

## FRANCHISE DISCLOSURE DOCUMENT



**ProColor Collision USA LLC**  
a Delaware limited liability company

650 Pelham Boulevard, Suite 100  
St. Paul, Minnesota 55114  
952-944-8000  
[www.ProColorUSA.com](http://www.ProColorUSA.com)

The franchise offered is for the operation of a full-service auto collision repair facility under the “ProColor Collision” service mark that provides certain automotive repair and replacement products and services using Franchisor’s proprietary methods of operation.

The total investment necessary to begin operation of a ProColor Collision franchise that is converted from an existing auto repair facility is \$38,300 to \$199,500. This includes \$10,000 to \$20,000 that must be paid to Franchisor or our affiliates. The total investment necessary to begin operation of a new ProColor Collision franchise is \$316,800 to \$3,129,500. This includes \$10,000 to \$20,000 that must be paid to Franchisor or our affiliates.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Kevin Beane at 650 Pelham Boulevard, Suite 100, St. Paul, Minnesota 55114 and 952-944-8000.

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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

**Issuance Date:** March 29, 2024

## How to Use This Franchise Disclosure Document

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

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

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

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 at a location selected by the mediator and/or 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 these locations than in your own state.
2. **Short Operating History.** This franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise with a longer operating history.
3. **Mandatory Minimum Payments.** If converting, you must make mandatory minimum royalty payments regardless of your sales levels. Your inability to make these 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.

**NOTICE MANDATED BY SECTION 8 OF  
MICHIGAN’S FRANCHISE INVESTMENT ACT**

The following is applicable to you if you are a Michigan resident or your franchise will be located in Michigan.

**The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.**

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

If the franchisee has any questions regarding this notice, those questions should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn.: Franchise, 525 West Ottawa Street, Lansing, Michigan 48909, telephone: (517) 373-7117.

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## EXHIBITS

Exhibit A.	State Specific Addenda to Disclosure Document
Exhibit B.	List of State Agencies and Agents for Service of Process
Exhibit C.	Table of Contents of Operations Manual
Exhibit D-1.	List of Current Franchisees
Exhibit D-2.	List of Former Franchisees
Exhibit E.	Financial Statements
Exhibit F.	Franchise Agreement, Personal Guaranty, Payment Authorization, and State Specific Addenda to Franchise Agreement
Exhibit G.	Electronic Transfer of Funds Authorization
Exhibit H.	Franchisee Questionnaire

**ITEM 1.**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language in this Disclosure Document, the “Company,” “we,” “us,” “our,” or the “Franchisor,” means ProColor Collision USA LLC. “You,” “your,” or the “Franchisee,” means the person, corporation, limited liability company, partnership, or other business entity that buys the franchise. If you are a corporation, limited liability company, partnership, or other entity, these terms also include your shareholders, members, partners, and owners who must sign a personal guaranty agreeing to comply with all provisions of the Franchise Agreement.

**The Franchisor**

We are a Delaware limited liability company formed on April 23, 2020. Our principal business address is 650 Pelham Boulevard, Suite 100, St. Paul, Minnesota 55114. We do business only under our company name, “ProColor”, “ProColor Collision”, and “ProColor Collision Center”.

Our agents for service of process are disclosed on Exhibit B.

**The Business**

We offer franchises for the development and operation of full-service auto collision repair facilities under the “ProColor Collision” service mark that provide certain automotive repair and replacement products and services using our proprietary methods of operation. These businesses are referred to in this Disclosure Document as “ProColor Collision Centers”. ProColor Collision Centers offer complete after-collision products and services, including appraisal, insurance billing, repair products and services, and after-care warranty under our National Warranty Program. These franchises will be operated under the ProColor Collision service mark and logo and other trademarks, trade names, service marks, and commercial symbols we may authorize (the “Marks”).

You will operate your ProColor Collision Center using our unique operating system and proprietary methods of operation, and other know-how, information, trade secrets, color and design schemes, uniforms, trade dress, layouts, equipment and supplies, advertising and promotion programs, claims management and insurance billing assistance, vendor relationships, training, and other confidential information, as well as our standards, designs, methods of trademark and service mark usage and research and development (the “System”). We may change or otherwise modify the System at any time as we see fit.

We prefer franchisees who will be owner-operators. In any event, your ProColor Collision Center must be directly supervised by an Operator, who may be the owner-operator and who will be responsible for the operation of the ProColor Collision Center. Your ProColor Collision Center will also require additional staff to service customers. Although no prior experience in operating a business is needed, we are looking for franchisees who have some prior business experience or a strong interest in motor vehicle repairs or collision work.

Franchise Agreement

Your ProColor Collision Center will typically be a conversion of an existing auto repair facility that you currently own to a ProColor Collision Center; however, your ProColor Collision Center

could also be a new auto repair facility that you develop. In either case, you must sign our standard franchise agreement if we grant you a ProColor Collision franchise, which is attached to this Disclosure Document as Exhibit F (the “Franchise Agreement”). The Franchise Agreement grants you the right to operate 1 ProColor Collision Center in your Territory. You may not operate an additional ProColor Collision Center, whether in your Territory or elsewhere, unless you acquire additional franchise rights from us and sign another Franchise Agreement. The ProColor Collision Center you operate may only provide the products and services we authorize. You must follow all of our policies and procedures when performing services including using the products we specify. We can add to, modify, or delete any products or services that you must offer or sell at any time as we determine, and change and modify our policies.

### **Predecessors, Parents, and Affiliates**

We are owned by Mondofix USA LLC (“Mondofix USA”), which is owned by Mondofix Inc. (“Mondofix”). Both Mondofix USA and Mondofix would be considered parents of ours. The principal business address of Mondofix USA is the same as ours. The principal business address of Mondofix is 99 Émilien Marcoux, Suite 101, Blainville, Quebec, J7C 0B4, Canada.

We have an affiliate that offers franchises that provide automotive repair and replacement products and services under the Carrossier ProColor service mark, as follows:

- Uni-Select Inc. operated a network of collision repair shops under the Carrossier ProColor service mark in Quebec, Canada since 2001. 11264621 Canada Inc., an affiliate of ours, purchased the Carrossier ProColor assets of Uni-Select Inc. in September 2019 and sold those rights to Mondofix in February 2020. Mondofix has operated the Carrossier ProColor network in Canada since then. As of December 31, 2023, there were 170 Carrossier ProColor member locations open in Canada. The principal business address of 11264621 Canada Inc. is 99 Émilien Marcoux, Suite 101, Blainville, Quebec, J7C 0B4, Canada.

We acquired from Mondofix the rights to use certain concepts, trade secrets, and other intellectual property used in the System, and therefore Mondofix would also be considered our predecessor.

We also have affiliates that offer franchises that provide automotive repair and replacement products and services under other service marks, as follows:

- Mondofix is the owner of the Fix Auto franchise system that offers auto body repair facilities and complete after-collision services. Mondofix has sub-licensed the Fix Auto brand to master franchisees in various parts of the world since May 2001. As of December 31, 2023, there were 630 Fix Auto locations open worldwide under licenses from Mondofix or Mondofix licensees or our affiliates, including those listed below where the direct franchisor is an affiliate of ours.
- Fix Auto Australia Pty Ltd., through its predecessor and directly since May 2017, has offered franchises under the Fix Auto service mark in Australia. As of December 31, 2023, Fix Auto Australia Pty Ltd. had 23 Fix Auto franchises open in Australia. The principal

business address of Fix Auto Australia is 9/197 Murarrie Road, Murarrie, Queensland 4172, Australia.

- Fix Auto FA 17 Deutschland GmbH has offered franchises under the Fix Auto service mark in Germany since 2018. As of December 31, 2023, it had 18 Fix Auto franchises open in Germany. The principal address of Fix Auto FA 17 Deutschland GmbH is Schillerstraße 4, 60313 Frankfurt am Main, Germany.
- Fix Auto Canada Inc. through its predecessors since 1992 and directly since May 2001, has offered franchises under the Fix Auto service mark in Canada. As of December 31, 2023, Fix Auto Canada Inc. had 247 Fix Auto franchises open in Canada. The principal business address of Fix Auto Canada Inc. is 99 Émilien Marcoux, Suite 101, Blainville, Quebec, J7C 0B4, Canada.
- Fix Auto Canada Inc. has offered franchises under the Collision Repair Experts service mark in Canada since 2016 that operate as production facilities for TD Auto Centres. As of December 31, 2023, it had 17 Collision Repair Experts franchises and 2 company-owned locations open in Canada.

We also have affiliates that offer franchises that provide glass repair and replacement products and services under other service marks, as follows:

- Novus Franchising 2 LLC, through its predecessors since December 1993 and directly since May 2017, has offered franchises under the Novus Glass service mark in the United States. As of December 31, 2023, Novus Franchising 2 LLC had 125 Novus Glass franchised and 28 company-owned locations open in the United States. The company-owned locations are owned by Speedy Novus Glass, LLC, an affiliate of ours. The principal business addresses of Novus Franchising 2 LLC and Speedy Novus Glass are the same as ours.
- Fix Auto Canada Inc. purchased Prime CarCare Group Inc. in June 2016. Prime CarCare Group Inc. has been the franchisor of automobile repair (mechanical), automotive glass, and automobile maintenance franchises under the names Minute Muffler & Brake (no longer offering new franchises), Speedy Auto Service and Novus Glass in Canada since 2009. As of December 31, 2023, Prime CarCare Group Inc. had 179 franchised locations and 9 company-owned locations open in Canada. The principal business address of Prime CarCare Group Inc. is 8400 Lawson Road, Unit 1, Milton, Ontario L9T 0J8, Canada.
- Fix Auto Australia Pty Ltd., through its predecessor and directly since May 2017, has offered franchises under the Novus Glass service mark in Australia. As of December 31, 2023, Fix Auto Australia Pty Ltd. had 35 Novus Glass franchises open in Australia. There is also a master franchisee in Western Australia and the Northern Territory, Australia, that had 15 Novus Glass franchisees operating as of December 31, 2023, and a master franchisee in New Zealand that had 47 Novus Glass franchisees, 7 authorized agents, 4 subcontractors, and 6 glass restoration (scratch removal) franchisees operating as of December 31, 2023.

- Mondofix, through its predecessor and directly since May 2017, has offered licenses under the Novus Glass service mark outside of the United States and Canada. As of December 31, 2023, Mondofix had 97 Novus Glass licensees open outside of the United States and Canada.

Other than provided above, we have no other parent, predecessor, or affiliate that offers franchises in any line of business or provides products or services to you.

### **Market and Competition**

ProColor Collision Centers offer automotive repair and replacement products and services and painting. The target market for your ProColor Collision Center is the general public, insurance companies and agencies, and corporate (fleet) accounts. While ProColor Collision Centers offer complete after-collision products and services, including appraisal, insurance billing, repair products and services, and after-care warranty, the collision repair business is well developed. You will compete with numerous other businesses, including automobile dealerships, collision repair facilities, repair centers, and painting centers. These businesses and similar businesses may be associated with national or regional chains or may be local independent operations.

Your ProColor Collision Center may experience some seasonality. For example, customer demand may vary in your market depending on the season if customers are more likely to get into collisions in certain weather conditions such as snow, ice, or rain.

### **Industry Specific Regulations**

The collision repair industry is regulated by local, state, and federal environmental laws on the use and disposal of certain hazardous waste. Your ProColor Collision Center must have a federal Environmental Protection Agency waste generation license. Local or state agencies may also require that your ProColor Collision Center have an air compressor operation permit, that its paint booth and paint storage area meet local and state fire codes, and that you use low VOC emission products. Your ProColor Collision Center may also need to have other permits and licenses. You must also comply with all zoning laws and regulations that apply to your ProColor Collision Center.

In addition to the specific laws discussed above, your ProColor Collision Center will be subject to local, state, and federal regulations that apply to all businesses, such as privacy and data security laws, the Americans With Disabilities Act, wage and hour laws, occupational health and safety, equal employment opportunity, taxes, and business licensing and permitting requirements.

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**ITEM 2.**  
**BUSINESS EXPERIENCE**

**President: Steve Leal**

Mr. Leal has been our President since our formation in April 2020. He has served as President of our affiliate, Mondofix USA LLC, since August 2017. He has served as President of Novus Franchising 2 LLC since May 2017. Mr. Leal also has served as the President of our affiliate, Fix Auto Canada Inc., since January 2013, and of our parent, Mondofix, since March 2014.

**Chief Financial Officer: Daniel Hogg**

Mr. Hogg has been our Chief Financial Officer since our formation in April 2020. He has served as Chief Financial Officer of our affiliate, Mondofix USA LLC, since August 2017. He has served as Chief Financial Officer of our affiliate, Novus Franchising 2 LLC, since May 2017. Mr. Hogg also has served as Chief Financial Officer of our affiliate, Fix Auto Canada Inc., since February 2013 and of our parent, Mondofix, since March 2014.

**Senior Vice President, Novus Franchising 2 LLC: Scott Bridges**

Mr. Bridges has been the Senior Vice President of our affiliate, Novus Franchising 2 LLC, since December 2022. From November 2020 to December 2022, Mr. Bridges served as the Vice President of Novus Franchising 2 LLC. From October 1998 to November 2020, Mr. Bridges served as the Vice President of Hertz Corp., a Car Rental company located in Denver, Colorado.

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### ITEM 3. LITIGATION

We are not a party to any litigation required to be disclosed in this Item.

The following matters relate to Mondofix and the Fix Auto system:

1. Mondofix Inc. and 79411 USA Inc., Case No. S17-082301-RG. 79411 USA Inc., through its subsidiary, offers and sells Fix Auto brand franchises in the United States pursuant to a master license agreement with Mondofix. 79411 USA Inc. initiated an arbitration proceeding on August 24, 2017 against Mondofix to challenge Mondofix's non-renewal of its license agreement. On January 30, 2020, the arbitration panel determined that the license agreement was to be renewed for an additional 10-year renewal period effective September 15, 2017.

2. Automotive Aftermarket Franchises Limited v. Mondofix, Inc., Case No. 2020/18422P, The High Court (Ireland). On December 16, 2020, the plaintiff commenced this proceeding against Mondofix with the High Court (Ireland), which relates to Mondofix's termination of certain agreements between the parties. According to the plaintiff's Plenary Summons, the plaintiff seeks (i) a declaration that Mondofix's termination notices were unlawful and a breach of the agreements, (ii) *inter alia* damages for alleged losses arising out of the termination of the agreements, misrepresentations made by Mondofix prior to execution of the agreements, breach of contract and negligence, along with interest on damages and costs relating to the proceeding, and (iii) interim/interlocutory relief, to the extent necessary. Mondofix filed an Appearance on December 21, 2020. The matter was settled on October 28, 2021, with Mondofix agreeing to not pursue the plaintiff for the outstanding amounts or damages for breaches outlined in the termination notices and the plaintiff discontinuing the action.

In 2023, neither we nor our affiliates initiated any lawsuits against ProColor Collision Center franchisees.

Other than these actions, no litigation is required to be disclosed in this Item.

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**ITEM 4.  
BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

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**ITEM 5.**  
**INITIAL FEES**

You must pay us an initial franchise fee of \$20,000 for a ProColor Collision Center franchise (the “Initial Franchise Fee”), due and payable when you sign the Franchise Agreement.

However, if you are an existing franchisee operating a ProColor Collision Center franchise in good standing (including current on all fees payable to us, our affiliates, and vendors) and you are purchasing an additional ProColor Collision Center franchise, or if you purchase multiple franchises from us at the same time, we will reduce the Initial Franchise Fee for the second and subsequent franchise to \$10,000. A reduced Initial Franchise Fee only applies to a Franchise Agreement you enter into with us during the time we offer the applicable program. We may modify or terminate these programs at any time, but no modification or termination will affect any Franchise Agreement you sign during the time the applicable program is offered.

The Initial Franchise Fee is fully earned by us when you sign the Franchise Agreement. It is nonrefundable and is not credited against any other obligation you have to us.

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**ITEM 6.  
OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Monthly Franchise Fee	The greater of \$2,000 per month or 3% of Gross Sales, subject to reduction if you are converting an existing auto repair facility to a ProColor Collision Center (Note 1)	Payable on the 15th day of each month for the prior month (Note 1)	(Note 1)
Marketing Fund Contribution	Currently, 0.75% of monthly Gross Sales (Note 2)	Payable on the 15th day of each month for the prior month (Note 2)	Marketing Fund Contributions are used for local, regional, or national advertising and promotions, public relations, market research, and Internet marketing.
Training Fees	Currently, a fee of \$200 to \$300 per day per trainer, plus travel expenses.	Upon demand	(Note 3)
Convention Fee	\$1,000 to \$1,500 for each person attending.	Upon demand	You must attend all national, regional and state meetings each year. Generally, there are 2 such meeting every year; and a national and state meeting on alternating years. In addition to the Convention Fee you pay us, you must pay your travel, lodging, and food expenses. (Note 4)

Type of Fee	Amount	Due Date	Remarks
Alternative Supplier Payments	Up to 2.6% of monthly Gross Sales (Notes 5 and 6)	Payable on the 15th day of the month (Notes 5 and 6)	Although most franchisees will not pay these fees, if you use other suppliers for certain supplies we may require these fees (Notes 5 and 6)
Promotional Inventory	Up to \$50 per month	Upon demand	You must occasionally purchase certain promotional items from us. We will automatically ship these items to you and you must pay our invoice upon receipt.
Insurance Accounts	Varies	(Note 7)	(Note 7)
National Warranty Program	Cost incurred by another franchisee to provide warranty service (Note 8)	Payable on the 15th day of the month following the service (Note 8)	(Note 8)
Renewal Fee	\$5,000	Before you renew your franchise	Payable only if you want to renew your franchise.
Transfer Fee	\$10,000	Before you transfer your franchise	Payable only if you seek to sell or transfer your business or an interest in it.
Insurance	Varies	Upon demand	If you fail to obtain the insurance coverage we require, and we obtain the insurance coverage for you, you must reimburse us for the insurance premiums.
Audit	Cost of audit	Upon demand	Payable only if we audit your records and the audit shows an understatement of at least 2% for any period.

Type of Fee	Amount	Due Date	Remarks
Indemnification	Varies	As incurred	You must reimburse us if we are sued or held liable for claims arising from your ProColor Collision Center.
Cost of Enforcement or Defense	All costs including accounting and attorneys' fees	As incurred	Payable only if we retain counsel following your breach of any obligation you have to us, or if we are successful in defending any claim you bring against us.
Default Reimbursement	All amounts we incur from remedying your default	Upon demand	Payable only if you default under the Franchise Agreement or other agreement and we remedy the default.
Interest	Lesser of 1.5% per month or highest rate of interest allowed by applicable law	As incurred	Payable on all overdue amounts.

Except as provided below, all fees are paid to us, are nonrefundable, and are uniform for all new franchisees. You must pay fees and other amounts due to us via electronic funds transfer or other similar means. To implement this procedure, you must sign an agreement authorizing us to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to us and any interest that may be owing. You will make the funds available to us for withdrawal by electronic transfer no later than the payment due date. A sample form of this authorization is attached to this Disclosure Document as Exhibit G.

If your state, or any governmental body in your state, charges a tax on any fee you owe to us or to our affiliates, then you must pay an additional amount equal to the amount of this tax. This does not apply to any federal or state income taxes we or our affiliates have to pay.

Note 1. If the ProColor Collision Center is a new business, or one that did not previously operate as an automotive repair center, then the Monthly Franchise Fee is the greater of \$2,000 or 3% of the Gross Sales of the ProColor Collision Center.

If the ProColor Collision Center was converted from an existing auto repair facility that was operating before you sign the Franchise Agreement, then the Monthly Franchise Fee is equal to the Monthly Base Franchise Fee plus the Monthly Growth Franchise Royalty. The “Monthly Base Franchise Fee” is an amount equal to the greater of \$2,000 or 1.5% of the Monthly Base Volume. The “Monthly Growth

Franchise Royalty” is 3% of the amount, if any, by which the monthly Gross Sales of the ProColor Collision Center exceeds the Monthly Base Volume for the preceding calendar month. The “Monthly Base Volume” is an amount equal to the Annual Base Volume divided by 12. The “Annual Base Volume” is the average annual Gross Sales of the ProColor Collision Center during the 3-year period immediately before the effective date of the Franchise Agreement, as calculated by us. If the ProColor Collision Center had been operating for less than 3 years as of this effective date, we will calculate the Annual Base Volume by annualizing the average monthly Gross Sales of the ProColor Collision Center from its opening date to this effective date. You must provide us all financial statements and other information that we reasonably request to verify the Gross Sales during the 3-year period before this effective date. We may adjust the Monthly Franchise Fee within 90 days of the end of your fiscal year. Any amount owed by us to you as a result of the adjustment will be credited to you against the amount of the remittance owing by you for the immediately following month, and any amount owed by you to us as a result of the adjustment will be paid to us with the remittance owing to us for the immediately following month.

