Licensor or any of the Licensor's licensees. The Licensee, the Licensee's shareholders (if any) and the Personal Guarantors (if any) expressly agree that the two (2) years period and the ten (10) mile limit are the reasonable and necessary time and distance needed to protect the Licensor and the Licensor's licensees if this License Agreement is terminated for any reason.

(C) The Licensee, the Licensee's shareholders (if any) and the Personal Guarantors (if any) agree that the provisions of this Article are necessary to protect the legitimate business interests of the Licensor and the Licensor's licensees and to prevent the unauthorized dissemination of confidential information to competitors of the Licensor and the Licensor's licensees. The Licensee, the Licensee's shareholders (if any) and the Personal Guarantors (if any) also agree that damages alone cannot adequately compensate the Licensor if there is a violation of this Article by the Licensee and that injunctive relief against the Licensee is essential for the protection of the Licensor and the Licensor's licensees. The Licensee, the Licensee's shareholders (if any) and the Personal Guarantors (if any) agree therefore, that if the Licensor alleges that the Licensee, the Licensee's shareholders (if any) or the Personal Guarantors (if any) have breached or violated this Article, then the Licensor shall have the right to seek injunctive relief against the Licensee, the Licensee's shareholders (if any) and the Personal Guarantors (if any), which, in the discretion of the Court, may be granted without posting any bond or security, in addition to all other legal remedies that may be available to the Licensor through arbitration pursuant to the provisions of Article 20(B). In cases where the Licensor is granted ex parte injunctive relief against the Licensee, the Licensee's shareholders (if any) or the Licensee's Personal Guarantors (if any), then the Licensee, the Licensee's shareholders (if any) or the Personal Guarantors (if any) shall have the right to petition the court for a hearing on the merits at the earliest time convenient to the court.

(D) The parties to this License Agreement acknowledge and agree that if any part of this Article is adjudicated to be invalid or unenforceable, this Article shall be deemed amended to modify or delete that portion thus adjudicated to be invalid or unenforceable, such modification or deletion to apply only with respect to the operation of this Article and the particular jurisdiction in which said adjudication is made. Further, to the extent any provision of this Article is deemed unenforceable by

virtue of its scope or limitation, the parties to this License Agreement agree that the scope and limitation provisions shall, nevertheless, be enforceable to the fullest extent permissible under the laws and public policies applied in such jurisdiction where enforcement is sought.

(E) The Licensee's Service Manager and any other employees of the Licensee who have managerial duties with respect to the licensed business and confidential knowledge of all or any material portion of the Kennedy Transmission® Brake & Auto Service Business System shall execute non-compete agreements, in form acceptable to the Licensor, whereby such individuals agree to abide by the restrictions set forth in this Article 11. Copies of the executed agreements shall be submitted to the Licensor upon request.

ARTICLE 12 – LICENSOR'S RIGHT OF FIRST REFUSAL TO PURCHASE OR LEASE

(A) The Licensee will not sell, assign, trade, transfer, lease, sublease, or otherwise dispose of any interest in or any part of: (1) the Licensee's Kennedy Transmission® Brake & Auto Service business; (2) the Licensed Location; (3) the land and building; (4) the lease agreement for land and building; (5) the furniture, fixtures, equipment, and tools used in or in connection with the Licensee's Kennedy Transmission® Brake & Auto Service business; or (6) this License Agreement, without first offering the same to the Licensor, in a written offer that contains all material terms and conditions of the proposed sale or transfer including price and payment terms. The Licensor may accept in writing at any time within sixty (60) days from receipt of the written offer by the Licensee.

If the Licensor declines, or does not accept the Licensee's offer specifying the proposed price and terms of the proposed sale, within sixty (60) days, then the Licensee may thereafter consummate the transaction described in the written notice to the Licensor, but not at a lower price nor on more favorable terms than have been offered to the Licensor in writing. If the transaction is not completed by the Licensee within six (6) months from the date it is offered to the Licensor, then the Licensee must re-offer it to the Licensor prior to the sale or disposition to a third party after that period of time.

(B) If the Licensee is a corporation, then the shares of capital stock of the Licensee ("capital stock"), may not be sold, pledged, assigned, traded, transferred or otherwise disposed of by the shareholders until the capital stock has been first offered to the Licensor in writing under the same terms and conditions offered to any third party. The Licensor shall have sixty (60) days to accept or reject any offer made by the Licensee's shareholders for the purchase of their capital stock. Notwithstanding the terms of this Article, a shareholder of the Licensee may bequeath, sell, assign, trade or transfer his or her capital stock in the Licensee to the Licensee or other shareholders of the Licensee because of death or permanent disability without first offering it to the Licensor: however, the Licensee must provide the Licensor with timely written notice of all such transactions. The assignment of the License Agreement to the beneficiary, purchaser, transferee, or assignee shall not be valid or effective until the Licensor has received the properly executed legal documents which its legal counsel deems necessary to properly and legally document the bequeath, sale, assignment or transfer of this License Agreement, and until the beneficiary, purchaser, transferee, or assignee agrees in writing to be unconditionally bound by the terms and conditions of this License Agreement. All shares of capital stock issued by the Licensee to its shareholders must bear the following legend:

The shares of capital stock represented by this stock certificate are subject to a written License Agreement which grants Kennedy Franchising USA, Inc. the right of first refusal to purchase these shares of capital stock from the shareholder.