“Gross Sales” means the entire amount of all revenues derived from the sale of motor vehicle body repair services, as well as other products and services that we may specify, and other income resulting from the operation of the ProColor Collision Center, whether performed at the location of your ProColor Collision Center or elsewhere, and whether payment is made by way of cash, credit, barter (based on the stated retail price of goods or services received), or otherwise, as well as proceeds from any business interruption insurance received with respect to the ProColor Collision Center. There will not be any deduction for uncollected or uncollectible credit accounts or any other matter, except for sums collected by you and paid to any governmental authority on account of any direct tax on retail sales made by you (but not income taxes). Excluded from Gross Sales are all sales of cars, as well as sales derived from the operation of other businesses at the premises not contemplated by the Franchise Agreement but which are complementary to the ProColor Collision Center, managed distinctly from the ProColor Collision Center, and approved in writing by us.

The first Monthly Franchise Fee is due on the 15th day following the month during which the ProColor Collision Center first opens for business, or in the case of an existing business, upon the earlier of the first day the business begins using the Marks or the first day it begins operating as a ProColor Collision Center. Subsequent Monthly Franchise Fees are due on the 15th day of each subsequent month, with the last Monthly Franchise Fee being due within 10 days following the termination or expiration of the Franchise Agreement. These payments must be made using the means specified from time to time by us (which may include pre-authorized inter-bank transfers or by set-off against any amounts we owe you).

Note 2. We have the right to create, maintain, administer and discontinue a general marketing fund or funds (the “Marketing Fund”). You must contribute to the Marketing Fund in each accounting period an amount equal to 0.75% of Gross Sales of your ProColor Collision Center; however, if a majority of all ProColor Collision

Centers in the United States agree, this amount may be increased at any time to no more than 1% of Gross Sales. Marketing Fund Contributions must be paid together with the Monthly Franchise Fees and will be based upon Gross Sales for the same period in which Monthly Franchise Fees are payable.

- Note 3. We may provide mandatory training. If we provide it, you or one of your personnel that we approve must attend the training. We currently charge \$200 to \$300 per day per trainer for this training, depending on the complexity of training required. You are required to reimburse us for third-party costs we incur in providing you such training (such as travel, lodging, and meal expenses).
- Note 4. You must pay these fees to cover the cost of these registrations, regardless of whether you attend the convention.
- Note 5. We have approved certain suppliers of products and services to be used by our franchisees and will provide you with a list of these approved suppliers. If upon signing the Franchise Agreement you currently operate an existing auto collision center that is subject to a vendor agreement with a paint supplier, and that agreement cannot be terminated by you without penalty, you may continue to purchase paint from that vendor for the remaining term of that agreement, but you must pay us an administrative fee of 1.6% of the prior month's Gross Sales during the term of that agreement.
- Note 6. You must purchase new (OEM), similar (aftermarket), and recycled parts from suppliers we may designate from time to time. This participation must be at least 85% of the total volume of OEM, aftermarket, and recycled parts purchases that you make for use in connection with the operation of your ProColor Collision Center, excluding sub-contract agreements with dealerships approved by us. If this participation percentage has not been reached, we will prepare a plan for compliance describing how you can meet this minimum participation requirement, and you must comply with this plan. If you are not in compliance with this plan within 90 days after receiving the plan (or a longer period provided in the plan), you must pay us an additional administrative fee of 1% of the prior month's Gross Sales. This fee is due on the 15th day of the month following the issuance by us of the quarterly report of your purchases.
- Note 7. We may negotiate volume rebates and other consideration which are to be paid by you to certain insurance companies (see Item 16). Accordingly, you must pay to these insurance companies the volume rebates or other consideration we require which are to be calculated using the formula negotiated by us based on the corresponding volume of business obtained by you from that insurance company or other criteria as we may establish, or we may deduct these amounts from any remittance paid to us by the insurance companies. Upon termination, expiration, or nonrenewal of your Franchise Agreement, we will pay all amounts owing to you out of these Insurers Account, but we will retain \$15,000 as a deposit to be used by us to honor any warranties or unpaid amounts that you owe to us or others for 18 months.

Note 8. You must participate in our National Warranty Program and warrant the products and services provided by your ProColor Collision Center to customers in accordance with the policies and procedures we specify (see Item 16). Before honoring a warranty issued to a customer, every ProColor Collision franchisee must prepare an estimate of the services required and submit it to us for prior approval. If upon receipt of an invoice for warranty service over \$100 from another ProColor Collision franchisee having honored a warranty issued by you, we will invoice you for the service. You must pay the invoice no later than on the 15th day of the following month. We may deduct any of these amounts from any payment to be made to you out of the Insurers Account.

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**ITEM 7.  
ESTIMATED INITIAL INVESTMENT**

**Converted ProColor Collision Center (Note 1)**

<b>YOUR ESTIMATED INITIAL INVESTMENT</b>					
<b>Type of Expenditure</b>	<b>Low Amount</b>	<b>High Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee (Note 3)	\$10,000	\$20,000	Lump sum	Upon signing Franchise Agreement	Us
Initial Training Program and Travel Costs (Note 4)	\$500	\$2,500	As agreed	As incurred	Vendors
Facility (Note 5)	\$0	\$30,000	As agreed	As incurred	Us and vendors
Furniture, Fixtures, and Equipment (Note 6)	\$15,000	\$30,000	As agreed	As incurred	Us and vendors
Signage	\$3,000	\$20,000	As agreed	As incurred	Vendors
Initial Inventory (Note 7)	\$1,000	\$10,000	As agreed	As incurred	Us and vendors
Technology (Note 8)	\$2,500	\$30,000	As agreed	As incurred	Us and vendors
Additional Funds – 3 Months (Note 9)	\$6,300	\$57,000	As agreed	As incurred	Us, vendors, and government agencies
<b>Total</b>	<b>\$38,300</b>	<b>\$199,500</b>			

## New ProColor Collision Center (Note 2)

<b>YOUR ESTIMATED INITIAL INVESTMENT</b>					
<b>Type of Expenditure</b>	<b>Low Amount</b>	<b>High Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee (Note 3)	\$10,000	\$20,000	Lump sum	Upon signing Franchise Agreement	Us
Initial Training Program and Travel Costs (Note 4)	\$500	\$2,500	As agreed	As incurred	Vendors
Facility (Note 5)	\$50,000	\$300,000	As agreed	As incurred	Us and vendors
Furniture, Fixtures, and Equipment (Note 6)	\$200,000	\$2,500,000	As agreed	As incurred	Us and vendors
Signage	\$5,000	\$20,000	As agreed	As incurred	Vendors
Initial Inventory (Note 7)	\$5,000	\$50,000	As agreed	As incurred	Us and vendors
Technology (Note 8)	\$10,000	\$30,000	As agreed	As incurred	Us and vendors
Additional Funds – 3 Months (Note 9)	\$36,300	\$207,000	As agreed	As incurred	Us, vendors, and government agencies
<b>Total</b>	<b>\$316,800</b>	<b>\$3,129,500</b>			

These estimates of your initial investment are based on our estimate of costs and market conditions prevailing as of the issuance date of this Disclosure Document. You should review these figures carefully with a business and a legal advisor before making any decision to purchase a franchise.

### Notes to All Tables

Note 1. This table is an estimate of your initial investment to convert an existing auto repair facility to a ProColor Collision Center. None of these payments are refundable (except as provided below). These estimates are based on our research of

conversion costs to convert an existing auto body shop under other trademarks and service marks.

Note 2. This table is an estimate of your initial investment to develop a new ProColor Collision Center. None of these payments are refundable (except as provided below). These estimates are based on the experiences of our affiliates in operating auto body shops under other trademarks and service marks.

Note 3. The Initial Franchise Fee is typically \$20,000. However, if you are an existing franchisee operating a ProColor Collision Center franchise in good standing (including current on all fees payable to us, our affiliates, and vendors) and you are purchasing an additional ProColor Collision Center franchise, or if you purchase multiple franchises from us at the same time, we will reduce the Initial Franchise Fee to \$10,000 for the second and subsequent franchises.

Note 4. We do not charge a fee for the Initial Training Program. You must pay for any airfare, meals, transportation costs, salaries, benefits, lodging, and incidental expenses for all attendees. The low estimate assumes only you, as the Owner and Operator of your ProColor Collision Center, attend the Initial Training Program and that you either drive to training or obtain a discounted airfare and budget hotel accommodations. The high estimate assumes only you, as the Owner and Operator of your ProColor Collision Center, attend the Initial Training Program and your travel costs are higher. Your actual costs will vary depending on the location of the Initial Training Program, distance to be traveled, your method of travel, and your personal circumstances. Your costs will also be higher if you have additional people attend this training.

Note 5. These estimates assume your ProColor Collision Center has between 10,000 and 15,000 square feet of production space, between 20,000 and 30,000 square feet of parking and yard space, and between 2,000 and 5,000 square feet of office space.

For a conversion of an existing auto repair facility to a ProColor Collision Center, the low estimate assumes your existing auto repair facility only requires minor leasehold improvements, and the high estimate assumes your existing facility requires more extensive changes to meet our standards (but does not require complete demolition of the interior or exterior). These estimates do not include rent costs as you are converting your existing auto repair facility, whether leased or owned, to a ProColor Collision Center.

For a newly developed ProColor Collision Center, the low estimate assumes you lease a new space that requires minor leasehold improvements, and the high estimate assumes you purchase and develop a new facility with a 20% down payment on a purchase price of \$1,000,000. If you lease a space, rent costs are generally between \$6 and \$20 per square foot, not including CAM or taxes, but may be higher in large metropolitan areas.

Note 6. Your ProColor Collision Center must be equipped with the minimum furniture, fixtures, and equipment that we require. Your investment will vary depending on the type and amount of furniture, fixtures, and equipment you purchase, and

whether you are converting an existing auto repair facility to a ProColor Collision Center or developing a new ProColor Collision Center.

Note 7. The initial inventory required for your ProColor Collision Center consists of supplies related to collision repair, including tape, paint, cleaning supplies, and paper supplies (including estimate sheets, invoices, and promotional material). These costs will vary based on the size of your ProColor Collision Center, the services you offer, and whether you are converting an existing auto repair facility to a ProColor Collision Center or developing a new ProColor Collision Center.

Note 8. These estimates are for the minimum technology you must obtain to operate your ProColor Collision Center. You must have at least 5 personal computers, 2 printers (with at least 1 having multi-function capabilities for printing, scanning, and faxing), a point of sale system with credit card processing capabilities, phone and phone service, and high bandwidth business grade Internet service with associated routers and modems. This computer hardware must be capable of running the ProColor CCC ONE Package, our online third-party auto shop management software. The low estimate for a conversion assumes you already have this minimum technology that meets our specifications. The low estimate for a newly developed ProColor Collision Center assumes you purchase this minimum technology that meets our specifications. The high estimates assume you purchase more than the minimum technology that we require, such as additional computers for employees or handheld tablets for estimators or shop employees. All of these items must meet our specifications, including those related to model, brand, and functionality, but can be purchased from any vendor.

These estimates assume that the computer comes preinstalled with the software we require (see Item 11). These estimates also include a one-time installation, implementation, and training fee for the online third-party auto shop management software we require, the ProColor CCC ONE Package. The low estimates assume an installation, implementation, and training fee of \$4,885 (for up to 4 users). However, for a conversion of an existing auto repair facility to a ProColor Collision Center, the low estimate assumes you already use the same suite of CCC ONE products that we require, and receive a 50% discount on the installation, implementation, and training fee. The high estimates assume your installation, implementation, and training fee is \$5,885 (for up to 6 users).

Note 9. These amounts include estimated operating expenses you should expect to incur during the first 3 months of operation of your ProColor Collision Center, which includes facility maintenance and repair costs, utility costs, waste and recycling removal, permits and licensure, professional fees, office supplies, insurance premiums, local marketing costs, and uniforms. The low estimates also include, for the first 3 months of operation, ongoing subscription fees for the ProColor CCC ONE Package of \$1,795 per month (for up to 4 users) and \$149 per month for 3 to 5 insurance mailboxes (see Item 11). The high estimates also include, for the first 3 months of operation, ongoing subscription fees for the ProColor CCC ONE Package of \$2,095 per month (for up to 6 users) and 2 insurance mailboxes at \$99 per month (see Item 11). Your operating expenses may be higher for a newly developed ProColor Collision Center.

## **ITEM 8.**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### **Specifications**

All of the inventory and supplies (including paint and parts), equipment, furniture, fixtures, design and décor, branded items and signage, computer hardware and software, technology, advertising materials, and products you purchase for use or sale through your ProColor Collision Center must meet our specifications. These specifications may include minimum standards for type, delivery, performance, design, appearance, and quality. We will issue the specifications to you before you begin operating. We may include these specifications in the manuals that we provide to you either hard copy or on-line, or we may issue them separately. You must obtain our approval before you use any advertising materials you prepare to promote your ProColor Collision Center. You may not establish, or have established, any web page, social media, and/or social networking site, profile, account, or hashtag that refers to us, your ProColor Collision Center, or the System.

The insurance you obtain for your business also must meet our requirements. You will need to purchase “all risk” general comprehensive public and product liability insurance against claims for bodily and personal injury, death and property damage caused by, or incurred in the operation of your business, or the conduct of your business; general casualty insurance (including the perils of fire, broad form extended coverage, vandalism and malicious mischief) on your building, equipment, signs and inventory; motor vehicle liability insurance; business interruption insurance; workers’ compensation insurance; contractual liability and employer’s liability insurance; and such other insurance as we periodically determine is desirable for a prudent ProColor Collision Center. This insurance coverage must be maintained under one or more policies of insurance containing the amounts and types of coverage we periodically prescribe. You may obtain this coverage from any insurance company with a financial strength rating of A or better as established by A.M. Best Company.

You can expect that the items you purchase to meet our specifications will represent between 40% and 50% of the total purchases you will make to begin operations. Once you begin operating, we expect the items you purchase that meet our specifications will represent between 35% and 50% of your total annual expenses.

#### **Approved Suppliers**

We have approved certain suppliers of products and services to be used by our franchisees and will provide you with a list of these approved suppliers. All products and services used in the ProColor Collision Center, including paint and parts (OEM, aftermarket, and salvage), management system, car rentals, and promotional and branded items and materials must be purchased from an approved supplier, which may be us or an affiliate or from sources, manufacturers, or suppliers approved or designated in writing by us. As of the issuance date of this Disclosure Document, we or our affiliates or parents are the sole supplier of certain promotional items that we require you to use in your ProColor Collision Center.

If upon signing the Franchise Agreement you currently operate an existing auto collision center that is subject to a vendor agreement with a paint supplier, and that agreement cannot be terminated by you without penalty, you may continue to purchase paint from that vendor for the remaining

term of that agreement, but you must pay us an additional administrative fee of 1.6% of the prior month's Gross Sales during the term of that agreement. This administrative fee is due on the 15th day of the month for the prior month. We reserve the right to obtain a copy of the agreement for paint and material from you or the supplier.

You must purchase new (OEM), similar (aftermarket), and recycled parts from suppliers we may designate. This participation must be at least 85% of the total volume of OEM, aftermarket, and recycled parts purchases that you make for use in connection with the operation of your ProColor Collision Center, excluding sub-contract agreements with dealerships approved by us. If this participation percentage has not been reached, we will prepare a plan for compliance describing how you can meet this minimum participation requirement, and you must comply with this plan. If you are not in compliance with this plan within 90 days after receiving the plan (or a longer period provided in the plan), you must pay us an additional administrative fee of 1% of the prior month's Gross Sales. This fee is due on the 15th day of the month following the issuance by us of the quarterly report of your purchases.

We receive and retain rebates from our designated and preferred suppliers. Those rebates are currently between 3% and 27.6% of the purchases you are required to make from these suppliers. There are also some vendors who pay us fixed rebates on supplies and services. There are no caps or limitations on the amounts we may receive from suppliers as a result of franchisee purchases.

We do earn a profit from your and other ProColor franchisees' purchases and leases by charging prices that exceed our cost to purchase or lease these products and other items, and from supplier rebates. Our total revenues from products, services and other items purchased or leased by United States franchisees in 2023 were \$480,878, or approximately 34.7% of our total 2023 revenues of \$1,386,636.

None of our officers own any interest in any of our suppliers, other than our affiliates and parents.

### **Approval of Alternative Specifications or Suppliers**

If you want to purchase items for your ProColor Collision Center that differ from our specifications or from a supplier we have not approved, you must notify us in writing. If we request, you must submit samples and other information we require for testing or to otherwise determine whether the product, material, or supply meets our specifications and quality standards. We do not impose any fee for our consideration.

Although we do not make available the criteria we review when approving suppliers, we consider various factors including whether the product or service is consistent with our concept and brand; how the supplier and/or their products or services would enhance our brand; if the product or service is already available through other sources, would approval of another vendor enhance competition or dilute our ability to maximize pricing benefits for our franchisees; and is the product of a commercial quality with a proven record of durability. We will generally notify you of our approval or disapproval within 90 days of our receipt of all the information and samples we request. If we revoke approval of any supplier or any item offered by a supplier, we will send you written notice of our revocation of an approved supplier or item.

**Cooperatives**

We do not have any purchasing or distribution cooperatives as of the issuance date of this Disclosure Document.

**Negotiated Prices**

We may negotiate purchase arrangements with suppliers and distributors of approved products for the benefit of our franchisees, including for paint and paint products, associated products, management system, car rentals, and parts (OEM, aftermarket, and salvage).

**Material Benefits**

We do not provide material benefits, such as renewing or granting additional franchises to franchisees, based on their use of designated or approved suppliers.

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**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.**

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Sections 4 and 11	Items 7 and 11
b. Pre-opening purchases/leases	Sections 4, 11, and 13	Items 7, 8, and 11
c. Site development and other pre-opening requirements	Sections 4, 9.1, and 11	Items 7 and 11
d. Initial and ongoing training	Section 9	Items 6, and 11
e. Opening	Sections 4 and 11	Items 7 and 11
f. Fees	Sections 6, 7, 9, 13, and 26	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	Sections 4, 11, 13, 15, 16, and 17	Items 8, 11, 15, and 16
h. Trademarks and proprietary information	Sections 11 and 20	Items 13 and 14
i. Restrictions on products/services offered	Sections 15, 16, and 17	Items 8, 11, and 16
j. Warranty and customer service requirements	Sections 11, 12, 15, 16, and 17	Items 6 and 16
k. Territorial development and sales quotas	Section 4	Not Applicable
l. Ongoing product/service purchases	Section 13	Items 5, 6, and 8
m. Maintenance, appearance, and remodeling requirements	Sections 4 and 11	Items 5, 6, and 8
n. Insurance	Section 21	Item 7
o. Advertising	Sections 11 and 19	Items 5, 6, 7, and 11

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>
p. Indemnification	Section 27	Item 6
q. Owner's participation/management/staffing	Section 11	Item 15
r. Records and reports	Section 8	Not Applicable
s. Inspections and audits	Sections 8 and 11.10	Item 6
t. Transfer	Section 23	Item 17
u. Renewal	Section 5	Item 17
v. Post-termination obligations	Section 26	Item 17
w. Non-competition covenants	Section 22	Items 15 and 17
x. Dispute resolution	Section 28	Item 17
y. Other: Guaranty of franchise obligations (Note 1)	Personal Guaranty (which follows the Franchise Agreement)	Item 15

Note 1. Each individual who is an owner of the business entity that is the franchisee must sign a Personal Guaranty of all the obligations of the franchisee. This Personal Guaranty also includes an agreement to be bound by the confidentiality and noncompete provisions of the Franchise Agreement.

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**ITEM 10.  
FINANCING**

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

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**ITEM 11.**  
**FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

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

**Pre-Opening Assistance**

Before you open your ProColor Collision Center, we will:

1. Approve the location for your ProColor Collision Center and designate your Territory (Franchise Agreement – Section 4; Franchise Agreement Appendix).
2. Provide standards for the brand, model, and specifications and a list of approved suppliers for the inventory and supplies, furniture, fixtures, equipment, branded items, services, and other items used in your ProColor Collision Center (Franchise Agreement – Section 13).
3. Provide you with a landing page on our website to advertise your ProColor Collision Center (Franchise Agreement – Section 14.3) and an email account using the Marks (Franchise Agreement – Section 14.2).
4. Provide the Initial Training Program (Franchise Agreement – Section 9.1).
5. Loan you a copy of our manuals that contain various information including mandatory and suggested specifications, standards, and procedures. We may modify any manual periodically in our discretion. (Franchise Agreement – Section 11.3). As of the issuance date of this Disclosure Document, our Operations Manual includes the ProColor Operations Guide, which contains 239 pages, the ProColor Brand Standards, which contains 56 pages, the ProColor-CCC Integration Guide, which contains 9 pages, and the Onboarding & Franchise Support Guide, which contains 82 pages. A copy of the table of contents of our Operations Manual is attached to this Disclosure Document as Exhibit C.
6. Provide you with a list of the approved suppliers for certain equipment, supplies, services, and other items for your ProColor Collision Center (Franchise Agreement – Section 13).

**Post-Opening Assistance**

During the term of the Franchise Agreement, we will:

1. Provide additional optional or mandatory training (Franchise Agreement – Section 9).
2. Maintain and administer Insurers Accounts and insurance billing (Franchise Agreement – Section 10).
3. Maintain and administer our National Warranty Program (Franchise Agreement – Section 17).
4. Maintain and administer the Marketing Fund (Franchise Agreement – Section 19).

5. Provide you with a landing page on our website to advertise your ProColor Collision Center (Franchise Agreement – Section 14.3) and an email account using the Marks (Franchise Agreement – Section 14.2).
6. Approve or deny the local advertising you conduct for your ProColor Collision Center (Franchise Agreement – Section 19.5).
7. Provide standards for the brand, model, and specifications and a list of approved suppliers for the inventory and supplies, furniture, fixtures, equipment, branded items, services, and other items used in your ProColor Collision Center (Franchise Agreement – Section 13).
8. Provide you access to our online third-party auto body management software, the ProColor CCC ONE Package (Franchise Agreement – Section 14.1).

## **Training**

### Initial Training Program

You, the Owner (if you are not an individual), any Operator of your ProColor Collision Center, and any other personnel of your ProColor Collision Center specified by us, must successfully complete our Initial Training Program (Franchise Agreement – Section 9.1). The Initial Training Program must be completed within 60 days after you sign the Franchise Agreement but in any event before you open the ProColor Collision Center (Franchise Agreement – Section 9.1). The Initial Training Program will usually be conducted at your auto body location, in Minnesota at a location we specify (typically at our corporate headquarters or in a conference room), or electronically. This training will be held on an as-needed basis as we sell franchises. We do not charge for the Initial Training Program. You will be responsible for all travel and living expenses you and your attendees incur in attending the training. If you or any other attendee fail to complete the Initial Training Program to our satisfaction, we may terminate the Franchise Agreement and we will not reimburse the Initial Franchise Fee.

Our Initial Training Program as of the issuance date of this Disclosure Document consists of approximately 2 ½ days of training. A breakdown of the subjects taught in the Initial Training Program as of December 31, 2023 is as follows:

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<b>INITIAL TRAINING PROGRAM</b>			
<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
<u>Business Operations and Management</u>			
SOP Training	0	1 to 2	Minnesota (or your location)
Production Schedule	0	1	Minnesota (or your location)
Blueprinting	0	1	Minnesota (or your location)
Estimate Review	0	1	Minnesota (or your location)
QC Process	0	1	Minnesota (or your location)
Photo Documentation	1	0	Online
Arms Rental Management	0.5	0	Online
Insurance Policy Review	0.5	0	Online
Total Loss Process	0.5	0	Online
Morning Huddle	0.5	0	Online
ProColor Hub Review	0.5	0	Online
<u>Advertising and Marketing</u>			
General	2.5 to 3	0	Online
<u>Customer Service Training</u>			
General	1.5	1.5	Minnesota, online, or your location
<u>Body Shop Employees</u>			
State of the Industry	0	0.5 to 1	Minnesota (or your location)
The ProColor Benefit	0	0.5 to 1	Minnesota (or your location)
Role in the Shop's Success	0	1	Minnesota (or your location)
<b>Total Training Time</b>	<b>7.5 to 8 hours</b>	<b>8.5 to 10.5 hours</b>	

In addition, our vendors may require additional training that will be offered online or at your location, depending on the vendor and the specific needs of your ProColor Collision Center.

The classroom training will be held in a conference room or office setting. The on-the-job training will be conducted by our instructors through demonstrations at a ProColor Collision Center or other facility. The Initial Training Program is organized by Kevin Beane, who has been our Implementation Specialist since March 2022. He served as an Estimator for Service King Paint & Body LLC from July 2013 to March 2022. He will be supported by employees who have various experience in the topics that are covered in the Initial Training Program. The on-site portion of the Initial Training Program will be delivered by the regional staff responsible for each of the topics being covered in the training, each of whom will have at least 5 years of experience in managing or operating auto collision repair centers or on the subjects on which they provide training. Our Operations Manual, other materials, and your ProColor Collision Center will all be used during the Initial Training Program.

### Additional Training

Any new Operator must attend and successfully complete our Initial Training Program before they begin managing your ProColor Collision Center (Franchise Agreement – Section 9). We may also provide mandatory training (Franchise Agreement – Section 9.2). If we provide it, you or one of your personnel that we approve must attend the training. You, any Owner, any Operator of your ProColor Collision Center, and any other personnel of your ProColor Collision Center must also complete any other training required by any insurers we may require (Franchise Agreement – Section 9.3).

Each of these trainings is provided at the locations and times we specify depending upon the need for the training. You are responsible for the travel and living expenses you and your employees incur in attending these trainings. If you request additional on-site training, or you do not meet our standards and we require you to have additional on-site training, we may require you to reimburse us for third-party costs we incur (such as travel, lodging, and meal expenses).

You, or your Operator if your ProColor Collision Center is not owner-operated, must train your staff and certify to us that the staff have been trained (Franchise Agreement – Section 9.5). This training must occur before the staff begin performing services on your behalf.

When we hold annual or biannual conventions for our franchisees, any Owner, and your Operator, if any, must attend those conventions. You must pay these fees to cover the cost of these registrations, regardless of whether you attend the convention. If you want to send additional people to the convention, for each one you will pay an additional registration fee. We currently anticipate the registration fee will be between \$1,000 to \$1,500 per person, but this amount could increase as food and beverage costs and facility rental fees increase.

### **Site Selection and Opening**

You must operate your ProColor Collision Center from a location we approve in your Territory (Franchise Agreement – Section 4). If you are not converting an existing auto repair facility to a ProColor Collision Center, we will provide general guidelines to you for the selection of sites for your ProColor Collision Center, and review any proposed sites you select. It will, however, be your obligation to select the site for your ProColor Collision Center and to obtain our approval before obtaining control of the site. We have 30 days from the date of submission to approve or disapprove your site. There is no time limit for you to find a site, however, if you do not open

your ProColor Collision Center within the 180-day time period specified below, we can terminate your Franchise Agreement. You must submit to us information and materials we require and obtain our approval of the site. The factors we take into consideration when reviewing a site include the proximity to other ProColor Collision Centers, location and proximity of the site to residential neighborhoods, the demographics of the surrounding area, whether the site is on a main thoroughfare or in an area of high visibility, size of the proposed premises, sufficient parking availability, and the types and number of auto body collision businesses in the vicinity of the proposed site. Although we provide you with prototypical plans and specifications for a ProColor Collision Center (Franchise Agreement – Section 11.1), we do not conform the premises to local ordinances and building codes or obtain any required permits for you, and we do not construct, remodel, or decorate the premises.

You may not open your ProColor Collision Center until: (1) we notify you in writing that all of your pre-opening obligations have been fulfilled (Franchise Agreement – Section 9.7); (2) you, the Owner (if you are not an individual), any Operator of your ProColor Collision Center, and any other personnel of your ProColor Collision Center specified by us have completed our Initial Training Program to our satisfaction and you certify that you have provided all of your employees with the training we require (Franchise Agreement – Sections 9.1 and 9.7); (3) you have furnished us with copies of all insurance policies and certificates required by the Franchise Agreement, or other documentation of insurance coverage and payment of premiums we request (Franchise Agreement – Sections 9.7 and 21.3); (4) you notify us that all approvals and conditions in the Franchise Agreement have been met (Franchise Agreement – Section 9.7); and (5) you have obtained all required permits and licenses. If you are converting an existing auto repair facility to a ProColor Collision Center, you must open your ProColor Collision Center within 90 days of the date you sign your Franchise Agreement (Franchise Agreement – Section 9.7). If your ProColor Collision Center is a new location that was not previously an auto repair shop, you must open your ProColor Collision Center within 180 days of the date you sign your Franchise Agreement (Franchise Agreement – Section 9.7). If you do not, we can terminate your Franchise Agreement and retain all amounts you have paid to us (Franchise Agreement – Section 25.3.2).

We estimate that the typical length of time between signing of the Franchise Agreement and the opening of your ProColor Collision Center will be between 1 and 3 months if you convert an existing auto repair facility to a ProColor Collision Center, and between 4 and 6 months if you open a new location. Some factors that may affect this timing include how long it takes you to select a suitable site for your ProColor Collision Center and obtaining a lease or sublease if you are opening a new business, any shortages or delays in the installation of any equipment, fixtures, and signs, or obtaining any supplies and inventory, whether, and to what extent, you need to remodel your site, and your ability to secure any necessary financing.

## **Advertising/Marketing**

### Marketing Fund

Under the Franchise Agreement, you must contribute to the Marketing Fund (the “Marketing Fund Contributions”) in each accounting period an amount equal to 0.75% of Gross Sales of your ProColor Collision Center; however, if a majority of all ProColor Collision Centers in the United States agree, this amount may be increased at any time to no more than 1% of Gross Sales (Franchise Agreement – Section 19.1). Marketing Fund Contributions must be paid together with

the Monthly Franchise Fees and will be based upon Gross Sales for the same period in which Monthly Franchise Fees are payable. All franchisees in the United States contribute the same amount to the Marketing Fund. All ProColor businesses we or our affiliates own will also contribute to the Marketing Fund once our first franchisee contributes to the Marketing Fund. The amount contributed will be on the same basis as franchisee contribution.

We account for Marketing Fund Contributions separately from our other revenues, and we do not use them to pay any of our general operating expenses other than reasonable salaries, administrative costs, and overhead (calculated on a fully allocated basis), if any, that we may incur in activities reasonably related to the administration or direction of the Marketing Fund and its advertising, marketing, public relations, and promotional programs (including conducting market research). The Marketing Fund is used and expended for marketing department fees, media costs, commissions, market research costs, creative and production costs, including, the costs of creating promotions and artwork, printing and electronic media costs, placement of advertising, and other costs for advertising, marketing, public relations, and promotional programs we may undertake (Franchise Agreement – Section 19.2). This means we may use monies in the Marketing Fund for any purpose that promotes the ProColor Collision name, including the creation, production, and placement of commercial advertising; to pay for agency costs and commissions; to pay the costs to create and produce video, audio, and written advertisements; to pay for direct mail and other media advertising, including radio and Internet advertising, Internet search engine campaigns, and the cost to maintain and update our or our affiliate’s websites and web pages, for social media, social networking sites, profiles and accounts, and for the cost of search engine optimization; in-house staff assistance and related administrative costs; local and regional promotions; public relations campaigns including the cost of retaining public relations firms; market research; and other advertising and marketing activities (Franchise Agreement – Section 19). We may create marketing materials in-house or use national, regional, and local agencies. Advertising may be placed in local, regional, or national media of our choice, including print, direct mail, electronic and online advertising, radio, or television.

We have no obligation to ensure that any particular franchisee, including you, benefit directly or pro rata from the placement or conduct of any advertising, marketing, public relations, and promotions. We are under no obligation to administer or distribute the Marketing Fund according to any particular geographic area or territory, including the Territory. We also have the right to prepare advertising, marketing, and promotional materials, and place advertising or conduct promotional or public relations programs for multiple brands, with the Marketing Fund being allocated its pro rata portion of these costs as we determine. We may also allocate a portion of the Marketing Fund to regional advertising cooperatives administered by one or more groups of franchisees. However, we will not spend any portion of these monies for advertising principally designed to solicit the sale of franchises. During the fiscal year ended December 31, 2023, expenditures from the Marketing Fund were made in the following categories:

<b>Item</b>	<b>Percent Expended</b>
ProColor Online Marketing Program Maintenance, Customer Service Support and Tracking	8%

ProColor Reputation Management	58%
ProColor Social Media Management	34%

Any unused amounts in the Marketing Fund in any calendar year will be carried over to the following year. We will use any interest the Marketing Fund earns for marketing before we use any principal. We will prepare a statement of the operations of the Marketing Fund annually and which will be made available to you upon request, but these statements will not be audited. We may, but have no obligation to, loan amounts to the Marketing Fund and can determine the repayment obligation of the Marketing Fund, including interest rate of the loan and repayment terms, as we see fit.

We do not have an advertising council that advises us on advertising policies. If we form one, we anticipate it will only be advisory, as we will make all final decisions as to the use of the Marketing Fund.

### Local Marketing

We recommend, but do not require, you to advertise, market, and promote your ProColor Collision Center locally at your expense (Franchise Agreement – Section 19.4). You must obtain our prior written approval of all marketing you engage in for your ProColor Collision Center which have not been prepared or previously approved by us (Franchise Agreement – Section 19.5). You may not establish, or have established, any websites, hashtags, profiles, or accounts relating to us, your ProColor Collision Center, or to the System (Franchise Agreement – Section 14.4). All local marketing you engage in must meet our specifications and be consistent with the quality and general overall image of the advertising and promotional campaigns we conduct. You are ultimately responsible for insuring that your advertising complies with all applicable laws before using it.

Although we can require you to, we do not currently require our franchisees to participate in a local or regional advertising cooperative. If we do, we will define the area of membership of the cooperative and determine how much you must contribute to the cooperative. If we establish a cooperative in a market serviced by ProColor Collision Center we or our affiliates own, they will participate in the cooperative too. We will be responsible for administering any cooperatives. We do not anticipate any cooperatives will operate from governing documents or prepare annual or periodic financial statements, but if they do, we will make them available to you upon request. We have the power to form, change, dissolve, or merge these cooperatives.

### **Computer Equipment and Software**

You must purchase and use at a minimum, 5 personal computers, 2 printers (with at least 1 having multi-function capabilities for printing, scanning, and faxing), a point-of-sale system with credit card processing capabilities, phone and phone service, and high bandwidth business-grade Internet service with associated routers and modems. You may also purchase additional computers for employees and handheld tablets for estimators or shop employees. All of these items must meet our specifications, including those related to model, brand, and functionality, but can be purchased from any vendor (Franchise Agreement – Section 14.1). You will use the computer to access the ProColor CCC ONE Package, our online third-party auto shop management software (which you

must purchase from our approved vendor), communicate (typically via email) with customers, us, and others, perform accounting functions, process payments, complete forms and reporting, maintain financial information, and access any other software we may require for the ProColor Collision Center.

We estimate the total cost to purchase the items above to be approximately \$2,500 to \$30,000 for a converted ProColor Collision Center and \$10,000 to \$30,000 for a newly developed ProColor Collision Center. We do not have any obligation to upgrade or maintain these items. Although most new computers come with a limited warranty, we are not aware of any third parties with an obligation to upgrade or maintain these items.

Your computer must contain the computer software or have access to the online systems we require (Franchise Agreement – Section 14.1).

You must use the ProColor CCC ONE Package, our online third-party auto shop management software. You must purchase the ProColor CCC ONE Package directly from our approved vendor, CCC. Although the ProColor CCC ONE Package has been configured for ProColor Collision and is maintained by our third-party vendor, none of the software is proprietary to us. The ProColor CCC ONE Package is uniquely packaged to support the business operations of your ProColor Collision Center, other ProColor Collision franchisees, and key stakeholders in the collision repair industry (including insurers). The ProColor CCC ONE Package includes a suite of products for operating your ProColor Collision Center, including as of the date of this Disclosure Document:

- Estimating and appointment booking, shop management, electronic check-in, customer engagement (including status updates and post-work satisfaction surveys), DRP tools and KPI dashboards, and parts sourcing and procurement features.
- Repair methods and workflows, available OEM repair data, and integrated access to repair procedures while writing an estimate.
- Centralized call center application for insurance assignments.
- Auditing and review of estimates as a centralized function on behalf of insurers.
- Checklists for quality control.

The one-time installation, implementation, and training fee for the ProColor CCC One Package is \$4,885 (for up to 4 users) or \$5,885 (for up to 6 users). For a conversion of an existing auto repair facility to a ProColor Collision Center, if you already use the same suite of CCC ONE products that we require, you will receive a 50% discount on the installation, implementation, and training fee. The ongoing subscription fee for the ProColor CCC One Package is currently \$1,795 per month (for up to 4 users) or \$2,095 per month (for up to 6 users). Additional users are \$100 per month per user. You must pay all of these amounts directly to our vendor, CCC. The minimum contract term for the ProColor CCC One Package is 36 months.

As part of the ProColor CCC One Package, you are also required to subscribe for at least 3 insurance mailboxes, which is a direct connection with insurers and claim providers. The ongoing subscription fee for these insurance mailboxes is \$149 per month for 3 to 5 insurance mailboxes, and \$199 per month for 6 or more insurance mailboxes.

Your computer will also require Microsoft Office to create and review documents, anti-virus software, and accounting software that meets our specifications. Some of the software will come

preinstalled on a computer. For programs that are not preinstalled, you will need to purchase them and install them on your computer. The cost for Microsoft Office and anti-virus software is approximately \$1,000 if they are not already preinstalled on your computer. We recommend QuickBooks or QuickBooks Online for the accounting software, which costs approximately \$300 to \$500 for QuickBooks or \$25 to \$150 per month for QuickBooks Online. These amounts are paid directly to vendors.

#### Ongoing Maintenance and Use

You must renew most of these licenses on a yearly basis, and the ProColor CCC One Package as required by the vendor. We are not obligated to provide you with ongoing maintenance, repairs, upgrades, or updates to the technology discussed above. We anticipate that you will be required to upgrade or update your technology during the term of the franchise, and there are no contractual limitations on the frequency and cost of the obligation. We do not have any contractual obligation to upgrade or update any of your hardware or software during the term of this franchise.

You must have access to the Internet and maintain an email account that allows us to communicate with you on a regular basis. We can independently access your electronic information and data and collect and use this electronic information and data in any manner we choose without any compensation to you. There is no contractual limitation on our right to receive or use information we obtain from you.

## **ITEM 12. TERRITORY**

When you sign a Franchise Agreement, you will receive the right to operate 1 ProColor Collision Center from a location that we approve. Once we approve of your location, we will designate a territory around your location and describe it in your Franchise Agreement (“Territory”). While there is no minimum size for your Territory, we use mapping software that will determine the Territory based on potential capacity for services in one or more zip codes, or partial zip codes. The Territory will typically be based on a franchisee having the capacity to process 25% of the available collision spend in the zip code(s). However, the exact size may also depend upon various factors including demographics, geographic area, natural boundaries and access to streets and highways, neighborhood character, location and number of competing businesses, site availability, and other factors.

As long as you are in compliance with your Franchise Agreement, we will not operate or grant a third party the right to operate a motor vehicle collision center business operating under the ProColor Collision mark that is physically located in your Territory. However, if we provide any insurance, fleet or national account to you, and you fail to properly service the account, or to comply with our policies and procedures for servicing the account, then we may appoint other ProColor Collision centers to service the account in your Territory in the future, whether they are owned by us or our affiliates or by another franchisee, without any compensation to you.

Except as set forth above, we and our affiliates retain all rights with respect to the ProColor Collision mark, the sale of similar or dissimilar products and services, and any other activities we deem appropriate, without compensating you in any manner when we make sales through these channels or under these brands, whenever and wherever we desire. For example, we can operate, or grant to someone else a franchise or license to operate, at any location outside the Territory a motor vehicle collision center business operating under the ProColor Collision mark. We can operate, or grant to someone else a franchise or license to operate a motor vehicle collision center business or any other business, whether inside or outside the Territory, so long as they do not use the ProColor Collision mark. We can also purchase, merge with, acquire or affiliate with, or be purchased or acquired by, an existing network, chain, entity, or any other business, regardless of the locations or territories of such other franchise, chain, entity, or other business, whether inside or outside the Territory, and, following any such purchase, merger, acquisition, or affiliations, operate, franchise, or license those businesses or being operated, franchised or licensed by those businesses, using the ProColor Collision mark or any other mark whether inside or outside the Territory.