(C) Any shareholder of the Licensee that sells or assigns his or her capital stock in the Licensee shall be subject to the provisions of Article 11 of this License Agreement after the sale or assignment.

ARTICLE 13 - TRAINING PROGRAM

(A) The Licensor will provide a training program in Minneapolis, Minnesota (or such other location designated by the Licensor) for the Licensee, its Service Manager (if any) and other key employees to acquaint them with the operations of the licensed transmission repair and service business. The period of the training program will be at the discretion of the Licensor, but generally shall not be less than three (3) weeks, and shall be scheduled by the Licensor in its sole discretion. The Licensee may not commence the licensed business until the Licensee and its Service Manager (if any) have successfully completed the training program, to Licensor's satisfaction. If the Licensee fails to successfully complete the training program, the Licensor shall have the right to terminate this License Agreement. In the event of termination hereunder, the Licensor will refund a portion of the Initial Service Fee to the Licensee as set forth in Article 4 above. The Licensee will not be charged a fee for this training program, although the Licensor will charge a training fee for attendance at the program by the Licensee's Service Manager (if such person is not the Licensee) and other key employees of the Licensee.

(B) During the training program, the Licensee is required to provide and pay for any room and board for all persons attending the Licensor's training program on behalf of the Licensee. The Licensee shall pay the salaries and payroll taxes, unemployment compensation insurance, fringe benefits, travel costs and all other expenses for all persons sent to the training program by the Licensee, and shall comply with all applicable state and federal laws pertaining to employees.

(C) The Licensor shall have the right to approve any Service Manager or new transmission rebuilders or brake person hired by the Licensee. Any new Service Manager shall attend the initial training program and any new transmission rebuilders shall attend one (1) week of on-the-job training approved by the Licensor. The Licensee shall be liable for all costs and expenses of such training, including any training fees charged by the Licensor.

ARTICLE 14 – LICENSOR'S OTHER OBLIGATIONS

Consistent with the uniform standards, the Licensor will, at its expense: (A) provide a schedule of all approved fixtures, parts and equipment required to be used at the Licensed Location in the operation of the Licensee's Kennedy Transmission® Brake & Auto Service business; (B) make available to the Licensee such information as the Licensor may have as to financing, and to assist the Licensee in securing credit arrangements and financial assistance (however, the Licensor

will not obtain or provide any financing for the Licensee); (C) use reasonable means to assist the Licensee in installing the systems, methods and procedures for the business operations prescribed by the Licensor; (D) inspect and photograph the Licensee's business as often as the Licensor deems necessary; (E) make available to the Licensee, at the Licensee's expense, forms, brochures, bulletins and procedures, signs and other advertising displaying the Licensor's Marks; (F) make advertising materials and advice available for local advertising; and (G) provide, at the Licensee's request, consultation on any aspect of management of a Kennedy Transmission® Brake & Auto Service business.

ARTICLE 15 - APPROVED SIGN

(A) The Licensee will, at its expense, purchase from Licensor's approved sign vendor the standard Kennedy Transmission® Brake & Auto Service signs ("Signs") which shall be displayed at the Licensed Location. The Licensee will pay for all costs incurred in connection with the erection and installation of the Signs. The Signs must conform exactly to the Licensor's standard Sign plans and specifications and shall be installed at the Licensed Location precisely in the place, location and manner specified by the Licensor in writing.

(B) The Licensee will, at its expense, be responsible for any and all permits, licenses, repairs, maintenance, utilities, insurance, taxes, assessments and levies in connection with the installation or use of the Signs.

(C) The Licensee may not alter, remove, change, modify, or redesign the Signs unless approved by the Licensor in writing. The Licensor shall have the right to inspect, examine, videotape and photograph the Signs at any time during the term of this License Agreement.

(D) The Licensor shall have the unilateral right to redesign the Signs plans and specifications during the term of this License Agreement without the approval or consent of the Licensee. In that event, the Licensee must, at its expense, either modify or replace one or more of its Signs so that the Signs displayed at the Licensed Location will comply with the Licensor's redesigned Sign plans and specifications. The Licensee shall not be required to modify or replace its Signs more than once every five (5) years commencing with the date of this License Agreement.

(E) The Licensee will, at its expense, remove the Kennedy Transmission® Brake & Auto Service Signs upon the termination or expiration of this License Agreement.

(F) The Licensor shall be entitled to seek injunctive relief against the Licensee, which in the discretion of the Court may be granted without posting any bond or security, to enforce the provisions of this Article 15.

ARTICLE 16 - INSURANCE

(A) The Licensee shall procure and maintain in full force and effect, at its sole cost and expense, an insurance policy or policies insuring the Licensee, the Licensor, and their respective officers, directors and employees from and against any loss, liability, claim or expense of any kind

whatsoever including fire, bodily injury, personal injury, death, property damage, products liability, malpractice and all other occurrences resulting from the condition, operation, use, business, or occupancy of the Licensee's Kennedy Transmission® Brake & Auto Service business including, if applicable, the surrounding premises, the parking area and the sidewalks of the Licensed Location.

(B) The Licensee shall also procure and maintain in full force and effect, at its sole cost and expense, general automobile liability coverage and direct primary form customer automobile liability insurance (also known as garage-keepers insurance) insuring the Licensee, the Licensor, and their respective officers, directors, and employees from any and all loss, liability, claim or expense of any kind resulting from the use, operations or maintenance of any automobile or vehicle used in connection with the Licensee's Kennedy Transmission® Brake & Auto Service business.