If you are not in default of the Franchise Agreement, and if the demand for services at your ProColor Collision Center exceeds its production capacity, as we may determine in accordance with our then-current standards, we will give written notice of our determination to you. You will have 30 days after receipt of the notice to give written notice to us of your decision to either expand your ProColor Collision Center in accordance with our then-current requirements, as provided in our notice, or open an additional ProColor Collision Center in the Territory. If you choose to expand your ProColor Collision Center, the required construction work must be completed within 6 months of the date of your notice to us. If you choose to open an additional ProColor Collision Center in the Territory, you will have to sign our then-current form of franchise agreement (which may contain then-current financial and other terms, any of which may be different than those

contained in your current Franchise Agreement) within 25 days after receipt from us and open the additional ProColor Collision Center within 6 months. If you fail to respond to us within the 30-day period, or fail to complete the required construction work or fail to timely sign the franchise agreement following your receipt from us, or fail to open the additional ProColor Collision Center within the 6-month period, we or our affiliates may open or grant to any other individual, corporation, limited liability company, partnership, or other entity the right and license to operate a ProColor Collision Center in the Territory.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Except as provided above, we cannot unilaterally change your Territory and there are no minimum quotas required. Except as provided above, as long as you are in compliance with your Franchise Agreement, you will retain the rights described above.

### **Customers**

We do not restrict the customers you may serve. Other franchisees of ours may serve customers for their ProColor Collision Centers from within your Territory, including those who may work or reside in your Territory.

However, you cannot solicit customers via the Internet, telemarketing or other direct marketing efforts unless we approve of those efforts. In any event, all of your advertising must be approved by us. You may not establish, or have established, any website, web page, or social networking or social media site, profile, account or hashtag, relating to or referring to us, your ProColor Collision Center, or the System.

### **Relocation**

You must provide us prior notice and obtain our consent before you intend to relocate your ProColor Collision Center. The new location must be within your Territory, and it may not be located within any territory we grant to any other franchisee. You must upgrade the new space to comply with all of our then-current specifications.

### **Options and Rights of First Refusal**

You will not receive any options, rights of first refusal, or similar rights to acquire additional franchises. You may not operate an additional ProColor Collision Center, whether in your Territory or elsewhere, unless you acquire additional franchise rights from us and sign another Franchise Agreement.

### **Similar Affiliated Franchise Offerings**

Our parent, Mondofix, is the owner of the Fix Auto franchise system that offers auto body repair facilities and complete after-collision services. The principal business address of Mondofix is 99 Émilien Marcoux, Suite 101, Blainville, Quebec, J7C 0B4, Canada. Mondofix currently offers Fix Auto franchises for sale in other parts of the world, but it does not operate or directly franchise Fix Auto businesses in the United States. Rather, Mondofix has granted master franchise rights to an unaffiliated third party to offer Fix Auto brand franchises in the United States. There may now,

or in the future, be Fix Auto locations in the same market as you operate and they may solicit or accept orders in your Territory. Because Fix Auto franchises in the United States are sold and operated by unaffiliated third parties, there is no policy in place for resolving conflicts between or among ProColor Collision Center franchisees and Fix Auto franchisees in the United States, and neither we nor Mondofix are responsible for resolving any such conflicts.

Our affiliate, Novus Franchising 2 LLC, currently offers franchises that provide glass repair and replacement products and services under the Novus Glass name. The principal business address of Novus Franchising 2 LLC is the same as ours, and we do not maintain physically separate offices or training facilities. There may be now, or in the future, Novus locations in the same market as current or future ProColor Collision franchisee territory(ies). Although ProColor Collision Centers are not currently expected to offer glass repair or replacement services, and Novus Glass locations do not typically offer other car repair services, there could be instances where that is not the case and there is an overlap in services. If there is a conflict between us and a Novus franchisee or between a ProColor Collision franchisee and a Novus franchisee, in either case regarding territory, customers, or franchisor support, our management team will attempt to resolve the conflict after considering the specific facts of each situation and what is in the best interest of the affected system or systems. However, we do not have a policy, and are not responsible for resolving conflicts between or among a ProColor Collision Center franchisee and a Novus franchisee, but may develop a policy concerning this issue in the future. If you do not offer glass repair or replacement products and services, we may require that you refer glass repair or replacement work to a Novus location in your market.

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**ITEM 13.  
TRADEMARKS**

The Franchise Agreement gives you the right to operate a ProColor Collision Center under the trade names, trademarks, and service marks that we establish and license to you. Our parent, Mondofix, has applied for registration of the following service marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”), which we consider to be our principal marks:

Mark	Registration Date	Registration Number
	April 5, 2022	6,688,833
	November 2, 2021	6,548,513

We obtained the rights to use these Marks and all other marks, logos, commercial symbols, and other intellectual property owned by our parent, Mondofix, and to license others to use certain of these items, under a License Agreement dated June 30, 2020, between us and Mondofix. Under the terms of that License Agreement, Mondofix may continue to use or license to others the right to use these Marks. We are not restricted in any way in which we use these items and the length of the License Agreement is indefinite. We therefore essentially have all the rights as the owner of the intellectual property to license others to use the intellectual property. If this License Agreement were terminated you would have to stop using these Marks and all other intellectual property licensed to us under the License Agreement.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition, or cancellation proceedings, or any pending material litigation involving any of our Marks which are relevant to the use of these Marks. No currently effective litigation affects our use or rights in any of these Marks. No currently effective agreement limits our right to use or license the use of these Marks. All affidavits required to preserve and renew the principal marks disclosed above have been or will be filed. We do not know of any infringing uses that could materially affect your use of these Marks.

You must follow our standards when you use the Marks. You may not use any of the Marks alone or with modifying words, designs, or symbols as part of a corporate or business name or in any form on the Internet, including, URLs, domain names, hashtags, profiles or accounts, e-mail addresses, locators, links, metatags, or search or pay-per-click techniques. You may not use any of the Marks for the sale of any unauthorized product or service or in a manner we have not authorized in writing.

We will protect and maintain all rights to use the Marks against encroachment, misuse, or unauthorized use and against all challenges to any rights of use, as we deem appropriate. You

must notify us immediately when you learn about an infringement of or challenge to your use of these Marks. We may take the action necessary, in our sole discretion, to prevent the unauthorized use of the Marks, including bringing actions against third parties regarding the use of any of the Marks, but the Franchise Agreement does not require us to take any specific affirmative action. We will control any administrative proceedings or litigation involving the Marks. You must cooperate with us and take all actions we require to carry out the defense or prosecution. While we are not required to defend you against a claim based on your use of the Marks, we will either do so, or we will reimburse you for your liability as long as you properly use the Marks, including against claims of infringement or unfair competition arising out of your use of the Marks.

We may change the Marks and require you to adopt new marks as if they were part of the Franchise Agreement at the time you sign it. You must comply with these changes immediately after we notify you that we have discontinued, modified, or changed one or more of the Marks. We will have no liability or obligation because of the discontinuation, modification, or change. You must not directly or indirectly contest the validity of the Marks or our right to use or license the Marks, trade secrets, confidential information, or business techniques that are part of our System. You must use the designations of ®, ™, and SM in advertising and promotions using the Marks, as we designate.

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**ITEM 14.**  
**PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

There are no patents or pending patent applications that are material to the purchase of a franchise. We claim copyright protection for our Operations Manual and to advertising and promotional materials, forms, checklists, and operating procedures, and related materials that we produce, but we have not registered any of these materials with the Copyright Office of the Library of Congress. These materials are proprietary and confidential and are our property. You may use them only as long as you are a franchisee, and only as provided in your Franchise Agreement. We may change these items at any time and you must modify your operations to comply with these changes. We will have no liability or obligation because of the discontinuation, modification, or change of any item.

There are currently no effective determinations of the United States Copyright Office, USPTO, or any court regarding any of our copyrighted materials, nor are any proceedings pending, nor are there any currently effective agreements between us and third parties pertaining to our copyrighted materials that will or may significantly limit your use of our copyrighted materials. We are not aware of any infringing uses of these materials that could materially affect your use of these materials. We are not required by any agreement to protect or defend our copyrights.

We will be disclosing to you certain information we believe to be confidential or proprietary information and trade secrets. This will be included in our training, Operating Manual, and in materials we may separately provide you. You may use these materials, in the manner we approve, in the operation of your ProColor Collision Center during the duration of your Franchise Agreement. However, you may not use these materials in any other way for your own benefit, or communicate or disclose them to, or use them for the benefit of, any other person or entity. These materials include all trade secrets, knowledge or know-how, confidential information, advertising, marketing, designs, plans, or methods of operation. You may disclose this information to your Operator and staff but only to the extent necessary to operate the ProColor Collision Center, and then only while your Franchise Agreement is in effect.

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

We prefer that you participate personally, on a full-time basis, in the operation of your ProColor Collision Center. In any event, your business must be directly supervised on-premises by an operator who will, at all times, devote his/her full time and effort to the operation of the ProColor Collision Center (“Operator”). You, or your majority owner who, at all times, owns and controls at least 51% of the issued and outstanding voting equity of you if you are not an individual (“Owner”), can be the Operator. You, the Owner (if you are not an individual), any Operator of your ProColor Collision Center, and any other personnel of your ProColor Collision Center specified by us, must successfully complete our Initial Training Program.

Your Operator does not need an ownership interest in your ProColor Collision Center but must sign non-competition and confidentiality agreements that restrict them to the same extent as you are restricted under the Franchise Agreement.

If you (the franchisee) are an entity, all individuals with a direct or indirect ownership interest in you, including the Owner, that we designate must sign a personal guaranty of all the obligations of the franchisee. This guaranty also includes an agreement to be bound by the confidentiality and noncompete provisions of the Franchise Agreement.

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**ITEM 16.**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

**Products and Services**

You must offer the motor vehicle body repair services, as well as other products and services, that we specify, and you may not sell other products or services in or from your ProColor Collision Center without our prior written approval. ProColor Collision Centers offer complete after-collision products and services, including appraisal, insurance billing, repair products and services, and after-care warranty through our National Warranty Program. All of the products and services you offer must meet our standards. You cannot operate other businesses from your ProColor Collision Center other than those approved by us.

We can limit the type of products or services you may sell. We can also change the products or services we allow you to offer at any time. You must follow our policies, procedures, methods, and techniques and comply with all of our mandatory standards and specifications when providing products or services through your ProColor Collision Center. We can also implement pricing policies, such as maximum price policies, and minimum advertised price policies, and you must abide by these policies.

**Customers**

We do not restrict the customers you may serve. Other franchisees of ours may serve customers for their ProColor Collision Centers from within your Territory, including those who may work or reside in your Territory.

However, you cannot solicit customers via the Internet, telemarketing, or other direct marketing efforts unless we approve of those efforts. In any event, all of your advertising must be approved by us. You may not establish, or have established, any website, web page, or social networking or social media site, profile, account or hashtag, relating to or referring to us, your ProColor Collision Center, or the System.

Insurance Work

We will negotiate various agreements with insurance companies, including with respect to fees for services and for parts which must be used by you in providing these services. You may not charge more than the fees for these services and parts than what we have negotiated with these insurance companies, as indicated by us in the Operations Manual or otherwise. You must provide all services to the insurance companies in accordance with the terms and conditions we require. You must strictly comply with the terms of the Operations Manual concerning the handling of the insurance companies' car collision claims, including, the automated estimate procedures and car collision repairs technical guidelines.

We will deposit in a separate account maintained for this purpose, upon their receipt, all monies received from insurance companies as payment for services approved by these insurance companies and performed by ProColor Collision franchisees in the state in which your ProColor Collision Center is located ("Insurers Account"). We will, no later than on the 15th day and the last day of each month, pay to you all amounts owing to you for services you provided to the

insurance company's customers and invoiced to the insurance company, based upon the amounts we received from the insurance company in the previous month, but we have the right to deduct from any payment owing to you the amount of any fees you may owe us or our affiliates. We may negotiate volume discounts and/or rebates and other consideration with these companies. You must provide to these insurance companies the volume discounts, rebates or other consideration we negotiate. You must also comply with all other terms and conditions of contracts we negotiate with these insurance companies.

### National Warranty Program

You must participate in our after-care warranty program, as we may modify from time to time, and warrant the products and services provided by your ProColor Collision Center to customers in accordance with the policies and procedures we specify ("National Warranty Program"). We have final decision-making authority with respect to the interpretation of, and the settlement of, any disputes that may arise in relation to the National Warranty Program, including any disputes as between franchisees or franchisees and customers.

You must honor each National Warranty Program warranty presented to you by the holder, regardless whether the warranty was issued by you or by any other ProColor Collision franchisee. You may not charge the customer for honoring this warranty, except to the extent permitted by the National Warranty Program. We may modify or discontinue the National Warranty Program at any time. However, you must honor all warranties given to customers before the date of the modification or discontinuance in accordance with the terms of these warranties. You may not make any untrue or misleading representations to customers or potential customers concerning the National Warranty Program, and must make all affirmative disclosures which may at any time be required by us or by law in order to properly advise customers with respect to the National Warranty Program.

Before honoring a warranty issued to a customer by another ProColor Collision franchisee, you must prepare an estimate of the services required and submit it to us for prior approval. If we determine that the extent of the services required is substantial based on our then-current standards, we may inform the franchisee having issued the warranty, who will have the right to itself perform the required services and have the relevant vehicle transported, at its cost, to its ProColor Collision center. You agree not to invoice us for any service required to honor a warranty offered by another ProColor Collision franchisee which is worth less than \$100. You must invoice us for any service required to honor a warranty offered by another ProColor Collision franchisee which cost \$100 or more. Upon receipt of an invoice from you, we will invoice the ProColor Collision franchisee having issued the warranty. We will pay the amount of the invoice to you no later than on the 15th day of the following month. Similarly, if upon receipt of an invoice from another ProColor Collision franchisee having honored a warranty issued by you, we will invoice you for the service. You must pay the invoice no later than on the 15th day of the following month. We may deduct any of these amounts from any payment to be made to you out of the Insurers Account.

**ITEM 17.**  
**RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

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

<b>Provision</b>	<b>Section in Franchise or Other Agreements</b>	<b>Summary</b>
a. Length of the franchise term	Section 5.1	5 years
b. Renewal or extension of the term	Section 5.2	If you are in good standing and you meet our conditions, you can renew your franchise for up to 2 additional terms of 5 years each.
c. Requirements for you to renew or extend	Section 5.2	Give written notice; sign new franchise agreement (which may contain materially different terms and conditions than your original Franchise Agreement); completion of any new or refresher training we require; remodel, update, or renovate your ProColor Collision Center to our then-current standards; sign general release; pay renewal fee.
d. Termination by you	None	Not applicable.
e. Termination by us without cause	None	Not applicable.
f. Termination by us with cause	Section 25	We may terminate only if you default.
g. "Cause" defined – curable defaults	Section 25.3	Most defaults are curable and you will have 30 days to cure (5 days for monetary defaults), subject to state law variations.

<b>Provision</b>	<b>Section in Franchise or Other Agreements</b>	<b>Summary</b>
h. "Cause" defined – non-curable defaults	Sections 12.5, 25.1, 25.2, and 25.4	Subject to state law variations, you declare bankruptcy, become insolvent, or make an assignment for the benefit of creditors; you liquidate your assets or abandon your ProColor Collision Center; you lose the right to occupy the premises, or breach your lease or sublease; you understate Gross Sales 2 or more times in any 12-month period; you or your officers, directors, or shareholders or the Operator commits a criminal act or an indictable offense, or adversely affects the goodwill associated with the Marks or the System; you, your owners or operators have committed an act which would disqualify you from insurance work; you have an unsatisfied judgment against you; you violate the in-term non-compete; or you default under any other agreement with us.
i. Your obligations on termination/non-renewal	Section 26	Stop operating the business, stop using our names and the Marks, return information to us, assign to us or cancel certain registrations, listings, telephone numbers, websites, and domain names, pay all amounts you owe us, and deidentify your business and remove any signs and other distinctive items containing the Marks.
j. Assignment of contract by us	Sections 23.1 and 23.2	No restriction on our right to assign.
k. "Transfer" by you – defined	Section 23.3	Includes any transfer of the Franchise Agreement or ProColor Collision Center, or transfer of an interest in you.
l. Our approval of transfer by franchisee	Section 23.3	We must approve all transfers, but will not withhold our consent if all of the requirements for the transfer are met.

<b>Provision</b>	<b>Section in Franchise or Other Agreements</b>	<b>Summary</b>
m. Conditions for our approval of transfer	Section 23.3	Transferee must meet our requirements, including sign a new franchise agreement on our then-current form for the remaining term of your Franchise Agreement. (The new franchise agreement may provide for different fees or territory than in your Franchise Agreement, but we will not require the transferee to pay us a new initial franchise fee.) You must also pay a transfer fee and sign a release (subject to state law).
n. Our right of first refusal to acquire your business	Section 24	We can match any offer for your ProColor Collision Center or a controlling interest in your ProColor Collision Center.
o. Our option to purchase your business	Not applicable	Not applicable
p. Your death or disability	Not applicable	Not applicable
q. Non-competition covenants during the term of the franchise	Section 22	Subject to state law, no involvement in either the operation of an automotive collision repair center or a franchise system, an automotive aftermarket marketing banner, or a branded chain whose concept (whether in whole or in part) relates to the car collision industry.
r. Non-competition covenants after the franchise is terminated or expires	Not applicable	Not applicable
s. Modification of the agreement	Section 29.8	No modifications without consent by both you and us, except: (i) our manuals are subject to change by us, and (ii) any modification of the Franchise Agreement accepted or agreed to by at least 80% of the ProColor Collision Centers in operation as of the date of modification is binding on you.

<b>Provision</b>	<b>Section in Franchise or Other Agreements</b>	<b>Summary</b>
t. Integration/merger clause	Section 29.8	Only the terms of the Franchise Agreement and other written agreements are binding (subject to applicable state law). Any representations or promises outside of this disclosure document and the Franchise Agreement may not be enforceable. However, nothing in those agreements is intended to disclaim any representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 28	Subject to state law, except for certain disputes, all disputes must be first mediated, and if not settled by mediation, are then subject to arbitration.
v. Choice of forum	Section 28	Except for certain claims, mediation will be held at a location selected by the mediator, and subject to state law, arbitration will be held in Minneapolis, Minnesota.
w. Choice of law	Section 29.9	Subject to state law, Minnesota law generally applies.

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**ITEM 18.**  
**PUBLIC FIGURES**

We currently do not use any public figure to promote the sale of franchises.

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**ITEM 19.**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

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

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 Greg Bergman at 650 Pelham Boulevard, Suite 100, St. Paul, Minnesota 55114 and 952-944-8000, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20.**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**Systemwide Outlet Summary**  
**For Years 2021 to 2023 (Note 1)**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	6	+6
	2022	6	10	+4
	2023	10	19	+9
Company-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	0	6	+6
	2022	6	10	+4
	2023	10	19	+9

Note 1. The numbers for each year are as of December 31.

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners**  
**For Years 2021 to 2023 (Note 1)**

State	Year	Number of Transfers
All States	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

Note 1. The numbers for each year are as of December 31.

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2021 to 2023 (Note 1)**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Required by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
California	2021	0	7	1	0	0	0	6
	2022	6	7	3	0	0	0	10
	2023	10	7	1	0	0	0	16
Texas	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	3	0	0	0	0	3
Total	2021	0	7	1	0	0	0	6
	2022	6	7	3	0	0	0	10
	2023	10	10	1	0	0	0	19

Note 1. The numbers for each year are as of December 31.

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2021 to 2023 (Note 1)**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
All States	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Total	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

Note 1. The numbers for each year are as of December 31.

**Table No. 5**  
**Projected Openings**  
**As of December 31, 2023 (Note 1)**

<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlet in 2024</b>	<b>Projected New Company-Owned Outlet in 2024</b>
California	2	5	0
Colorado	1	0	0
Florida	0	4	1
Montana	1	0	0
North Carolina	1	4	0
Oregon	0	4	0
South Carolina	0	4	0
Texas	0	4	0
Washington	0	4	0
<b>Total</b>	<b>5</b>	<b>29</b>	<b>1</b>

Note 1. We are looking for prospective franchisees throughout the United States, and cannot know in advance where we might find prospects. Therefore, any projection of this nature is very speculative. We will add franchises wherever we find qualified prospects.