(C) Liability coverages for both the general liability insurance coverage and automobile coverage shall have limits of at least Five Hundred Thousand Dollars (\$500,000) for each person and One Million Dollars (\$1,000,000) for each occurrence. The Licensee shall, where appropriate, also maintain "all risks" property insurance coverage for the machinery, equipment, fixtures, furnishings, inventory and signs at the Licensed Location with limits equal to at least "replacement" cost.

(D) All insurance companies must be creditworthy and must be licensed in the state where coverage is provided. The Licensee will provide the Licensor with certificates of insurance evidencing the required insurance coverage no later than the date the Licensee takes possession of the Licensed Location and shall provide, upon expiration, change or cancellation, new certificates of insurance to the Licensor.

(E) The Licensee will, at its sole cost and expense, procure and pay for all other insurance required by state and federal law, including workers' compensation insurance for its employees.

(F) All insurance policies shall name the Licensor as an additional insured, shall contain endorsements by the insurance companies waiving all rights of subrogation against the Licensor, and shall stipulate that the Licensor will receive copies of all notices of cancellation, nonrenewal, or coverage reduction or elimination at least thirty (30) days prior to the effective date of such cancellation, nonrenewal or coverage change.

(G) All liability insurance policies procured and maintained by the Licensee shall require the insurance companies to provide and pay for legal counsel to defend any legal actions, lawsuits or claims brought against the Licensee, the Licensor, and their respective officers, directors and employees.

ARTICLE 17 - INDEPENDENT CONTRACTORS: INDEMNIFICATION

(A) The Licensor and the Licensee are each independent contractors. The Licensee shall not make any agreements, representations or warranties in the name of or on behalf of the Licensor or represent that their relationship is other than that of licensor and licensee. Neither the Licensor nor the Licensee shall be obligated by or have any liability to the other under any agreements or representations made by the other to any third parties. The Licensor will not be obligated to any

person for any damages arising out of the operation of the Licensee's business that is conducted pursuant to this License Agreement. The Licensee will indemnify the Licensor against and will reimburse the Licensor for all such obligations and damages for which it is held liable and for all costs reasonably incurred by the Licensor in the defense of any such claim brought against it or in any action in which it is named as a party including costs for reasonable attorneys' fees, investigation expense, court costs, deposition expenses, and travel and living expenses. The Licensor shall always have the right to defend any claim made against it that results from the Licensee's Kennedy Transmission® Brake & Auto Service business.

(B) The Licensee will pay all costs and expenses, including reasonable attorneys' fees, incurred by the Licensor in any judicial action or arbitration proceeding to enforce any term, condition or provision of this License Agreement or to enjoin any violation of this License Agreement by the Licensee.

(C) The indemnification and other obligations contained herein shall continue in full force and effect subsequent to the expiration or termination of this License Agreement.

ARTICLE 18 - FINANCIAL MANAGEMENT, FINANCIAL STATEMENTS, SALES REPORTS, AND ACCOUNTING

(A) The Licensee will employ sound financial management and planning practices in connection with the Licensee's Kennedy Transmission® Brake & Auto Service business. To that end, the Licensee is required to prepare a business plan covering a period of not less than three (3) years. The Licensee must prepare and submit this business plan to the Licensor subsequent to execution of the License Agreement but prior to the commencement of Licensee's business. The business plan must include certain information prescribed by the Licensor. Licensor may, but is not obligated to, assist Licensee in the preparation of this business plan. Licensee shall maintain a rolling three (3) year plan throughout the duration of this License Agreement.

(B) The Licensee will, at its expense, provide the Licensor with a monthly balance sheet and statement of income and annual financial statements consisting of a balance sheet, statement of income, statement of changes in financial condition and explanatory footnotes. All financial statements provided to the Licensor for the Licensee's Kennedy Transmission® Brake & Auto Service business shall be verified by the Licensee, shall be presented in the exact form prescribed by the Licensor in writing, and shall be categorized according to the chart of accounts prescribed by the Licensor. These financial statements shall be prepared in accordance with generally accepted accounting principles applied on a consistent basis. The monthly financial statements shall be delivered to the Licensor by the Licensee within thirty (30) days after the end of each month, and the annual financial statements shall be delivered to the Licensor by the Licensee within ninety (90) days after the end of the Licensee's fiscal year. The Licensee's annual financial statements shall be prepared and reviewed by an independent certified public accountant prior to the time they are furnished to the Licensor. The Licensee's independent certified public accountant must be approved by the Licensor; however, such approval will not be unreasonably withheld.

(C) The Licensee will maintain an accurate written record of daily Gross Revenues and will remit a signed and verified statement of the weekly Gross Revenues generated from the Licensee's Kennedy Transmission® Brake & Auto Service business using such forms as the Licensor may prescribe in writing. The weekly statement of Gross Revenues for the preceding week shall accompany the Licensee's weekly Continuing Royalties and Advertising Fees and, thus, shall be provided to the Licensor on or before Wednesday of each week for the preceding week, or the next business day if that Wednesday is not a business day observed by Licensor.

(D) The Licensee will make all of its books and records available to the Licensor at all reasonable times for review and audit by the Licensor or its designee, and the books and records for each fiscal year shall be kept in a secure place by the Licensee for at least five (5) years. In the event that an audit by the Licensor results in a determination that the weekly Continuing Royalties payable to the Licensor are underpaid by more than one percent (1%), then the Licensee shall pay the Licensor all costs and expenses that it has incurred as a result of the audit.

(E) Within thirty (30) days after the end of each calendar quarter, the Licensee will provide the Licensor with: (1) a written certification that all federal and state social security taxes, payroll taxes, withholding taxes, unemployment taxes, income taxes, and sales and use taxes have been paid for the quarter; and (2) a copy of the federal and state reports and returns filed with the applicable governmental agency for the quarter, including the forms prescribed by the Internal Revenue Service.

(F) Within ninety (90) days after the end of the Licensee's fiscal year, the Licensee shall provide the Licensor with: (1) a verified copy of all federal and state income tax returns filed by the Licensee; and (2) an opinion letter from the Licensee's independent certified public accountant and addressed to the Licensor stating whether or not (a) all required federal and state sales tax returns, payroll and withholding tax returns, unemployment tax returns and income tax returns have been filed by the Licensee; (b) all federal and state sales taxes, payroll and withholding taxes, employment taxes and income taxes have been paid by the Licensee; and (c) all federal and state franchise and other taxes have been paid by the Licensee as required by law. In addition, Licensor or its designated agents shall have the right at all reasonable times to examine and copy, at Licensor's expense, the books, records, and tax returns of Licensee and the Licensed Location. Licensee agrees to execute, at Licensor's request, a Power of Attorney, I.R.S. Form 4506, or similar document to authorize Licensor to obtain copies of Licensee's previous years' tax filings from federal or state tax authorities.

ARTICLE 19 - ASSIGNMENT OF LICENSE AGREEMENT

(A) This License Agreement and all rights hereunder may be assigned and transferred by the Licensor by giving thirty (30) days written notice to the Licensee and shall inure to the benefit of the Licensor's successors and assigns. Any such assignment or transfer shall require the assignee to fulfill the Licensor's obligations under this License Agreement.

(B) If the Licensee is an individual or a group of individuals (partnership or joint venture), then the License Agreement may be transferred or assigned by the Licensee to a

corporation which is owned or controlled by the Licensee, provided that the Licensee and all the shareholders of the corporation owning ten percent (10%) or more of the capital stock (including shareholders who later accumulate, in one or more transactions, ten percent (10%)) sign or have signed a personal guaranty as to the performance of the terms and conditions of this License Agreement, and further provided that the Licensee furnishes prior written proof to the Licensor that the corporation will be financially able to perform all of the terms and conditions of this License Agreement. The Licensee will give the Licensor fifteen (15) days written notice prior to the proposed date of assignment or transfer of this License Agreement to an owned or controlled corporation of the Licensee; however, the transfer or assignment of the License Agreement shall not be valid or effective until the Licensor has received the legal documents which its legal counsel deems necessary to properly and legally document the transfer or assignment of this License Agreement to the corporation, as provided herein.

(C) If the Licensee is an individual, then in the event of the death or permanent disability of the Licensee, this License Agreement may be assigned, transferred or bequeathed by the Licensee to any designated person, persons or heirs. However, the assignment of this License Agreement to the transferee, assignee or beneficiary of the Licensee shall not be valid or effective until the Licensor has received the properly executed legal documents which its legal counsel deems necessary to properly and legally document the transfer, assignment or bequeath of the License Agreement, and until the transferee, assignee or beneficiary agrees to be bound by the terms and conditions of this License Agreement. In addition, the transferee may not manage or operate the licensed business unless such person is approved in writing by the Licensor.

(D) The Licensor's consent to any transfer or assignment of this License Agreement shall not release the Licensee from the performance of its obligations under this License Agreement.

(E) The rights and duties set forth in this License Agreement are personal to the Licensee. The Licensor has granted this license to the Licensee in reliance on the Licensee's or its present owners' business skill, financial capacity and personal character. Accordingly, neither the Licensee, nor any partner or shareholder of the Licensee who is a party to this License Agreement, shall sell, assign, transfer, pledge or otherwise encumber any interest in this License Agreement or in the Licensee without the prior written consent of the Licensor under Article 19(F) below. Any attempt to do so without the written consent of the Licensor shall be null and void and shall constitute a material breach of this Agreement, for which the Licensor may then terminate without opportunity to cure pursuant to Article 8 above. Upon any transfer by the owner of any shares or general partnership interest or other voting capital interest in the Licensee to any person or entity not at that time already a shareholder, general partner, or other voting capital interest holder in the Licensee, such transferring owner shall, prior to effectuating any such transfer, cause the transferee to execute a counterpart of this License Agreement and of a written agreement in form satisfactory to the Licensor assuming and agreeing to discharge all of the Licensee's obligations and covenants under this License Agreement.

(F) The Licensor shall not unreasonably withhold its consent to a transfer of any interest in the Licensee, in the license or in this License Agreement; provided, however, that if a transfer, alone or together with other previous, simultaneous, or proposed transfers, would have the effect of

transferring operating control in the licensed business (without limiting the generality of the foregoing, a transfer of operating control shall be deemed to occur at such time as when in any one or more transactions –whether related or unrelated– there is a change in the beneficial or record ownership of a majority in interest of the voting capital interests in the Licensee), or of this license itself, the Licensor may, in its sole discretion, require as conditions of approval that:

(a) All of the Licensee's monetary obligations due to the Licensor shall have been paid in full, and the Licensee shall not be in default under this License Agreement.

(b) The Licensee has executed a general release under seal, in a form satisfactory to the Licensor, releasing any and all common law and statutory claims that the Licensee may have against the Licensor and its officers, directors, shareholders, and employees, in their corporate and individual capacities.