Exhibit D-1 to this Disclosure Document is a list of the names, addresses and telephone numbers of all ProColor Collision franchisees as of December 31, 2023. Exhibit D-2 to this Disclosure Document is a list containing the name, last known home address and telephone number of every ProColor Collision franchisee in the United States who has, within the one-year period immediately preceding December 31, 2023, had a Franchise Agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily, ceased to do business under the Franchise Agreement during the fiscal year ended December 31, 2023, or who had not communicated with us within 10 weeks of the issuance date of this Disclosure Document. There is 1 franchisee on this list.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

We have not created, sponsored, or endorsed any franchise organization and no independent franchisee organization has asked to be included in this Disclosure Document.

**ITEM 21.**  
**FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit E is a copy of our audited financial statements as of December 31, 2023, December 31, 2022 and December 31, 2021.

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**ITEM 22.**  
**CONTRACTS**

The following agreements and other required exhibits are attached to this Disclosure Document:

- Exhibit A. Attached to this Disclosure Document as Exhibit A are state specific addenda to the Disclosure Document, if any.
- Exhibit F. Attached to this Disclosure Document as Exhibit F is a copy of the form Franchise Agreement; state specific addenda to the Franchise Agreement, if any; form of a Personal Guaranty to be signed by shareholders of a corporate franchisee, members of a limited liability company franchisee, or partners of a partnership franchisee; and a form of Payment Authorization.
- Exhibit G. Attached to this Disclosure Document as Exhibit G is a copy of a sample Electronic Transfer of Funds Authorization authorizing us to initiate one-time, weekly, and/or monthly ACH debit and credit entries against your bank account for amounts that become due and payable by you to us or any affiliate.
- Exhibit H. Attached to this Disclosure Document as Exhibit H is a Franchisee Questionnaire you must complete at the time you purchase a franchise.

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**ITEM 23.**  
**RECEIPTS**

The last 2 pages of this Disclosure Document are detachable documents acknowledging receipt of this Disclosure Document. Please sign both receipt pages and return one to us.

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**EXHIBIT A  
STATE SPECIFIC ADDENDA  
TO DISCLOSURE DOCUMENT**

**STATE SPECIFIC ADDENDUM  
AS REQUIRED BY  
THE MINNESOTA FRANCHISE ACT**

Notwithstanding anything to the contrary in the ProColor Collision USA LLC Franchise Disclosure Document, the following provisions shall supersede any inconsistent provisions and apply to all ProColor Collision franchises offered and sold in the state of Minnesota or to a resident of the state of Minnesota:

This Minnesota Addendum is only applicable if you are a resident of Minnesota or your business will be located in Minnesota.

1. If you are a resident of Minnesota, or your ProColor Collision franchise is located in Minnesota, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination of your Franchise Agreement (with 60 days to cure) and 180 days' notice for nonrenewal of your Franchise Agreement, and that transfer of the franchise will not be unreasonably withheld.
2. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit us from requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document, Franchise Agreement or Area Development Agreement can abrogate or reduce (1) any of your rights as provided for in Minnesota Statute 80C or (2) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
3. Under Minnesota Statutes, Section 80C.12, Subd. 1(g), Minnesota considers it unfair to not protect a franchisee's rights to use a franchisor's trademark. We will protect your right to use the Marks or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks, provided you have properly used the Marks and comply with our instructions regarding their use.
4. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
5. Minnesota law does not permit us to require you to consent to us obtaining injunctive relief. We may seek injunctive relief for certain matters under our agreements with you and a court will determine whether we are entitled to the relief.
6. Any limitation of claims must comply with Minnesota Statutes, Section 80C.17, Subd. 58.
7. No statement, questionnaire, or acknowledgment 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 in connection with the franchise.

8. Each provision of this addendum to the FDD shall be effective only if you are a resident of Minnesota or if your business is located in Minnesota.

**EXHIBIT B**  
**LIST OF STATE AGENCIES AND**  
**AGENTS FOR SERVICE OF PROCESS**

State	State Administrator	Agent for Service of Process
California	Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles 90013-2344 Tel: 415-972-8559 Toll Free: 1-866-275-2677 www.dfpi.ca.gov Ask.DFPI@dfpi.ca.gov	Commissioner of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles 90013-2344 Tel: 1-866-275-2677
Connecticut	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 Tel: 860-240-8230	
Florida	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 Tel: 850-245-6000	
Georgia	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 Tel: 404-656-3790	

State	State Administrator	Agent for Service of Process
Hawaii	Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 205 Honolulu, HI 96813 Tel: 808-586-2744	
Illinois	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 Tel: 217-782-4465	
Indiana	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 Tel: 317-232-6681	Indiana Secretary of State 200 West Washington Street Indianapolis, IN 46204
Iowa	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 Tel: 515-281-4441	
Kentucky	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 Tel: 502-696-5389	

State	State Administrator	Agent for Service of Process
Louisiana	Department of Urban & Community Affairs Consumer Protection Office  301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801  Tel: 504-342-7013 (gen. info.) Tel: 504-342-7900	
Maine	Department of Business Regulations  State House - Station 35 Augusta, ME 04333  Tel: 207-298-3671	
Maryland	Office of the Attorney General Maryland Division of Securities  200 St. Paul Place Baltimore, MD 21202-2020  Tel: 410-576-7786	Maryland Securities Commissioner Same Address  Tel: 410-576-6360
Michigan	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit  G. Mennen Williams Building, 1 <sup>st</sup> Floor 525 W. Ottawa Street Lansing, MI 48909  Tel: 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
Minnesota	Minnesota Department of Commerce  85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101  Tel: 651-296-6328	Minnesota Commissioner of Commerce  Same Address  Tel: 651-539-1600

State	State Administrator	Agent for Service of Process
Nebraska	Department of Banking and Finance 1526 K Street, Suite 300 Lincoln, NE 68508 P.O. Box 95006 Lincoln, Nebraska 68509-5006 Tel: 402-471-2171	
New Hampshire	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 Tel: 603-271-3641	
New York	New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 Tel: 212-416-8222	New York Secretary of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231 Tel: 212-416-8236
North Carolina	Secretary of State's Office/Securities Division 2 South Salisbury Street Raleigh, NC 27601 Tel: 919-733-3924	
North Dakota	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 14th Floor, Dept 414 Bismarck, ND 58505-0510 Tel: 701-328-4712 Fax: 701-328-0140	North Dakota Securities Commissioner Same Address

State	State Administrator	Agent for Service of Process
Ohio	Attorney General Consumer Fraud & Crime Section State Office Tower  30 East Broad Street, 15th Floor Columbus, OH 43215  Tel: 614-466-8831 Tel: 800-282-0515	
Oklahoma	Oklahoma Securities Commission  2915 Lincoln Blvd. Oklahoma City, OK 73105  Tel: 405-521-2451	
Oregon	Department of Insurance and Finance Corporate Securities Section  Labor and Industries Building Salem, OR 96310  Tel: 503-378-4387	
Rhode Island	Rhode Island Department of Business Regulation Securities Division  1511 Pontiac Avenue John O. Pastore Center – Building 68-2 Cranston, RI 02920  Tel: 401-222-3048	
South Carolina	SC Secretary of State's Office  1205 Pendleton Street, Suite 525 Columbia, SC 29201  Tel: 803-734-0367	
South Dakota	Department of Labor and Regulation Division of Insurance Securities Regulation  124 S. Euclid, Suite 104 Pierre, SD 57501  Tel: 605-773-3563	

State	State Administrator	Agent for Service of Process
Texas	Secretary of State Registrations Unit P.O. Box 13193 Austin, TX 78711-3193 Tel: 512-475-0775	
Utah	Utah Department of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 Tel: 801-530-6601 Fax: 801-530-6001	
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 Tel: 804-371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219
Washington	Department of Financial Institutions, Securities Division P.O. Box 41200 Olympia, WA 98504-1200 Tel: 360-902-8760	Department of Financial Institutions, Securities Division 150 Israel Rd S.W. Tumwater, WA 98501
Wisconsin	Wisconsin Dept. of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 Tel: 608-266-8557	Wisconsin Commissioner of Securities Same Address

**EXHIBIT C**  
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**EXHIBIT D-1**  
**LIST OF CURRENT FRANCHISEES**  
**AS OF DECEMBER 31, 2023**

<b>FRANCHISEE</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP</b>	<b>BUSINESS PHONE</b>
SWECA LLC	1561 S Lilac Avenue	Bloomington	CA	92316	909-536-4280
AVALON USA HOLDINGS 1 LLC	4590 Schaefer Avenue	Chino	CA	91710	626-827-8599
AUTOMOTIVE REPAIR LABS	375 State Place	Escondido	CA	92029	760-294-0220
STANDERS INC*	17855 Foothill Boulevard	Fontana	CA	92355	951-640-5033
AVALON USA HOLDINGS 4 LLC	517 W Foothill Boulevard	Glendora	CA	91741	626-827-8599
AVALON USA HOLDINGS 2, INCORPORATED	649 Alderton Avenue	La Puente	CA	91744	626-827-8599
MONTCLAIR AUTO COLLISION CENTER INC.	4741 Arrow Highway	Montclair	CA	91763	626-429-6695
RELIABLE COLLISION CENTER INC.	6872 Lankershim Blvd	North Hollywood	CA	91605	818-982-2313
QUALITY AUTO BODY REPAIR, INC.	8603 Darby Avenue	Northridge	CA	91325	818-390-1760
PREMIUM AUTO PAINT, INC.	1152 West Holt Boulevard	Ontario	CA	91762	909-263-4472
COLLISION EXPRESS CENTER INC	6220 88th Street	Sacramento	CA	95828	916-844-5577
COLLISION EXPRESS CENTER INC	5445 Stationers Way, Suite B	Sacramento	CA	95842	916-844-5577
MB COLLISION CENTER, INC.*	274 North I Street	San Bernardino	CA	92410	909-788-3765
S & C AUTO BODY SHOP, INC.	1020 North Harbour Boulevard	Santa Ana	CA	92703	310-466-8032
COLLISION EXPRESS CENTER INC.	4213 Sunset Lane	Shingle Springs	CA	95682	916-844-5577
ROYALTY AUTO COLLISION CENTER, INC.	476 Victory Avenue	South San Francisco	CA	94080	650-245-7546
P & N AUTO BODY & PAINT, INC	8461 Glenoaks Boulevard	Sun Valley	CA	91352	818-252-5800
AVALON USA HOLDINGS 3, INC.	54463 Twentynine Palms Hwy	Yucca Valley	CA	92284	626-827-8599
II LAWS AUTO 2 LLC*	8531 Rosemary Street	Commerce City	CO	80022	720-422-2023
COLLISION ASSOCIATES, INC.*	70 Rock Road	Belgrade	MT	59714	406-580-3024

PHOENIX BODY AND PAINT LLC*	3125 Spring Garden	Greensboro	NC	27407	336-259-0376
3C AUTOCRAFT 3 LLC	13800 Cypress North Houston Road	Cypress	TX	77429	323-320-9999
3C AUTOCRAFT LLC	8424 Highway 6 North	Houston	TX	77095	818-476-6616
3C AUTOCRAFT 2 LLC	6406 Farm-To-Market Road 1488	Magnolia	TX	77354	818-476-6616

\* Franchise agreement signed, but location not opened as of December 31, 2023.

**EXHIBIT D-2**  
**LIST OF FORMER FRANCHISEES**

FRANCHISEE	CITY	STATE	BUSINESS PHONE
Phantom Collision Repair of Upland, LLC*	Upland	CA	747-333-733

\* This location both opened and closed in 2023.

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

**EXHIBIT E**  
**FINANCIAL STATEMENTS**

# ProColor Collision USA LLC

Financial statements

December 31, 2022



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# Independent auditor's report

To the member of  
**ProColor Collision USA LLC**

We have audited the accompanying financial statements of **ProColor Collision USA LLC**, which comprise the balance sheet as of December 31, 2022 and the related statements of comprehensive loss and deficit, and cash flows for the year then ended, and the related notes to the financial statements.

## Management's responsibility for the financial statements

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

## Auditor's responsibility

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **ProColor Collision USA LLC** as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Ernst & Young LLP*<sup>1</sup>

Montréal, Canada  
April 6, 2023

<sup>1</sup> CPA auditor, public accountancy permit no. A121006



## ProColor Collision USA LLC

### Balance sheet

[In U.S. dollars]

As of December 31, 2022

	2022	2021
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	749,293	1,303,858
Accounts receivable, net of allowance for doubtful accounts of \$82,472 [2021 – nil]	264,333	100,752
Accounts receivable – company under common control	1,107	15,700
Promissory note receivable from parent company, non-interest bearing	600,000	600,000
Prepaid expenses	11,774	4,700
<b>Total current assets</b>	<b>1,626,507</b>	<b>2,025,010</b>
Property and equipment	8,177	6,538
	<b>1,634,684</b>	<b>2,031,548</b>
<b>Liabilities and net membership's interest</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	177,291	206,017
Accounts payable and accrued liabilities – ultimate parent company	—	21,848
Amounts to be remitted to franchisees	57,624	—
Deferred revenue	142,007	32,040
<b>Total current liabilities</b>	<b>376,922</b>	<b>259,905</b>
Advances from companies under common control, non-interest bearing	134,842	612,273
Deferred revenue	81,000	80,833
<b>Total liabilities</b>	<b>592,764</b>	<b>953,011</b>
<b>Net membership's interest</b>		
Net investment from the parent company, since inception	4,550,100	3,250,100
Deficit	(3,508,180)	(2,171,563)
<b>Total net membership's interest</b>	<b>1,041,920</b>	<b>1,078,537</b>
	<b>1,634,684</b>	<b>2,031,548</b>

See accompanying notes

**ProColor Collision USA LLC**

**Statement of comprehensive loss and deficit**

[In U.S. dollars]

Year ended December 31, 2022

	2022	2021
	\$	\$
<b>Revenue</b>		
Royalties	311,725	45,016
Product sales	—	1,979
Allowances and discounts from vendors	171,226	44,876
Contributions received from franchisees for various services	24,333	9,167
	<u>507,284</u>	<u>101,038</u>
<b>Expenses</b>		
Direct operating expenses	144,743	111,415
Selling and administrative expenses	1,695,924	1,430,733
Cost of products sold	—	1,979
Amortization of property and equipment	2,597	2,802
Loss on foreign exchange	637	1,035
	<u>1,843,901</u>	<u>1,547,964</u>
Loss before income taxes	<u>(1,336,617)</u>	<u>(1,446,926)</u>
Income taxes expense	—	—
<b>Net loss and comprehensive loss</b>	<u>(1,336,617)</u>	<u>(1,446,926)</u>
Deficit, beginning of year	<u>(2,171,563)</u>	<u>(724,637)</u>
<b>Deficit, end of year</b>	<u>(3,508,180)</u>	<u>(2,171,563)</u>

See accompanying notes

## ProColor Collision USA LLC

### Statement of cash flows

[In U.S. dollars]

Year ended December 31, 2022

	2022	2021
	\$	\$
<b>Operating activities</b>		
Net loss for the year	(1,336,617)	(1,446,926)
Non-cash items:		
Amortization of property and equipment	2,597	2,802
	<u>(1,334,020)</u>	<u>(1,444,124)</u>
Net change in non-cash working-capital items		
Accounts receivable	(148,988)	(61,802)
Prepaid expenses	(7,074)	1,013
Accounts payable and accrued liabilities	(50,574)	86,058
Amounts to be remitted to franchisees	57,624	—
Deferred revenue	110,134	112,873
<b>Cash flows used in operating activities</b>	<u>(1,372,898)</u>	<u>(1,305,982)</u>
<b>Investing activities</b>		
Additions to property and equipment	(4,236)	—
<b>Cash flows used in investing activities</b>	<u>(4,236)</u>	<u>—</u>
<b>Financing activities</b>		
Increase in net investment from the parent company	1,300,000	1,450,000
Increase (decrease) of advances from companies under common contro	(477,431)	151,590
<b>Cash flows from financing activities</b>	<u>822,569</u>	<u>1,601,590</u>
<b>Balance, beginning of the year</b>	<b>1,303,858</b>	<b>1,008,250</b>
Net change in cash during the year	<u>(554,565)</u>	<u>295,608</u>
<b>Balance, end of the year</b>	<u><b>749,293</b></u>	<u><b>1,303,858</b></u>

See accompanying notes

## ProColor Collision USA LLC

### Notes to the financial statements

[In U.S. dollars]

December 31, 2022

#### 1. Organization, basis of presentation and economic dependence

ProColor Collision USA LLC [the “Company”] was created on April 22, 2020 as a limited liability company registered in the State of the Delaware. The Company is a wholly-owned member of Mondofix USA LLC [the “parent company”], which is wholly-owned by Mondofix Inc., a Canadian company and ultimate parent company. The Company selected December 31 as its year-end. The Company acts as a franchisor of car body repair shops in the USA under the name ProColor, ProColor Collision and ProColor Collision Center in virtue of a license agreement with its ultimate parent company.

The Company incurred losses in the last two years. The Company's ability to continue as a going concern for the next twelve months is influenced by its ability to maintain suitable financing through lenders or other means; including mainly the financial support of its parent and ultimate parent companies, by its successful growth of its franchisees' network to enable it to generate positive cash flows in the future; and its ability to continue honoring repayment of its accounts payable and accrued liabilities. The Company depends on the continued financial support of its ultimate parent company which committed to continue such support through advances and / or capital contributions to finance its operations for at least the next twelve months from the date of the subsequent events note [note 9].

#### 2. Significant accounting policies

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America [“US GAAP”]. These financial statements are presented in U.S. dollars, which is also the functional currency of the Company.

##### Use of estimates

The preparation of the financial statements in conformity with the basis of accounting defined above requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Estimates include, but are not limited to, allowance for doubtful accounts. Actual results could differ from those estimates.

##### Cash

Bank balances, including bank overdrafts with balances that fluctuate from positive to overdrawn, are presented under cash.

##### Financial instruments

Financial instruments are measured at fair value on initial recognition based on current pricing of such financial instruments with comparable terms. Subsequently, all financial instruments are measured at amortized costs less any reduction of impairment. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows: Level 1 – quoted prices [unadjusted] in active markets for identical assets or liabilities; Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 – unobservable inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of December 31, 2022 and 2021, all of the Company's financial assets were considered a Level 1 asset.

## ProColor Collision USA LLC

### Notes to the financial statements

[In U.S. dollars]

December 31, 2022

Financial instruments included in the financial statements consist mainly of cash, accounts receivable [including those from a company under common control], promissory note receivable from parent company, accounts payable and accrued liabilities [including those to the ultimate parent company], amounts to be remitted to franchisees and advances from companies under common control. Financial assets and financial liabilities are initially recognized at fair value when the Company becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost less any reduction for impairment.

#### Revenue recognition

The Company applies revenue recognition guidance under ASC 606 Revenue from contracts with customers. Sales arrangements with franchising generally include a combination of royalties, vendor rebates and other services. The Company determines whether performance obligations are distinct based on whether the customer can benefit from the product or service on its own or together with other resources that are readily available and whether the commitment to transfer the product or service to the customer is separately identifiable from other obligations in the contract. Revenue is recognized when, or as, performance obligations under the terms of a contract or arrangement are satisfied, which generally occurs when, or as, control of the promised products or services is transferred to franchisees/customers. Revenue is measured at the amount of consideration the Company expects to receive in exchange for transferring products or services to a customer and by allocation the transaction price based on the relative stand-alone selling price of each performance obligation.

Revenues generated from royalties charged to franchisees [monthly continuing fee from the franchisee equals to the greater of a stated percentage of the franchisee's gross sales and a stated minimum] are recognized and established based on the monthly franchisees' retail sales.

Allowances and discounts from vendors are recognized based on actual periodic purchases from these vendors and the related contractual terms and, when the consideration is fixed or determinable and collection is reasonably assured.

Contributions received from franchisees for various services consist of items such as initial fees charged to new franchisees, the sale of promotional items to franchisees, contributions from franchisees to marketing and administrative initiatives and other. These revenues are recognized when earned and services have been rendered. Revenue from initial fees for the license are deferred and recognized over the related license term.

Revenue from the sale of products is recognized upon delivery when all material conditions related to the sale have been substantially performed by the Company and collectability is reasonably assured.