(c) The Licensee has executed a written agreement in a form satisfactory to the Licensor, in which the Licensee agrees to observe all applicable post-term obligations and covenants contained in this License Agreement.

(d) The transferee-licensee and its shareholders agree to be personally liable to discharge all of the Licensee's obligations under this License Agreement, and shall enter into a written agreement in a form satisfactory to the Licensor assuming and agreeing to discharge all of the Licensee's obligations and covenants under this License Agreement.

(e) The transferee-licensee has demonstrated to the Licensor's satisfaction that it meets the Licensor's managerial, financial, and business standards for new licensees, possesses a good business reputation and credit rating, and possesses the aptitude and ability to conduct the licensed business (as may be evidenced by prior related business experience or otherwise).

(f) The transferee-licensee shall execute, upon the Licensor's request, and cause all parties having a legal or beneficial interest in the transferee-licensee to execute, the Licensor's then-current standard License Agreement for a term ending with the term of this License Agreement, and such other ancillary agreements as the Licensor may require for the licensed business. The transferee-licensee shall not be required to pay an Initial Franchise fee, and shall pay the continuing Royalties and Advertising Fees to the Licensor at the rate specified in this License Agreement; however, the transferee-licensee shall be required to pay any additional fees not provided for in this License Agreement but which are required to be paid to the Licensor by other licensees pursuant to the terms of the then-current standard License Agreement.

(g) The transferee-licensee must successfully complete the training program prescribed by the Licensor. The transferee-licensee will provide and pay for

the room and board of the persons attending the Licensor's training program, and will pay the salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, travel costs and other expenses for all persons sent to the training program.

(G) If pursuant to the terms of Article 19, this License Agreement is assigned, transferred or bequeathed to another person or entity, the Licensee will pay the Licensor a transfer fee of Seven Thousand Five Hundred Dollars (\$7,500). This fee is to cover the costs incurred by the Licensor for training of the new licensee, attorneys' fees, accountants' fees, out-of-pocket expense, long distance telephone calls, and the time of its employees; provided, however, that there will be no transfer fee in connection with any transfer pursuant to Article 19(B) of this License Agreement.

ARTICLE 20 - ENFORCEMENT

(A) The Licensor shall be entitled to seek the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this License Agreement from a Court of competent jurisdiction relating to: (1) the Licensee's use of the Marks or the Business System; (2) the obligations of the Licensee upon termination or expiration of this License Agreement; (3) assignment of the licensed business and ownership interests in Licensee; (4) any act or omission by the Licensee, the Licensee's business or the employees of the Licensee that, (a) constitutes a violation of any applicable law, ordinance or regulation, (b) is dishonest or misleading to customers or prospective customers of the Licensee's business or other Kennedy Transmission® Brake & Auto Service businesses, or constitutes a danger to employees or customers of the Licensee's business, or to the public, or may impair the goodwill associated with the Marks or the Business System. The Licensee will indemnify the Licensor for all costs that it incurs in any such proceedings, including reasonable attorneys' fees, expert witness fees, costs of investigation, court costs, deposition expenses, travel and living expenses and all other costs and damages incurred by the Licensor.

(B) Except as to those matters referenced in Articles 9(A) and (C), 11 (C) 15(E) and 20(A) wherein the initiation of Court proceedings are expressly authorized, or as otherwise required under any state or federal law, all disputes between Licensor and Licensee shall be resolved by binding arbitration before the American Arbitration Association only in Minneapolis, Minnesota pursuant to such rules of said Association as are in effect as of the date of the initiation of any such arbitration proceeding. The arbitrator shall be authorized to make such findings of fact and award such damages as the arbitrator shall see fit, and either Licensor or Licensee shall be authorized to enter any arbitrator decision or award as a judgment in a Court of competent jurisdiction.

(C) All provisions of this License Agreement are severable and this License Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this License Agreement than is required hereunder or the taking of some other action not required hereunder, or if under any applicable law or rule of any jurisdiction, any provision of this License Agreement or any specification, standard or operating

procedure prescribed by the Licensor is invalid or unenforceable, the prior notice or other action required by such law or rule shall be substituted for the notice requirements hereof, or such invalid or unenforceable provision, specification, standard or operating procedure shall be modified to the extent required to be valid and enforceable. Such modifications to this License Agreement shall be effective only in such jurisdiction and shall be enforced as originally made and entered into in all other jurisdictions.

(D) The Licensor and the Licensee may by written instrument signed by both the Licensor and the Licensee waive any obligation of or restriction upon the other under this License Agreement. Acceptance by the Licensor of any payment by the Licensee and the failure, refusal or neglect of the Licensor to exercise any right under this License Agreement or to insist upon full compliance by the Licensee of its obligations hereunder, including any mandatory specification, standard or operating procedure, shall not constitute a waiver by the Licensor of any provision of this License Agreement.

(E) The Licensee will not, on grounds of the alleged nonperformance by the Licensor of any of its obligations hereunder, withhold payment of any Continuing Royalties, Advertising Fees, or any other payments due the Licensor under this License Agreement. The Licensee shall not have the right to "offset" any liquidated or unliquidated amounts allegedly due to the Licensee from the Licensor against the Continuing Royalties, Advertising Fees or any other payments due to the Licensor under this License Agreement.

(F) The rights of the Licensor hereunder are cumulative and no exercise or enforcement by the Licensor of any right or remedy hereunder shall preclude the exercise or enforcement by the Licensor of any other right or remedy hereunder or which the Licensor is entitled by law to enforce.

(G) Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act. 15 U.S.C. § 1051, et. seq.), this License Agreement and the relationship between the Licensor and the Licensee shall be governed by the laws of the state in which the Licensed Location is located.

(H) This License Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest.

(I) This License Agreement supersedes and terminates all prior agreements, either oral or in writing, between the parties and therefore, any representations, inducements, promises or agreements between the parties not contained in this License Agreement or not in writing signed by the Licensor and the Licensee shall not be enforceable. The preambles are a part of this License Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between the Licensor and the Licensee relating to the subject matter of this License Agreement.

(J) The headings of the Articles are for convenience only and do not define, limit or construe the contents of such Articles. The term "Licensee" as used herein is applicable to one or more persons, a corporation or a partnership, as the case may be, and the singular usage includes the plural, the masculine usage includes the neuter and the feminine, and the neuter usage includes the

masculine and the feminine. References to "Licensee," "assignee" and "transferee" which are applicable to an individual or individuals shall mean the principal owner or owners of the equity or operating control of the Licensee or any such assignee or transferee if the Licensee or such assignee or transferee is a corporation or partnership. If the Licensee consists of more than one individual, then all individuals shall be bound jointly and severally by the terms and conditions of this License Agreement.

ARTICLE 21 - NOTICES

All notices to the Licensor shall be by personal service upon an officer of the Licensor or sent by prepaid registered or certified mail, addressed to the Licensor at the Licensor's principal place of business or such other address as the Licensor may designate in writing. All notices to the Licensee shall be by personal service upon the Licensee or sent by prepaid registered or certified mail addressed to the Licensee at the Licensed Location, or such other address as the Licensee may designate in writing.

ARTICLE 22 - AGREEMENTS NOT TO BE CONSTRUED AS JOINT VENTURE, PARTNERSHIP, AGENCY, ETC.

The Licensor and the Licensee are not and shall not be considered as joint venturers, partners, agents, servants, employees, fiduciaries, or representatives of each other, and none shall have the power to bind or obligate the other, except as specifically set forth in this License Agreement.

ARTICLE 23 - SEVERABILITY OF OBLIGATIONS

Should any part of this License Agreement, for any reason, be declared invalid by a Court of competent jurisdiction, such decision shall not affect the validity of any remaining portion, which shall remain in force and effect as if this License Agreement had been executed with the invalid portion eliminated, and it is the intention of the parties that they would have executed the remaining portion of this License Agreement without including any such part, parts or portion which may, for any reason, be declared invalid.

ARTICLE 24 - DEFINITIONS

For purposes of this License Agreement, the following terms shall have the following definitions:

(A) "Abandon" the licensed business as used in Article 8(A)(10) shall mean that the conduct of the Licensee, including acts of omission as well as commission, indicates a willingness, desire or intent to discontinue its participation in the licensed business in accordance with the quality standards, uniform requirements and Business System. In the event Licensee's Kennedy Transmission® Brake & Auto Service business is closed for a period of three or more consecutive business days without Licensor's prior written consent, such closure shall constitute voluntary abandonment of the licensed business by Licensee.

(B) "Business System" shall mean the distinctive goods and services which are associated with the trademarks, trade names, service marks, designs, decor, slogans, signs, logos, commercial symbols and color combinations of the Licensor. "Business System" shall include all of the standards, procedures, specifications, requirements and instructions promulgated by the Licensor.

(C) "Gross Revenues" shall mean the total dollar income for the Licensee's Kennedy Transmission® Brake & Auto Service business from all cash, credit, and charge sales of every kind and nature made at or from the Licensee's Kennedy Transmission® Brake & Auto Service business, including but not limited to, income from wholesale parts sales, retail parts sales, supplies and accessories sales, repair charges, service charges, bench charges and labor charges. "Gross Revenues" shall not include any sales tax, use or gross receipts tax imposed by any federal, state, or municipal or government authority directed upon sales, if (1) the amount of the tax is added to the selling price and is expressly charged to the customer, (2) a specified record is made at the time of each sale of the amount of such tax, and (3) the amount thereof is paid over to the appropriate taxing authority by the Licensee. In addition, "Gross Revenues" shall not include income from vending machines, nor any amounts collected from an ATRA warranty repair, and shall include only the net revenues derived from towing.

ARTICLE 25 - ACKNOWLEDGMENTS

(A) The Licensee acknowledges that it has conducted an independent investigation of the Kennedy Transmission® Brake & Auto Service business licensed hereunder, and recognizes that the business venture contemplated by this License Agreement involves business and economic risks and that the success of the business will be primarily dependent upon the personal efforts of the Licensee. The Licensor expressly disclaims the making of, and the Licensee acknowledges that it has not received, any estimates, projections, warranties or guaranties, express or implied, regarding potential gross revenues, profits, expenses or the financial success of the Licensee's Kennedy Transmission® Brake & Auto Service business.

(B) The Licensee acknowledges that the Licensor does not warrant or guarantee: (1) that the Licensee will derive income from the Licensee's Kennedy Transmission® Brake & Auto Service business; or (2) that the Licensor will refund all or part of the price paid for the Licensee's Kennedy Transmission® Brake & Auto Service business or repurchase any of the products, merchandise, furniture, fixtures, equipment, supplies or chattels supplied by the Licensor or an approved supplier, if the Licensee is unsatisfied with its Kennedy Transmission® Brake & Auto Service business.