#### Government assistance

Government assistance or grants are recorded in income as a credit to the related expenditure when they can be reasonably estimated, and the collection is reasonably assured.

## ProColor Collision USA LLC

### Notes to the financial statements

[In U.S. dollars]

December 31, 2022

#### Income taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on differences between the financial statement carrying amounts and the tax bases of the assets and liabilities using the enacted tax rates in effect in the years in which the temporary differences are expected to reverse. A valuation allowance against deferred tax assets is recorded if, based on the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. As at and for the years ended December 31, 2022 and 2021, the Company incurred a loss for which a full valuation allowance was recorded.

The Company is a member of a group, consisting of its parent company and other companies under common control that files its income tax return on a consolidated basis. Current and deferred income taxes are allocated to the Company as if it were a separate taxpayer. Any tax effect of the Company's operating activity is passed to its parent company for equal consideration if the tax effect can be realized using the consolidated approach.

#### Comprehensive income (loss)

The Company follows the provisions of ASC 220, Comprehensive Income. Comprehensive income (loss) is defined as the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. Comprehensive loss for the years ended December 31, 2022 and 2021 is the same as the Company's net loss.

#### Recent accounting pronouncement

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ["FASB"] or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material effect on its financial position or results of operations upon adoption.

There were no new accounting pronouncements adopted during the current year which had a significant effect on the Company's financial statements.

#### Recent accounting pronouncements – Not yet adopted

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses [Topic 326]: Measurement of Credit Losses on Financial Instruments." The new guidance replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform financial statement users of credit loss estimates. ASU 2016-13 is effective for annual periods beginning after December 15, 2022. Early adoption is permitted. The Company does not expect the adoption of ASU 2016-13 to have a material impact on the financial statements.

## ProColor Collision USA LLC

### Notes to the financial statements

[In U.S. dollars]

December 31, 2022

#### 3. Amounts receivable/payable from related parties

The accounts receivable from a company under common control, the promissory note receivable from the parent company and the accounts payable and accrued liabilities from the ultimate parent company are non-interest bearing and repayable on demand.

The advances from companies under common control are non-interest bearing and are not repayable before January 1, 2024.

#### 4. Accounts payable and accrued liabilities

	2022	2021
	\$	\$
Trade payable and accrued liabilities	53,638	54,847
Accrued salaries and employee benefits	123,653	151,170
	<u>177,291</u>	<u>206,017</u>

#### 5. Membership's interests

The Company was created on April 22, 2020 as a limited liability company. No shares or units were issued upon its creation. The Company is registered as owned by its sole member Mondofix USA LLC.

##### *2021 capital contributions*

On April 23, 2021, the Company received a capital contribution of \$500,000 from its parent company in payment for the promissory note receivable recorded as at December 31, 2020.

During 2021, the Company received additional capital contributions for a total net amount of \$950,000.

##### *2022 capital contributions*

On March 31, 2022, the Company received a capital contribution of \$600,000 from its parent company in payment for the promissory note receivable recorded as at December 31, 2021.

During 2022, the Company received additional capital contributions for a total net amount of \$700,000.

##### *2023 capital contributions*

On March 13, 2023, the Company received a capital contribution of \$600,000 from its parent company in payment for the promissory note receivable recorded as at December 31, 2022.

#### 6. Income taxes

The Company did not account for any current or deferred income taxes given its current and historical tax losses.

## ProColor Collision USA LLC

### Notes to the financial statements

[In U.S. dollars]

December 31, 2022

#### 7. Financial instruments

##### Fair values

As of December 31, 2022, the carrying values of accounts receivable and accounts payable and accrued liabilities approximates their respective fair values due to their immediate or short term to maturity.

##### Financial risks

The Company is exposed to various financial risks through transactions in financial instruments. The following provides information in assessing the extent of the Company's exposure to these risks.

##### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's primary financial instruments exposure is credit risk on its accounts receivable. Maximum exposure is represented by amounts reported for those balances. Credit risk is managed by engaging only pre-approved franchisees and financial instrument counterparties and monitoring regularly the collection of customers' dues to the Company.

Normal terms to the Company's franchisees range from 30 to 60 days. Management reviews accounts and notes receivable past due and contacts franchisees on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds at an early stage. In establishing the appropriate allowance for doubtful accounts, assumptions are made with respect to the future collectability of the receivables. Assumptions are based on an individual assessment of a franchisee's credit quality as well as subjective factors and trends. Management believes the allowance is adequate.

Amounts other than current are considered to be past due. The following tables provide the aging analysis of accounts receivable:

##### Accounts receivable

	2022	2021
	\$	\$
Current	127,195	60,631
31 to 60 days	51,337	2,622
61 to 90 days	38,389	5,611
91 days +	129,884	31,888
Total accounts receivable	<u>346,805</u>	<u>100,752</u>
Less: allowance for doubtful accounts	<u>(82,472)</u>	<u>—</u>
	<u>264,333</u>	<u>100,752</u>

**ProColor Collision USA LLC**

**Notes to the financial statements**

[In U.S. dollars]

December 31, 2022

**8. Government assistance**

During fiscal 2022, the Company received a total amount of \$101,750 from the employee retention credit program which were recorded against selling and administrative expenses.

**9. Subsequent events**

The Company considers events or transactions that occur after the balance sheet date but prior to the issuance of the financial statements to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through April 6, 2023, the date these financial statements are available to be issued, and the financial statements reflect those material items that arose after the balance sheet date but prior to this date that would be considered recognized subsequent events.

# ProColor Collision USA LLC

Financial statements

December 31, 2023



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## Independent auditor's report

To the member of  
**ProColor Collision USA LLC**

We have audited the accompanying financial statements of **ProColor Collision USA LLC**, which comprise the balance sheet as of December 31, 2023 and the related statements of comprehensive loss and deficit, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ProColor Collision USA LLC as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Ernst & Young LLP*<sup>1</sup>

Montréal, Canada  
March 29, 2024

<sup>1</sup> CPA auditor, public accountancy permit no. A121006



## ProColor Collision USA LLC

### Balance sheet

[In U.S. dollars]

As of December 31

	2023	2022
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	726,343	691,669
Cash in trust or otherwise reserved	46,308	57,624
Accounts receivable, net of allowance for doubtful accounts of \$51,722 [2022 – \$82,472]	271,118	264,333
Accounts receivable – company under common control	—	1,107
Promissory note receivable from parent company, non-interest bearing	—	600,000
Prepaid expenses	67,662	11,774
<b>Total current assets</b>	<b>1,111,431</b>	<b>1,626,507</b>
Property and equipment	9,480	8,177
Deposits and other long term assets	55,967	—
Advances to companies under common control, non-interest bearing	523,038	—
	<b>1,699,916</b>	<b>1,634,684</b>
<b>Liabilities and net membership's interest</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	242,443	177,291
Accounts payable and accrued liabilities – ultimate parent company	615	—
Amounts to be remitted to franchisees	46,308	57,624
Deferred revenue	439,313	142,007
<b>Total current liabilities</b>	<b>728,679</b>	<b>376,922</b>
Advances from companies under common control, non-interest bearing	187,408	134,842
Deferred revenue	128,167	81,000
<b>Total liabilities</b>	<b>1,044,254</b>	<b>592,764</b>
<b>Net membership's interest</b>		
Net investment from the parent company, since inception	4,825,100	4,550,100
Deficit	(4,169,438)	(3,508,180)
<b>Total net membership's interest</b>	<b>655,662</b>	<b>1,041,920</b>
	<b>1,699,916</b>	<b>1,634,684</b>

See accompanying notes

## ProColor Collision USA LLC

### Statement of comprehensive loss and deficit

[In U.S. dollars]

Year ended December 31

	2023	2022
	\$	\$
<b>Revenue</b>		
Royalties	692,720	311,725
Allowances and discounts from vendors	480,878	171,226
Contributions received from franchisees for various services	213,038	24,333
	<u>1,386,636</u>	<u>507,284</u>
<b>Expenses</b>		
Direct operating expenses	303,137	144,743
Selling and administrative expenses	1,740,995	1,695,924
Amortization of property and equipment	3,116	2,597
Loss on foreign exchange	646	637
	<u>2,047,894</u>	<u>1,843,901</u>
Loss before income taxes	(661,258)	(1,336,617)
Income taxes expense	—	—
<b>Net loss and comprehensive loss</b>	<u>(661,258)</u>	<u>(1,336,617)</u>
Deficit, beginning of year	(3,508,180)	(2,171,563)
<b>Deficit, end of year</b>	<u>(4,169,438)</u>	<u>(3,508,180)</u>

See accompanying notes

## ProColor Collision USA LLC

### Statement of cash flows

[In U.S. dollars]

Year ended December 31

	2023	2022
	\$	\$
<b>Operating activities</b>		
Net loss for the year	(661,258)	(1,336,617)
Non-cash items:		
Amortization of property and equipment	3,116	2,597
	<u>(658,142)</u>	<u>(1,334,020)</u>
Net change in non-cash working-capital items		
Accounts receivable	(5,678)	(148,988)
Prepaid expenses	(111,855)	(7,074)
Accounts payable and accrued liabilities	65,767	(50,574)
Amounts to be remitted to franchisees	(11,316)	57,624
Deferred revenue	344,473	110,134
<b>Cash flows used in operating activities</b>	<u>(376,751)</u>	<u>(1,372,898)</u>
<b>Investing activities</b>		
Additions to property and equipment	(4,419)	(4,236)
<b>Cash flows used in investing activities</b>	<u>(4,419)</u>	<u>(4,236)</u>
<b>Financing activities</b>		
Increase in net investment from the parent company	275,000	1,300,000
Decrease in promissory note receivable from parent company, non-interest bearing	600,000	—
Increase of net advances to companies under common control	(470,472)	(477,431)
<b>Cash flows from financing activities</b>	<u>404,528</u>	<u>822,569</u>
<b>Cash (and cash in trust) balance, beginning of the year</b>	<b>749,293</b>	<b>1,303,858</b>
Net change in cash during the year	<b>23,358</b>	<b>(554,565)</b>
<b>Cash (and cash in trust) balance, end of the year</b>	<b><u>772,651</u></b>	<b><u>749,293</u></b>

See accompanying notes

## ProColor Collision USA LLC

### Notes to the financial statements

[In U.S. dollars]

December 31, 2023

#### 1. Organization, basis of presentation and economic dependence

ProColor Collision USA LLC [the “Company”] was created on April 22, 2020 as a limited liability company registered in the State of the Delaware. The Company is a wholly-owned member of Mondofix USA LLC [the “parent company”], which is wholly-owned by Mondofix Inc., a Canadian company and ultimate parent company. The Company selected December 31 as its year-end. The Company acts as a franchisor of car body repair shops in the USA under the name ProColor, ProColor Collision and ProColor Collision Center in virtue of a license agreement with its ultimate parent company.

The Company incurred annual losses since its creation. The Company’s ability to continue as a going concern for the next twelve months is influenced by its ability to maintain suitable financing through lenders or other means; including mainly the financial support of its parent and ultimate parent companies, by its successful growth of its franchisees’ network to enable it to generate positive cash flows in the future; and its ability to continue honoring repayment of its accounts payable and accrued liabilities. The Company depends on the continued financial support of its ultimate parent company which committed to continue such support through advances and / or capital contributions to finance its operations for at least the next twelve months from the date of the subsequent events note [note 9].

#### 2. Significant accounting policies

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America [“US GAAP”]. These financial statements are presented in U.S. dollars, which is also the functional currency of the Company.

##### Use of estimates

The preparation of the financial statements in conformity with the basis of accounting defined above requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Estimates include, but are not limited to, allowance for doubtful accounts. Actual results could differ from those estimates.

##### Cash

Bank balances, including bank overdrafts with balances that fluctuate from positive to overdrawn, are presented under cash.

## ProColor Collision USA LLC

### Notes to the financial statements

[In U.S. dollars]

December 31, 2023

#### Financial instruments

Financial instruments are measured at fair value on initial recognition based on current pricing of such financial instruments with comparable terms. Subsequently, all financial instruments are measured at amortized costs less any reduction of impairment. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows: Level 1 – quoted prices [unadjusted] in active markets for identical assets or liabilities; Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 – unobservable inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of December 31, 2023 and 2022, all of the Company's financial assets were considered a Level 1 asset.

Financial instruments included in the financial statements consist mainly of cash, accounts receivable [including those from a company under common control], promissory note receivable from parent company, accounts payable and accrued liabilities [including those to the ultimate parent company], amounts to be remitted to franchisees and advances from companies under common control. Financial assets and financial liabilities are initially recognized at fair value when the Company becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost less any reduction for impairment.

#### Revenue recognition

The Company applies revenue recognition guidance under ASC 606 *Revenue from contracts with customers*. Sales arrangements with franchising generally include a combination of royalties, vendor rebates and other services. The Company determines whether performance obligations are distinct based on whether the customer can benefit from the product or service on its own or together with other resources that are readily available and whether the commitment to transfer the product or service to the customer is separately identifiable from other obligations in the contract. Revenue is recognized when, or as, performance obligations under the terms of a contract or arrangement are satisfied, which generally occurs when, or as, control of the promised products or services is transferred to franchisees/customers. Revenue is measured at the amount of consideration the Company expects to receive in exchange for transferring products or services to a customer and by allocation the transaction price based on the relative stand-alone selling price of each performance obligation.

Revenues generated from royalties charged to franchisees [monthly continuing fee from the franchisee equals to the greater of a stated percentage of the franchisee's gross sales and a stated minimum] are recognized and established based on the monthly franchisees' retail sales.

Allowances and discounts from vendors are recognized based on actual periodic purchases from these vendors and the related contractual terms and, when the consideration is fixed or determinable and collection is reasonably assured.

## ProColor Collision USA LLC

### Notes to the financial statements

[In U.S. dollars]

December 31, 2023

Contributions received from franchisees for various services consist of items such as initial fees charged to new franchisees, the sale of promotional items to franchisees, contributions from franchisees to marketing and administrative initiatives and other. These revenues are recognized when earned and services have been rendered. Revenue from initial fees for the license are deferred and recognized over the related license term.

#### **Government assistance**

Government assistance or grants are recorded in income as a credit to the related expenditure when they can be reasonably estimated, and the collection is reasonably assured.

#### **Income taxes**

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on differences between the financial statement carrying amounts and the tax bases of the assets and liabilities using the enacted tax rates in effect in the years in which the temporary differences are expected to reverse. A valuation allowance against deferred tax assets is recorded if, based on the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. As at and for the years ended December 31, 2023 and 2022, the Company incurred losses for which a full valuation allowance was recorded.

The Company is a member of a group, consisting of its parent company and other companies under common control that files its income tax return on a consolidated basis. Current and deferred income taxes are allocated to the Company as if it were a separate taxpayer. Any tax effect of the Company's operating activity is passed to its parent company for equal consideration if the tax effect can be realized using the consolidated approach.

#### **Comprehensive income (loss)**

The Company follows the provisions of ASC 220, *Comprehensive Income*. Comprehensive income (loss) is defined as the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. Comprehensive loss for the years ended December 31, 2023 and 2022 is the same as the Company's net loss.

#### **Recent accounting pronouncement adopted in fiscal 2023**

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ["FASB"] or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material effect on its financial position or results of operations upon adoption.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses [Topic 326]: *Measurement of Credit Losses on Financial Instruments*." The new guidance replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform financial statement users of credit loss estimates. The Company adopted ASU 2016-13 in fiscal 2023 and this did not have a material impact on the financial statements.

## ProColor Collision USA LLC

### Notes to the financial statements

[In U.S. dollars]

December 31, 2023

There were no other accounting pronouncements adopted during the current year which had a significant effect on the Company's financial statements.

#### 3. Amounts receivable/payable from related parties

The accounts receivable from a company under common control, the promissory note receivable from the parent company and the accounts payable and accrued liabilities from the ultimate parent company are non-interest bearing and repayable on demand.

The advances to / from companies under common control are non-interest bearing and are not repayable before January 1, 2025.

#### 4. Accounts payable and accrued liabilities

	2023	2022
	\$	\$
Trade payable and accrued liabilities	40,715	53,638
Accrued salaries and employee benefits	201,728	123,653
	<u>242,443</u>	<u>177,291</u>

#### 5. Membership's interests

The Company was created on April 22, 2020 as a limited liability company. No shares or units were issued upon its creation. The Company is registered as owned by its sole member Mondofix USA LLC.

##### *2022 capital contributions*

On March 31, 2022, the Company received a capital contribution of \$600,000 from its parent company in payment for the promissory note receivable recorded as at December 31, 2021.

During 2022, the Company received additional capital contributions for a total net amount of \$700,000.

##### *2023 capital contributions*

On March 13, 2023, the Company received a capital contribution of \$600,000 from its parent company in payment for the promissory note receivable recorded as at December 31, 2022.

During 2023, the Company received additional capital contributions for a total net amount of \$275,000.

#### 6. Income taxes

The Company did not account for any current or deferred income taxes given its current and historical tax losses.

## ProColor Collision USA LLC

### Notes to the financial statements

[In U.S. dollars]

December 31, 2023

#### 7. Financial instruments

##### Fair values

As of December 31, 2023, the carrying values of accounts receivable and accounts payable and accrued liabilities approximates their respective fair values due to their immediate or short term to maturity.

##### Financial risks

The Company is exposed to various financial risks through transactions in financial instruments. The following provides information in assessing the extent of the Company's exposure to these risks.

##### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's primary financial instruments exposure is credit risk on its accounts receivable. Maximum exposure is represented by amounts reported for those balances. Credit risk is managed by engaging only pre-approved franchisees and financial instrument counterparties and monitoring regularly the collection of customers' dues to the Company.

Normal terms to the Company's franchisees range from 30 to 60 days. Management reviews accounts and notes receivable past due and contacts franchisees on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds at an early stage. In establishing the appropriate allowance for doubtful accounts, assumptions are made with respect to the future collectability of the receivables. Assumptions are based on an individual assessment of a franchisee's credit quality as well as subjective factors and trends. Management believes the allowance is adequate.

Amounts other than current are considered to be past due. The following tables provide the aging analysis of accounts receivable:

##### Accounts receivable

	2023	2022
	\$	\$
Current	241,845	127,195
31 to 60 days	503	51,337
61 to 90 days	—	38,389
91 days +	80,492	129,884
Total accounts receivable	<u>322,840</u>	<u>346,805</u>
Less: allowance for doubtful accounts	<u>(51,722)</u>	<u>(82,472)</u>
	<u>271,118</u>	<u>264,333</u>

**ProColor Collision USA LLC**

**Notes to the financial statements**

[In U.S. dollars]

December 31, 2023

**8. Government assistance**

During fiscal 2022, the Company received a total amount of \$101,750 from the employee retention credit program which were recorded against selling and administrative expenses.

**9. Subsequent events**

The Company considers events or transactions that occur after the balance sheet date but prior to the issuance of the financial statements to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through March 29, 2024, the date these financial statements are available to be issued, and the financial statements reflect those material items that arose after the balance sheet date but prior to this date that would be considered recognized subsequent events.

**EXHIBIT F**  
**FRANCHISE AGREEMENT, PERSONAL GUARANTY,**  
**PAYMENT AUTHORIZATION, AND STATE SPECIFIC**  
**ADDENDA TO FRANCHISE AGREEMENT**

**FRANCHISE AGREEMENT**  
**FOR**  
**A PROCOLOR COLLISION REPAIR FACILITY**

**FRANCHISEE**

**LOCATION NAME**

**PREMISES**

**TERRITORY**

SEE SCHEDULE "A"

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- 1.4 **WHEREAS** Franchisee acknowledges and agrees that pursuant to a license agreement with Mondofix Inc., a related company, Franchisor has the exclusive right to grant to others the right and license to use the Proprietary Rights and the Concept in and for the United States;
- 1.5 **WHEREAS** Franchisee understands the importance to Franchisor of maintaining high and uniform standards of quality and service and the necessity of ensuring that the ProColor Collision center operated by Franchisee under this Agreement (the “ProColor Collision Center”) is operated in conformity with the Concept, Franchisor’s standards and specifications and this Agreement; and
- 1.6 **WHEREAS** Franchisee wishes to acquire from Franchisor the right and license to operate the ProColor Collision Center at the Premises (as such term is defined in Section 2), and to receive the services and other assistance provided by Franchisor relating to the operation of the ProColor Collision Center, upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

## 2. DEFINITIONS

2.1 In this Agreement:

- 2.1.1 “**Affiliate**” means, in respect of any person, any other person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with such specified person. The term person used in the immediately preceding sentence shall refer to any individual, partnership, firm, corporation, association, trust, unincorporated organization, joint venture, or other entity.
- 2.1.2 “**Gross Sales**” means the entire amount of all revenues derived from the sale of Services and other income resulting from the operation of the ProColor Collision Center, whether same are performed at the Premises or elsewhere, and whether payment is made by way of cash, credit, barter (based on the stated retail price of goods or services received) or otherwise, as well as proceeds from any business interruption insurance received with respect to the ProColor Collision Center. There will not be any deduction for uncollected or uncollectible credit accounts or any other matter, save and except for sums collected by Franchisee and paid to any duly constituted governmental authority on account of any direct tax on retail sales made by Franchisee (but not income taxes). There shall be excluded from Gross Sales all sales of cars, as well as sales derived from the operation of other businesses in the Premises not contemplated by this Agreement but which are complementary to the ProColor Collision Center, managed distinctly from the ProColor Collision Center, and approved in writing by Franchisor;
- 2.1.3 “**Including**” (whether or not capitalized) means “including but not limited to.”
- 2.1.4 “**Insurers**” means such insurance companies specified from time to time by Franchisor;

- 2.1.5 “**National Warranty Program**” means the warranty program with respect to Services rendered to customers of ProColor Collision centers, as same may be amended from time to time;
- 2.1.6 “**Operator**” means the person, if any, named in Part 1 of Schedule “A” attached to this Agreement who will at all times devote his/her full time and effort to the operation of the ProColor Collision Center;
- 2.1.7 “**Operations Manual**” means such document or documents, in one or several volumes (and which may be delivered in electronic form) prescribed by Franchisor for use by franchisees of the Concept generally or by Franchisee in particular, setting out certain procedures, instructions, policies, rules, methods, directions for use, operating norms and standards to be followed by franchisees in operating ProColor Collision centers, as same may be amended from time to time;
- 2.1.8 “**Owner**” means the person named in Part 1 of Schedule “A” attached to this Agreement who will at all times own and control at least fifty-one percent (51 %) of the issued and outstanding voting equity of Franchisee;
- 2.1.9 “**Personal Guarantors**” has the meaning set forth in Section 29.16 of this Agreement.
- 2.1.10 “**Premises**” means the location at which Franchisee will operate the ProColor Collision Center, the address of which is contained in Part 2 of Schedule “A” attached to this Agreement;
- 2.1.11 “**Services**” means motor vehicle body repair services, as well as other products and services specified from time to time by Franchisor;
- 2.1.12 “**Term**” means, collectively, the Initial Term and any Renewal Term.
- 2.1.13 “**Territory**” means the area described in, or outlined on the map attached to, Part 3 of Schedule “A” attached to this Agreement;
- 2.1.14 “**Trademarks**” means the trade-mark **ProColor Collision**, any applications for registration and registrations of same, as well as such other trade names, trademarks, commercial symbols, insignia, labels, slogans and other identification schemes specified from time to time by Franchisor for use in connection with the Concept.

### **3. GRANT OF FRANCHISE**

- 3.1 Franchisor grants to Franchisee the right and license to use the Concept and the Proprietary Rights solely in the operation of the ProColor Collision Center.

### **4. TERRITORY**

- 4.1 Provided that Franchisee is not in default of any provision of this Agreement, Franchisor will not itself operate, nor grant to any other individual, partnership or other entity, any right or license to use the Proprietary Rights and the Concept in association with a ProColor

Collision center to be located in the Territory. Franchisor expressly reserves all rights not granted to the Franchisee by this Agreement. Accordingly, and without limitation to the foregoing, nothing in this Agreement or at law shall prevent Franchisor, its Affiliates, their respective licensees or others, from (without compensation to Franchisee):

- 4.1.1 operating, or granting to someone else a franchise or license to operate at any location, outside the Territory a business using the Proprietary Rights and/or the Concept; and
  - 4.1.2 operating, or licensing others to operate an auto collision business, whether inside or outside the Territory, so long as they do not use the Proprietary Rights; and
  - 4.1.3 purchasing, merging with, acquiring or affiliating with, or being purchased or acquired by, an existing network, chain, entity or any other business, regardless of the locations or territories of such other franchise, chain, entity or other business, whether inside or outside the Territory, and, following any such purchase, merger, acquisition or affiliations, operating, franchising or licensing those businesses or being operated, franchised or licensed by those businesses, using the Proprietary Rights whether inside or outside the Territory.
- 4.2 Provided that Franchisee is not in default of any provision of this Agreement, then, notwithstanding the terms of Section 4.1, if, at any time during the Term, the demand for Services at the ProColor Collision Center exceeds its production capacity, as determined by Franchisor in accordance with Franchisor's then-current standards, Franchisor will give written notice of such determination and the reasons therefor to Franchisee. Franchisee will have a period of thirty (30) days after receipt of such notice to give written notice to Franchisor of its decision to either expand the Premises in accordance with Franchisor's requirements, as set forth in Franchisor's notice, or open an additional ProColor Collision center in the Territory.

If Franchisee chooses to expand the Premises, the required construction work must be completed within six (6) months of the date of its notice to Franchisor.

If Franchisee chooses to open an additional ProColor Collision Center in the Territory, it must sign Franchisor's then-current form of franchise agreement (which may contain then-current financial and other terms, any of which may be different than those contained in this Agreement) within twenty-five (25) days after receipt of same from Franchisor and open such additional ProColor Collision center within 6 months thereafter.

If Franchisee fails to respond to Franchisor within said thirty (30) day period, or fails to complete the required construction work or fails to timely sign the franchise agreement following its receipt from Franchisor, or fails to open the additional ProColor Collision center, within said six (6) month period, Franchisor or an Affiliate may open or grant to any other individual, partnership or other entity the right and license to operate a ProColor Collision center in the Territory.

## 5. TERM AND RENEWAL

- 5.1 Unless sooner terminated in accordance with its terms, this Agreement will be for a term of five (5) years commencing on the date of execution of this Agreement (the “Initial Term”).
- 5.2 Franchisee will have the right to renew the right and license granted to it in this Agreement for a maximum of two (2) additional terms of five (5) years each (each, a “Renewal Term”), by giving Franchisor written notice of its desire to renew not less than two hundred ten (210) days and not more than two hundred seventy (270) days before the expiration of the Initial Term, or then applicable Renewal Term, as the case may be, subject, however, to the conditions of this Section 5.2.
- 5.2.1 Franchisor may refuse the renewal if Franchisee is in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor or its Affiliates on the date of its notice of renewal, or upon execution of the documents effectuating the renewal; or
- 5.2.2 Franchisor may accept the renewal of Franchisee’s right and license under this Agreement for the applicable Renewal Term, subject to the following terms and conditions being complied with in full prior to the expiration of the Initial Term, or then applicable Renewal Term, as the case may be:
- 5.2.2.1 Franchisee signing, at the option of Franchisor, all documents then customarily used by Franchisor in the granting of rights and licenses including, without limitation, Franchisor’s then-current form of franchise agreement (which may contain then-current financial and other terms, any of which may be different than those contained in this Agreement). If Franchisor shall elect not to require a new franchise agreement to be signed, the existing franchise agreement shall remain in force during the applicable Renewal Term;
- 5.2.2.2 Franchisee shall have paid a renewal fee of Five Thousand Dollars (\$5,000) to Franchisor;
- 5.2.2.3 Franchisee shall have executed a release, in Franchisor’s standard form, of any and all claims (excepting any claims under an applicable franchise law statute (if any) that cannot be released) against Franchisor, its Affiliates, and their officers, directors, agents and employees; and
- 5.2.2.4 Franchisee and its designated employees shall successfully complete any new or refresher training mandated by Franchisor; and
- 5.2.2.5 Franchisee shall have done all such things as Franchisor may require to ensure that the ProColor Collision Center satisfies the then current image, standards, and specifications established by Franchisor. Without limiting the generality of the foregoing, Franchisee shall have made such capital expenditures as Franchisor shall determine as being required in connection with the refurbishment of the ProColor Collision Center and all associated fixtures, furnishings, equipment and signs.

5.3 If Franchisee continues to operate the ProColor Collision Center after the Term of this Agreement, without any further agreement in writing signed by Franchisor, then such continued operation and the pre-existing and continuing grant of rights under this Agreement shall be deemed to be at will only and may be terminated by Franchisor, without any cause or reason, upon thirty (30) days notice, but shall otherwise be subject to all the other terms and conditions of this Agreement.

## **6. INITIAL FEE**

6.1 Franchisee will pay to Franchisor an initial, non-recurring initial fee of Twenty Thousand Dollars (\$20,000) plus applicable taxes; provided, however, that if Franchisee already operates a ProColor Collision Center under another franchise agreement with Franchisor, and is in compliance with the terms of the other franchise agreement(s), or if Franchisee is signing at least one other ProColor Collision franchise agreement with Franchisor at the same time it is signing this Agreement and is paying an initial fee of Twenty Thousand Dollars (\$20,000) plus applicable taxes under that agreement, the initial franchise fee payable under this Agreement will be reduced to Ten Thousand Dollars (\$10,000). Such initial fee will be payable upon the signing of this Agreement, in consideration of the right and license granted to Franchisee in this Agreement. Accordingly, such initial fee will be deemed to be fully earned by Franchisor upon signing of this Agreement and will not be refundable even if this Agreement is terminated.

## **7. MONTHLY FRANCHISE FEE**

7.1 Franchisee agrees to pay Franchisor a continuing monthly franchise fee (the “Monthly Franchise Fee”) as follows:

7.1.1 If the ProColor Collision Center is a new business, or one that did not previously operate as an automotive repair center, then the Monthly Franchise Fee shall be an amount equal to the greater of Two Thousand Dollars (\$2,000) or three percent (3%) of the Gross Sales of the Business.

7.1.2 If the Pro Color Collision Center was converted from an automotive repair business that was operating prior to the Effective Date, then the Monthly Franchise Fee shall equal the Monthly Base Franchise Fee, plus the Monthly Growth Franchise Royalty.

7.1.2.1 The “Monthly Base Franchise Fee” shall be an amount equal to the greater of Two Thousand Dollars (\$2,000) or one and one-half percent (1.5%) of the Monthly Base Volume.

7.1.2.2 The “Monthly Growth Franchise Royalty” shall equal three percent (3%) of the amount, if any, by which the monthly Gross Sales of the ProColor Collision Center exceeds the Monthly Base Volume for the preceding calendar month.

7.1.2.3 The “Monthly Base Volume” shall be the amount equal to the “Annual Base Volume,” divided by twelve (12).

- 7.1.2.4 “Annual Base Volume” shall be the average annual Gross Sales of the ProColor Collision Center during the three (3) year period immediately preceding the Effective Date of this Agreement, as calculated by Franchisor. If the business had been operating for less than three (3) years as of the Effective Date, Franchisor shall calculate the Annual Base Volume by annualizing the average monthly Gross Sales of the ProColor Collision Center from its opening date to the Effective Date of this Agreement. Franchisee must provide Franchisor all financial statements and/or other information that Franchisor reasonably requests to verify the Gross Sales during the three (3) year period prior to the Effective Date.
- 7.1.2.5 By way of illustration only, if the Annual Base Volume of the ProColor Collision Center was One Million Eight Hundred Dollars (\$1,800,000), then the Monthly Base Volume for the term of this Agreement would be One Hundred Fifty Thousand Dollars (\$150,000). If, in a given calendar month during this Agreement, the total monthly Gross Sales were equal to One Hundred Seventy Thousand Dollars (\$170,000), then the Monthly Franchise Fee would be Two Thousand Eight Hundred Fifty Dollars (\$2,850), comprised of (i) a Monthly Base Franchise Fee in the amount of Two Thousand Two Hundred Fifty Dollars (\$2,250) (i.e. one and one-half percent (1.5%) of the Monthly Base Volume), plus (ii) a Monthly Growth Franchise Royalty in an amount equal to Six Hundred Dollars (\$600) (i.e. three percent (3%) of the amount by which the Monthly Gross Sales exceeds the Monthly Base Volume, which is Twenty Thousand Dollars (\$20,000)).
- 7.1.2.6 Franchisor may proceed with an adjustment of the Royalty Fee as provided for in this Section 7.1.2 within ninety (90) days of the end of Franchisee’s fiscal year. Any amount owed by Franchisor to Franchisee as a result of such adjustment will be credited to Franchisee against the amount of the remittance owing by Franchisee for the immediately following month, and any amount owed by Franchisee to Franchisor as a result of such adjustment will be paid to Franchisor with the remittance owing to Franchisor for the immediately following month.
- 7.2 The first Monthly Franchise Fee is due on the 15th day following the month during which the ProColor Collision Center first opens for business, or in the case of an existing business, upon the earlier of the first day the business begins using the Trademarks, and the first day it begins operating as a ProColor Collision Center. Subsequent Monthly Franchise Fees shall be due on the 15<sup>th</sup> day of each subsequent month, with the last Monthly Franchise Fee being due within ten (10) days following the termination or expiration of this Agreement. These payments will be made using such means as are specified from time to time by Franchisor (which may include, without limitation, pre-authorized inter-bank transfers or by set-off against any amounts Franchisor owes to Franchisee).

- 7.3 Notwithstanding any other provision of this Section 7, Franchisor reserves the right, in its sole discretion, to discount the Monthly Franchise Fee for franchisees in certain markets and for franchisees operating multiple ProColor Collision Centers.
- 7.4 Any and all amounts expressed as being payable pursuant to this Agreement are exclusive of any applicable taxes. Accordingly, if applicable, all payments by Franchisee shall, in addition, include an amount equal to any and all goods and services taxes, sales taxes, value added taxes, or other taxes, assessments or amounts of a like nature imposed on any payments to be made pursuant to this Agreement.

## **8. BOOKKEEPING, REPORTS AND AUDITS**

- 8.1 Franchisee will establish a bookkeeping, accounting and record-keeping system in accordance with the requirements specified from time to time by Franchisor. All books and records relating to the ProColor Collision Center will be kept by Franchisee at the Premises or at Franchisee's principal office, for at least six (6) years after the end of the fiscal year to which they relate.
- 8.2 Franchisee will submit to Franchisor, in the form and style and containing details and breakdown specified from time to time by Franchisor, no later than on the 10<sup>th</sup> day of each month, or at any other time specified by Franchisor, a statement setting out the total Gross Sales for the previous month.

Franchisor may also request, after the end of each fiscal year of Franchisee, a copy of Franchisee's financial statements for such fiscal year prepared in accordance with generally accepted accounting principles and the corresponding income tax return and notices of assessment. Such financial statements will include a balance sheet and a statement of profit and loss relating to the ProColor Collision Center (setting forth in each case, in comparative form, the corresponding figures for the same period during the previous fiscal year, if any), determined in accordance with generally accepted accounting principles applied on a basis consistent with the previous fiscal year, if any.

- 8.3 Franchisor will be entitled to inspect the books and records of Franchisee relating to the ProColor Collision Center during normal business hours. Without limiting the foregoing, Franchisor may also delegate a representative to visit the Premises during normal business hours to verify Gross Sales and cause a complete audit to be made of the ProColor Collision Center for the period covered by any statement submitted or to be submitted to Franchisor under this Section 8. Franchisee will cooperate fully with Franchisor during such inspection or audit. If any audit discloses an understatement of the Gross Sales of the ProColor Collision Center for any period or periods, Franchisee, within five (5) days of receipt of the audit report, shall pay to Franchisor any amounts that would have been due on the previously unreported Gross Sales. In addition, if an understatement for any period equals two percent (2%) or more of the Gross Sales of the ProColor Collision Center for the period, Franchisee shall reimburse Franchisor for the cost of the audit, including, without limitation, the charges of any independent accountant and the travel expenses, room and board, and compensation of persons employed by Franchisor to make the audit.

## **9. TRAINING AND INITIAL ASSISTANCE**

- 9.1 Franchisor will provide to the Owner, the Operator, if any, and such other personnel of Franchisee specified by Franchisor before the commencement of operations of Franchisee's shop as the ProColor Collision Center, an initial training program of such duration as Franchisor deems necessary at a location to be specified by Franchisor. Franchisee shall complete the initial training program to Franchisor's satisfaction within sixty (60) days after the effective date of this Agreement but in any event before Franchisee commences operations of the ProColor Collision Center.
- 9.2 Franchisor may also conduct additional and ongoing training programs upon such conditions as it determines. You must attend all national, regional and state meetings we hold. Whether or not you attend any of the required programs, you must pay our then-current fee for attendance at one such program each year. You must attend any mandatory training we require. If you request additional training, or if we require mandatory training, you must pay our then-current fee for such training, as well as the costs we incur in providing you such training (including travel, lodging and meal expenses).
- 9.3 Franchisee will participate in any training required by the Insurers.
- 9.4 Franchisor shall not charge Franchisee for the training it provides to Franchisee under Section 9.1. However, all expenses incurred by the Owner, the Operator and such other personnel of Franchisee in attending any training required or provided under Sections 9.1-9.3 including, without limitation, costs of accommodation, wages and travel, will be borne by Franchisee.
- 9.5 Franchisee will cause the Owner, the Operator, if any, and any other personnel of Franchisee specified by Franchisor to attend and successfully complete any such training described in this Section 9.
- 9.6 Franchisee will promptly advise Franchisor with regard to any suggestions for operational developments or improvements to the Concept or the ProColor Collision Center. In order that such developments or improvements shall be made available to Franchisor and other franchisees for the benefit of the Concept, Franchisee agrees that it hereby assigns and transfers all copyrights, trademarks or other rights in connection therewith to Franchisor without any compensation and waives all rights thereto. In consideration for such agreement, Franchisor shall permit Franchisee to use all operational developments or improvements to the Concept transferred to it by others that are approved generally for use in other ProColor Collision centers.
- 9.7 Franchisee may not commence operation of the ProColor Collision Center until Franchisee has satisfied all conditions set forth in this Agreement required to be satisfied by Franchisee prior to opening the ProColor Collision Center, including meeting Franchisor's current standards and specifications, successful completion of the initial training program, furnish to Franchisor copies of all required insurance policies and leases or subleases required by Franchisor, and Franchisor has provided Franchisee with written certification of the completion of all such conditions. Franchisee shall not open the ProColor Collision Center if the ProColor Collision Center does not conform to the plans and specifications approved by Franchisor, including changes thereof approved by Franchisor. Franchisee shall correct

any unauthorized variance from the approved plans and specifications promptly, and open the ProColor Collision Center within ninety (90) days after the date of this Agreement (for a conversion of an existing auto repair facility to the Concept) or within one hundred eighty (180) days after the date of this Agreement (for a newly developed ProColor Collision Center).

## **10. INSURERS ACCOUNT**

- 10.1 Franchisor will deposit in a separate account maintained for such purpose, upon their receipt, all monies received from Insurers as payment for Services approved by such Insurers and performed by the franchisees of the Concept in the State in which the ProColor Collision Center is located (the “**Insurers Account**”). Franchisor will, no later than on the 15<sup>th</sup> day and the last day of each month, pay to Franchisee all amounts owing to Franchisee for Services provided to such Insurers’ customers and invoiced to such Insurers, based upon the amounts received from such Insurers in the previous month.
- 10.2 Franchisee understands and agrees that Franchisor may negotiate volume rebates and other consideration which are to be paid by Franchisee to certain Insurers. Accordingly, Franchisee agrees to pay to any such Insurer the volume rebates or other consideration required by Franchisor from time to time which are to be calculated using the formula negotiated by Franchisor on the basis of the corresponding volume of business obtained by Franchisee from that Insurer or such other criteria as Franchisor may from time to time establish, or Franchisor may deduct these amounts from any remittance paid to Franchisor by the Insurer. Franchisee further undertakes to comply with all terms and conditions of contracts negotiated with Insurers by Franchisor.
- 10.3 Franchisor shall maintain an insurance against “theft, misappropriation of funds or fraud” for an amount exceeding the dollar amount of the total by-monthly transactions occurring in the Insurers’ Account. This insurance will benefit franchisees of the ProColor Collision centers network in the case of a fraud being perpetrated by Franchisor’s employees or officers.