(C) The Licensee acknowledges that the Licensor has recommended to the Licensee that the Licensee should retain legal counsel to review this License Agreement and advise the Licensee as to the terms and conditions of this License Agreement and the potential economic benefits and risks of loss relating to this License Agreement and the Kennedy Transmission® Brake & Auto Service business.

(D) The Licensee acknowledges that other licensees of the Licensor have or will be granted licenses or franchises at different times and in different situations, and further acknowledges

that the terms and conditions of such licenses or franchises may vary substantially in form and in substance from those contained in this License Agreement.

(E) The Licensee acknowledges that it received a copy of this License Agreement at least five (5) business days prior to the date that this License Agreement was executed. The Licensee further acknowledges that it has received a Franchise Disclosure Document at least ten (10) business days prior to the date on which this License Agreement was executed.

IN WITNESS WHEREOF, the Licensor and the Licensee have executed this License Agreement as of the day and year first above-written.

LICENSOR:

In the Presence of:

KENNEDY FRANCHISING USA, INC.

By: _____
Its: _____

TO THE LICENSEE:

THE LICENSOR DISCLAIMS ANY WARRANTY OR REPRESENTATION AS TO THE POTENTIAL FINANCIAL SUCCESS OF THE LICENSEE'S BUSINESS OPERATIONS UNDER THIS LICENSE AGREEMENT.

NOTE: This is a legal document which grants specific rights to and imposes certain obligations upon the Licensee. Consult legal counsel prior to the time that this License Agreement is signed to be sure that you understand your rights and obligations. Please insert the name and address of your attorney or other advisor below.

Attorney's Name: _____

Address: _____

City, State, Zip Code: _____

Telephone Number: _____

In the Presence of:

LICENSEE:

EXHIBIT A TO LICENSE AGREEMENT

PERSONAL GUARANTY

In consideration of the execution of this License Agreement by the Licensor, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, jointly, individually and severally guarantee the payment of all amounts and the performance of the covenants, terms and conditions in this License Agreement, to be paid, kept and performed by the Licensee.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in this License Agreement and agree that this Personal Guaranty should be construed as though the undersigned and each of them executed a License Agreement containing the identical terms and conditions of this License Agreement.

If any default should at any time be made therein by the Licensee, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay to the Licensor all monies due and payable to the Licensor under the terms and conditions of this License Agreement.

In addition, if the Licensee fails to comply with any other terms and conditions of this License Agreement, the undersigned, their heirs, successors and assigns, individually and jointly and severally, promise and agree to comply with the terms and conditions of this License Agreement for and on behalf of the Licensee.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guaranty shall inure to the benefit of the successors and assigns of the Licensor.

In the Presence of:

PERSONAL GUARANTORS

_____ Individually

_____ Address

_____ City State Zip Code

_____ Telephone Number

Individually

Address

City

State

Zip Code

Telephone Number

EXHIBIT B TO LICENSE AGREEMENT

AGREEMENT AND CONTINGENT ASSIGNMENT OF LEASE

This Agreement and Contingent Assignment of Lease ("Agreement") is made this _____ day of _____, _____, by and among the following parties:

LESSOR: _____

LESSEE: _____

LICENSOR: Kennedy Franchising USA, Inc.
2225 Daniels Street
Long Lake, Minnesota 55356

RECITALS

WHEREAS, under the terms of the Lease Agreement attached hereto as Exhibit A, Lessor has agreed to lease to Lessee certain premises (the "Premises") located at the following street address:

WHEREAS, Lessee has entered into a License Agreement with Licensor under which Lessee proposes to operate a Kennedy Transmission® Brake & Auto Service business to be located at the Premises;

WHEREAS, Licensor has accepted the Premises as a suitable location for Lessee's Kennedy Transmission® Brake & Auto Service business, subject to the provisions of the License Agreement and further subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, including the acceptance by Licensor of the Premises as a location for a Kennedy Transmission® Brake & Auto Service business, the parties hereby agree as follows:

1. Use of Premises. Lessee shall use the Premises only for the operation of a Kennedy Transmission® Brake & Auto Service business pursuant to its License Agreement with Licensor, and for no other purposes whatsoever.

2. Signage, Etc. Lessor hereby consents to Lessee's use and display on the Premises of such exterior and interior signs, posters, promotional materials, and equipment, furnishings, and decor as are currently required by Licensor pursuant to the License Agreement. In the event that such requirements are changed in the future, Lessor agrees that it will not unreasonably withhold its consent to Lessee's compliance with such changes. In the event that local ordinances or zoning requirements prohibit the use of Licensor's standard signage, Licensor will not unreasonably withhold its consent to the modification of its standard signage to comply with such requirements.

3. Notices. Lessor agrees to furnish Licensor copies of any and all letters and notices to Lessee pertaining to any default by Lessee under the Lease at the same time and in the same manner as any such notice is sent to Lessee. Lessee agrees to furnish Licensor prompt written notice of any and all amendments, waivers, extensions, renewals or other modifications of the Lease. All notices hereunder shall be mailed or delivered to the addresses set forth above, unless changed from time to time by any party through written notice mailed or delivered to the other parties.

4. Assignment. Lessor hereby acknowledges that Lessee has agreed under the License Agreement that, in the event of termination or expiration of the License Agreement or Lessee's default under the Lease, Lessee shall, at Licensor's option, assign to Licensor any and all interest of Lessee in the Lease, including any rights to renew the Lease or to sublease the Premises; and Lessor hereby consents to such assignment, subject to the following conditions:

(a) Licensor shall notify Lessor in writing within fifteen (15) days after termination or expiration of the License Agreement or Licensor's receipt of any notice of default by Lessee under the Lease if Licensor elects to accept assignment of the Lease; Licensor's failure to accept assignment of the Lease upon any default of Lessee under the Lease shall not be deemed a waiver of Licensor's future right to accept such assignment in the event of any future default by Lessee;

(b) If Licensor elects to accept assignment of the lease, Licensor shall execute and deliver to Lessor a lease containing the same terms and conditions (including rental rates) as the Lease; provided, however, that Licensor's leasehold interest shall not be subject to any defaults or claims that may exist between Lessor and Lessee;

(c) If Licensor elects to accept assignment of the Lease, Licensor shall take possession of the Premises within fifteen (15) days after notice of such election to Lessor, and Licensor shall commence payment of rent upon taking possession of the Premises;

(d) Nothing herein shall affect Lessor's right to recover from Lessee any and all amounts due under the Lease or to exercise any rights of Lessor against Lessee as provided under the Lease.

5. Assignment to Third Party. At any time after giving notice of its election to accept assignment of the Lease, Licensor may request to assign its lease, or sublease the Premises, to a third party. Lessor agrees not to unreasonably withhold its consent to any such assignment or sublease on the same terms as the Lease; provided, however, that if Lessor refuses to consent to such assignment or sublease by Licensor, Licensor shall have the right to revoke its acceptance of assignment of the Lease and shall have no further obligations thereunder.

6. Entry by Licensor. Lessor and Lessee hereby acknowledge that Lessee has agreed under the License Agreement that Licensor and its employees or agents shall have the right to enter the Kennedy Transmission® Brake & Auto Service business operated by Lessee at the Premises at any reasonable time for the purpose of conducting inspections, protecting Licensor's proprietary marks, and correcting deficiencies of Lessee. Lessor and Lessee hereby agree not to interfere with or prevent such entry by Licensor, its employees or agents.

7. De-Identification. Lessor and Lessee hereby acknowledge that in the event the License Agreement expires or is terminated, Lessee is obligated under the License Agreement to take certain steps to de-identify the location as a Kennedy Transmission® Brake & Auto Service business operated by Lessee. Lessor agrees to cooperate fully with Licensor in enforcing such provisions of the License Agreement against Lessee, including allowing Licensor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos of Licensor; provided, however, that Lessor shall not be required to bear any expense thereof. Lessee agrees that if Lessee fails to de-identify the Premises promptly upon termination or expiration as required under the License Agreement, Licensor may cause all required de-identification to be completed at Lessee's expense.

8. General Provisions.

(a) This Agreement shall run with the land and be binding upon the parties hereto and their successors, assigns, heirs, executors, and administrators. The rights and obligations herein contained shall continue notwithstanding changes in the persons or entities that may hold any leasehold or ownership in the land or building. Any party hereto may record this agreement or a memorandum hereof.

(b) Any party hereto may seek equitable relief, including without limitation injunctive relief or specific performance, for actual or threatened violation or non-performance of this Agreement by any other party. Such remedies shall be in addition to all other rights provided for under law or other agreements between any of the parties. The prevailing party in any action shall be entitled to recover its legal fees together with Court costs and expense of litigation.

(c) Nothing contained in this Agreement shall affect any term or condition in the License Agreement between Lessee and Licensor. Nothing herein shall be deemed to constitute a guaranty or endorsement by Licensor of the terms and conditions of the Lease between Lessor and Lessee. In

the event that Licensor, in its sole discretion, determines not to accept assignment of the Lease as permitted hereunder, neither Lessor nor the Lessee shall have any claims against Licensor. No terms or conditions contained in the Lease shall be binding on Licensor unless and until it elects to accept assignment of the Lease hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Witness:

LESSOR:

By: _____

Title: _____

LESSEE:

By: _____

Title: _____

LICENSOR:

KENNEDY FRANCHISING USA, INC.

By: _____

Title: _____

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:

State	Effective Date
MN	April 30, 202 4 ³

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

EXHIBIT F

RECEIPT

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 KFUI OFFERS YOU A FRANCHISE, IT MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR-DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, KFUI OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE **OR SOONER IF REQUIRED BY APPLICABLE STATE LAW.**

IF KFUI DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE STATE AGENCY LISTED ON EXHIBIT D.

I have received a Franchise Disclosure Document dated May 29, 2024, ~~2021~~, 2025. This disclosure document included the following Exhibits: List of Franchised Stores (Exhibit A), KFUI's Audited Financial Statements (Exhibit B), Kennedy Transmission® License Agreement (Exhibit C), and List of State Administrators/Agents for Service of Process (Exhibit D), Kennedy Transmission® Brake & Auto Service Sublease (Exhibit E), and Receipt (Exhibit F).

Date

Prospective Franchisee

This copy should be completed and forwarded to:

S. Todd Rapp, P.A.
13316 Caffrey Ave
Rosemount, MN 55068

RECEIPT

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Date

Prospective Franchisee

This copy should be completed and forwarded to:

Kennedy Franchising USA, Inc.
2225 Daniels Street
Long Lake, Minnesota 55356

RECEIPT

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Date

Prospective Franchisee

Licensee's Copy