## **11. CORPORATE IMAGE**

- 11.1 Franchisee will cause the layout, design and decoration of the reception area of the Premises to conform to Franchisor’s specifications.
- 11.2 Franchisee will maintain the condition and appearance of the ProColor Collision Center as an attractive, convenient and efficiently operated business offering high quality Services. Franchisee agrees to effect such maintenance of the Premises as is required from time to time to maintain such condition, appearance and efficient operation as well as to meet Franchisor’s then-current image including, without limitation, replacement of worn out or obsolete fixtures, equipment and signs.
- 11.3 Franchisor will loan one copy of the Operations Manual to Franchisee for the Term; Franchisee will conduct the ProColor Collision Center in accordance with all of the mandatory terms of the Operations Manual, as may be amended from time to time by Franchisor. Franchisee acknowledges that the Operations Manual is designed to protect the Concept and the Trademarks, and the goodwill associated with the Concept and the

Trademarks, and not to control the day-to-day operation of the ProColor Collision Center. Franchisor specifically reserves the right to modify or change provisions of the Operations Manual at any time at its sole discretion.

- 11.4 Franchisee will operate the ProColor Collision Center with due diligence and efficiency and maintain adequate and competent staff as may be necessary to properly serve all customers and to offer efficient and courteous service.
- 11.5 Franchisee will operate the ProColor Collision Center in full compliance with: (i) all laws, ordinances, rules, regulations and orders applicable to Franchisee, the Premises and the operation of the ProColor Collision Center, including, without limitation, obtaining and maintaining in full force and effect all licenses or permits necessary for the operation of the ProColor Collision Center, and (ii) the Concept and Franchisor's standards of quality, service and promotion mandated in the Operations Manual.
- 11.6 Franchisee will at all times participate in any insurance, fleet, national account and similar programs Franchisor establishes and will comply with all the policies and requirements of each such program, including signing any additional documents that may be requested or required by any third party to participate in the program.
- 11.7 Franchisee will maintain good and highly professional and ethical relations with its suppliers and clients, including, without limitation, Insurers.
- 11.8 Franchisee will comply with the requirements specified from time to time by Franchisor with respect to any method or methods to be used in the measurement of customer satisfaction. If Franchisee fails to comply with such requirements, Franchisor may employ such methods as it sees fit, on behalf of and at Franchisee's expense. Franchisee will promptly reimburse Franchisor for its actual time expended and expenses incurred in so doing.
- 11.9 Franchisee will use the Trademarks in the advertising, marketing, promotion and operation of the ProColor Collision Center including, without limitation, using signs bearing the Trademarks to be prominently displayed at and upon the Premises and in the form, color illumination, number and size specified by Franchisor. For purposes of clarification, any use of the Trademarks shall conform to all of the Franchisor's specifications, including restrictions on color, proportion, placement and as to signage, apparel, marketing, or any other usage.
- 11.10 Franchisee acknowledges that the Concept will continue to evolve to reflect the changing market and to meet new and changing consumer demands, and agrees to promptly accept, implement, use and display in the operation of the ProColor Collision Center any additions, developments, modifications and changes prescribed by Franchisor, at its sole cost and expense.
- 11.11 Franchisee will permit Franchisor and its representatives to enter and inspect the ProColor Collision Center and examine the Services offered by Franchisee to determine whether Franchisee is operating the ProColor Collision Center in accordance with this Agreement, the Concept and the Operations Manual and properly using the Proprietary Rights. Franchisor and its representatives also may interview and otherwise communicate with

customers of the ProColor Collision Center. Franchisee will cooperate fully with Franchisor during such inspections by providing any assistance requested by Franchisor.

## **12. ETHICS**

- 12.1 Franchisee will prepare and submit to customers true and accurate estimates for the Services, fully respect such estimates by providing corresponding Services, and advise customers of any changes thereto.
- 12.2 Franchisee will cause hazardous materials or pollutants used in or resulting from the operation of the ProColor Collision Center to be timely collected and removed solely by suppliers who qualify and comply with all applicable laws.
- 12.3 Franchisee will not sub-contract any Service to any other individual, partnership or other entity, except to other franchisees of the Concept.
- 12.4 Franchisee will offer the Services and operate the ProColor Collision Center in such a manner as to cause minimum environmental impact.
- 12.5 Franchisee acknowledges and agrees that it is essential to this Agreement, that Franchisee, Operator, Owner, and any other owner of Franchisee, can work with insurers, and are not included on an insurer blacklist. To that extent, Franchisee, on behalf of itself, Operator, Owner, and any other owner of Franchisee, as applicable (the “**Representing Parties**”), represents and warrants that:
  - 12.5.1 None of the Representing Parties has ever had disciplinary action taken against a business or professional license currently or previously held by them.
  - 12.5.2 None of the Representing Parties currently have, or have had, any criminal convictions (including DUIs, reckless driving convictions, driving on suspended license convictions, misdemeanors, felonies, military offenses, etc., but specifically excludes juvenile offenses), nor any criminal charges currently pending, other than as previously disclosed to Franchisor.
  - 12.5.3 None of the Representing Parties currently have, or have had, any lawsuits that they are, or have been, a party to involving an automobile insurance provider (including settlement agreements, arbitrations, or lawsuits, even if such actions resulted in dismissal).
  - 12.5.4 None of the Representing Parties, to the best of their knowledge, are prevented from working with, or accepting the insurance work that is essential to this Agreement.
  - 12.5.5 Will not employ anyone who cannot also make such similar representations and warranties as are contained in Sections 12.5.1 through 12.5.4 above.

Franchisee shall immediately notify Franchisor of any change to the facts underlying the representations set forth in this Section 12.5. Any breaches of, or any changes in the status of, the representations and warranties contained in Sections 12.5.1 to 12.5.4 give us the right to immediately terminate this Agreement, without an opportunity to cure.

### **13. PURCHASING OBLIGATIONS**

- 13.1 Recognizing that the Services must conform to Franchisor's standards and specifications, Franchisee hereby agrees to purchase all goods or services used in the ProColor Collision Center including paint and parts, only from Franchisor or from sources, manufacturers or suppliers approved or designated in writing by Franchisor (which may include or be limited to Franchisor or its Affiliates). Notwithstanding the foregoing, if, upon execution of this Agreement, Franchisee operates an existing auto collision center and is subject to a vendor agreement with a paint supplier, and that agreement cannot be terminated by Franchisee without penalty, Franchisee may continue to purchase such paint from the vendor for the remaining term of that agreement, but Franchisee recognizes that such authority will allow Franchisor to charge Franchisee an additional administrative fee of one and six-tenths of one percent (1.6%) of the previous month's Gross Sales during the term of that agreement. Franchisor will have the right to obtain a copy of the agreement for paint and material from Franchisee or the supplier.
- 13.2 Franchisee shall purchase new (OEM), similar (aftermarket) and recycled parts from suppliers Franchisor may designate from time to time. This participation shall be at least 85% of the total volume of OEM, aftermarket and recycled parts purchases made by Franchisee for use in connection with the operation of the ProColor Collision Center, excluding sub-contract agreements with dealerships approved by Franchisor. In the event the percentage of participation as aforesaid has not been reached, Franchisor will prepare a plan for compliance describing how Franchisee can meet this minimum participation requirement, and Franchisee shall comply with the plan. If Franchisee is not in compliance with this plan within ninety (90) days after receiving the plan (or such longer period that may be set forth in the plan, Franchisee shall pay Franchisor an additional administrative fee of 1% of the previous month's Gross Sales. This fee shall be payable on the 15<sup>th</sup> day of the month following the issuance by Franchisor of the quarterly report of Franchisee's purchases.
- 13.3 Franchisee will not cause any prejudice to the relationship with any designated or approved supplier of the ProColor Collision Center and will promptly pay when due all outstanding bills, accounts, and other amounts payable in connection with the ProColor Collision Center. If Franchisee is in default under this Section 13.3, Franchisor may, without notice to Franchisee, deduct from amounts owing to Franchisee from the Insurers Account any amount required to pay any such unpaid supplier.
- 13.4 Franchisee acknowledges that Franchisor is entitled to collect and retain the whole of any and all discounts, volume rebates, administration fees, commissions, advertising allowances or other similar advantages or consideration which Franchisor may obtain from any person supplying products, supplies or services to Franchisor, its Affiliates, Franchisee or to other franchisees of the Concept. Franchisee acknowledges that Franchisor and its Affiliates are also entitled to a reasonable mark up and profit on their sale of goods and services to Franchisee.

### **14. HARDWARE AND SOFTWARE; WEBSITES AND E-MAIL ADDRESSES**

- 14.1 Franchisee will acquire, solely from suppliers specified from time to time by Franchisor, and use in the operation of the ProColor Collision Center, licenses for all software specified

from time to time by Franchisor, as well as any update and upgrade to such software specified from time to time by Franchisor with respect to any aspect of the operation of the ProColor Collision Center, including, without limitation, Intranet and Internet communication, and purchase or lease such computer hardware and other necessary equipment comprising such features as will allow such hardware and equipment to efficiently use such software specified from time to time by Franchisor.

- 14.2 Franchisor will set up and maintain an email account for Franchisee, at no cost to Franchisee, using an email address containing the Trademarks, in accordance with the requirements specified from time to time by Franchisor.
- 14.3 Franchisor will establish for Franchisee an Internet presence through a landing page that is linked to Franchisor's website. Franchisor will establish the initial format and content for the landing page and will have the right to make modifications to that page as it deems appropriate from time to time. To the extent Franchisee has input into changes, it may submit its proposed changes to Franchisor periodically, but Franchisor shall have the sole discretion as to changes to be made to the website, as Franchisee recognizes the need to have a uniform look for all ProColor Collision centers featured on the website.
- 14.4 Any internet website, email addresses, or other means of electronic advertising (including all forms of internet-based social media, for example, "**Facebook**" and "**Twitter**") or electronic commerce created and/or operated by or on behalf of Franchisor shall be owned by Franchisor and shall be deemed "advertising" under this Agreement. Without limitation to any other terms and conditions herein imposed on such forms of advertising, all the foregoing may be paid for by the Fund (as defined in Section 19.1), including, without limitation, any hardware or software costs associated therewith. Franchisee acknowledges and agrees that it shall not, without Franchisor's express permission, create and/or operate, or have created or operated on its behalf, either alone or in concert with others, its own website or webpage (or one shared with others) or internet domain name, or participate in internet-based social media or any other digital or electronic medium or method of communication, which contains any reference to the ProColor Collision Center, the Concept or the Proprietary Rights. Notwithstanding the foregoing, if Franchisor permits Franchisee to create and operate its own website or webpage or internet domain name, or participate in internet-based social media or any other digital or electronic medium or method of communication, all such things shall comply with Franchisor's standards and policies for electronic advertising and activity, as prescribed by Franchisor from time to time. Franchisee acknowledges that Franchisor also may impose prohibitions from time to time on Franchisee posting or blogging of comments about Franchisor, the ProColor Collision Center, the Concept or the Proprietary Rights. The foregoing prohibition includes personal blogs, common social networks like Facebook, Instagram, TikTok, Twitter, Snapchat and Pinterest; professional networks, business profiles or online review or opinion sites like LinkedIn, Google Business Profile or Yelp; live-blogging tools like Twitter and Snapchat; virtual worlds, the metaverse, file, audio and video-sharing sites, and other similar social networking or media sites or tools.

## **15. UNIFORMITY**

- 15.1 Franchisee agrees that the maintenance of the standards of quality and uniformity of Services offered or merchandise sold or used under the Concept is essential to the goodwill, success, and continued acceptance of the Concept by the Insurers, the United States car collision industry and the general public for the benefit of Franchisor, Franchisee and all other franchisees of the Concept.
- 15.2 Franchisee will sell, merchandise, promote or otherwise deal in all Services specified by Franchisor from time to time, and only in such Services, except that Franchisee will be entitled to sell or lease cars and offer other products and services as may be approved by Franchisor in its sole discretion. If the ProColor Collision Center does not offer glass repair or replacement Services (whether because Franchisor does not permit the offer of such items or Franchisee chooses not to offer them), Franchisee agrees to refer such glass repair or replacement work to a facility designated by Franchisor in the ProColor Collision Center's market area.
- 15.3 Franchisee shall be required to provide all Services to the Insurers in accordance with the terms and conditions required by Franchisor from time to time. Franchisee will strictly comply with the terms of the Operations Manual concerning the handling of the Insurers' car collision claims including, without limitation, the automated estimate procedures and car collision repairs technical guidelines.
- 15.4 Franchisee will purchase, solely from Franchisor or from such other suppliers specified from time to time by Franchisor, and use all promotional items specified from time to time by Franchisor for the operation of the ProColor Collision Center.
- 15.5 Franchisor may require that Franchisee purchase certain low-cost (less than Fifty Dollars (\$50) per month) promotional items on occasion from time to time. Franchisor shall automatically ship and invoice to Franchisee such promotional items and Franchisee will accept and pay for same upon receipt.
- 15.6 Franchisee will purchase, solely from Franchisor or from such other suppliers specified from time to time by Franchisor, and use all signage specified from time to time by Franchisor for the operation of the ProColor Collision Center.

## **16. PRICING**

- 16.1 Subject to the next two sentences, Franchisee will have complete discretion as to the fees it charges for Services sold to customers of the ProColor Collision Center and for parts used in providing such Services. Franchisee understands and agrees that Franchisor has and will negotiate various agreements with each Insurer, including with respect to fees for Services and for parts which must be used by Franchisee in providing such Services. Franchisee agrees not to charge more than the fees for Services so negotiated by Franchisor with Insurers as indicated from time to time by Franchisor, and not more than the prices for parts used in providing such Services indicated from time to time by Franchisor in the Operations Manual or otherwise.

## **17. NATIONAL WARRANTY PROGRAM**

- 17.1 Franchisee will participate in the National Warranty Program, as may be modified from time to time by Franchisor, and warrant the Services and products provided to customers of the ProColor Collision Center in accordance with the policies and procedures specified from time to time by Franchisor. Franchisor shall have final decision-making authority with respect to the interpretation of, and the settlement of any disputes that may arise in relation to, the National Warranty Program, including without limitation any disputes as between franchisees, and/or franchisees and customers.
- 17.2 Franchisee will honor each warranty presented to Franchisee by the holders thereof, irrespective of whether such guarantee was furnished by Franchisee or by any other franchisee of the Concept.
- 17.3 Franchisee will make no charge to the customer for honoring such warranty, except to the extent permitted by the National Warranty Program.
- 17.4 Notwithstanding any modification or discontinuance of the National Warranty Program by Franchisor, Franchisee will honor, in accordance with the terms thereof, all warranties delivered to customers prior to the date of such modification or discontinuance.
- 17.5 Franchisee will not make any untrue or misleading representations to customers or potential customers concerning the National Warranty Program, and will make all affirmative disclosures which may at any time be required by Franchisor or by law in order to properly advise customers with respect to such National Warranty Program and to avoid possible deception or confusion in connection therewith.
- 17.6 Before honoring a warranty issued to a customer by another franchisee of the Concept, Franchisee will prepare an estimate of the Services required and submit same to Franchisor for its prior approval. If the extent of Services required is substantial, as determined by Franchisor in accordance with Franchisor's then-current standards, Franchisor may inform the franchisee having issued such warranty of same, who will have the right to itself perform the required Services and have the relevant vehicle transported, at its cost, to its ProColor Collision center.
- 17.7 Franchisee will not invoice Franchisor for any Service required to honor a warranty offered by another franchisee of the Concept which is worth less than One Hundred Dollars (\$100). Franchisee will invoice Franchisor for any Service required to honor a warranty offered by another franchisee of the Concept which cost One Hundred Dollars (\$100) or more. Upon receipt of such invoice from Franchisee, Franchisor will invoice the franchisee of the Concept having issued such warranty. Franchisor will pay the amount of any such invoice to Franchisee no later than on the 15<sup>th</sup> day of the following month. Upon receipt of an invoice from a franchisee of the Concept having honored a warranty issued by Franchisee, Franchisor will invoice Franchisee therefore. Any such invoice will be payable by Franchisee no later than on the 15<sup>th</sup> day of the following month. Franchisor may deduct any such amount from any payment to be made to Franchisee out of the Insurers Account.

## **18. ADVISORY COMMITTEE**

- 18.1 With a view to maintaining regular contact with the franchisees of the Concept in the United States and consulting with them, Franchisor may form or has formed an advisory committee (the “**Advisory Committee**”).
- 18.2 The rules governing the election, composition, operation and decision-making process of the Advisory Committee have been or will be adopted by Franchisor and may be changed from time to time by Franchisor. Each region (as defined from time to time by Franchisor) is entitled to one representative, to be elected by the franchisees of the Concept located in such region, and Franchisor is entitled to one representative. Pursuant to those rules, members of the Advisory Committee are elected for 2 years.
- 18.3 The role of the Advisory Committee is essentially to make recommendations to Franchisor with respect to special projects for the Concept, advertising, marketing and other issues submitted by Franchisor to the Advisory Committee. Franchisor will not be bound by any recommendations submitted by the Advisory Committee and retains full discretion with respect to the issues submitted to same.

## **19. MARKETING AND PROMOTION**

- 19.1 Franchisor shall have the right to create, maintain, administer and discontinue a general marketing fund or funds (the “**Fund**”) for such marketing, advertising, public relations and promotional programs as Franchisor may deem necessary or appropriate. Franchisee shall contribute to the Fund in each accounting period an amount equal to three-quarters of one percent (0.75%) of Gross Sales of the ProColor Collision Center; provided, however, that by majority vote of all ProColor Collision centers in the United States, this amount may be increased at any time to up to 1% of Gross Sales. Any amounts payable hereunder to the Fund, shall be paid together with the Monthly Franchise Fees hereunder and shall be based upon Gross Sales for the same period in which Monthly Franchise Fees are payable.
- 19.2 The Fund shall be used and expended for marketing department fees, media costs, commissions, market research costs, creative and production costs, including, without limitation, the costs of creating promotions and artwork, printing and electronic media costs, placement of advertising, and other costs relating to advertising, marketing, public relations and promotional programs undertaken by Franchisor. The Fund shall be accounted for separately from the other funds of Franchisor and shall not be used to defray any of Franchisor’s general operating expenses, except for such reasonable salaries, administrative costs and overhead (calculated on a fully allocated basis), if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Fund and its advertising, marketing, public relations and promotional programs (including, without limitation, conducting market research). A statement of the operations of the Fund shall be prepared annually and shall be made available to Franchisee upon request, the cost of preparing and distributing such statement to be paid by the Fund.
- 19.3 Franchisee acknowledges and agrees that Franchisor undertakes no obligation in administering the Fund to ensure that any particular franchisee, including Franchisee, benefits directly or pro-rata from the placement or conduct of such advertising, marketing, public relations and promotions. Without limiting the generality of the foregoing,

Franchisor is under no obligation to administer or distribute the Fund according to any particular geographic area or territory, including the Territory. Franchisee further acknowledges and agrees that, if Franchisor deems appropriate, Franchisor shall have the right to prepare advertising, marketing, and promotional materials, and place advertising or conduct promotional or public relations programs for multiple brands, with the Fund being allocated its pro rata portion of such costs as determined in the sole discretion of Franchisor. Franchisor may also allocate a portion of the Fund to regional advertising co-operatives administered by one or more groups of franchisees, without prior notice to Franchisee.

- 19.4 Franchisee will have the right to advertise, market and promote the ProColor Collision Center at its own expense and as Franchisee desires, provided that Franchisee will at all times:
  - 19.4.1 Advertise, market and promote in a manner that will enhance the goodwill and reputation of Franchisor, the Concept and the Proprietary Rights in order to develop customer confidence in the Services and the ProColor Collision Center. Franchisee will not conduct any advertising or promotion which may be deceptive or otherwise misleading;
  - 19.4.2 use the Trademarks and conform to the guidelines set forth in the Operations Manual (including any specified colors, proportions, or other such restriction on use);
  - 19.4.3 be consistent with the quality and general overall image of the advertising and promotional campaigns being conducted by Franchisor and the other franchisees of the Concept.
- 19.5 Franchisee will submit to Franchisor for its prior written consent all advertising, marketing and promotional programs and materials intended to be used by Franchisee which have not been prepared or previously approved by Franchisor. Franchisee will not begin using such programs or materials until they have been approved by Franchisor. Any programs or materials previously approved shall continue to be deemed approved by Franchisor unless Franchisee is otherwise notified by Franchisor.

## **20. PROPRIETARY RIGHTS**

- 20.1 Franchisee acknowledges that Franchisor, or any of its related companies, is the owner of the Proprietary Rights and all goodwill attaching to them, and that Franchisor has the right to itself use and to grant to others the right to use the Proprietary Rights. Franchisee will not assert the invalidity or contest the ownership in the Proprietary Rights or any registration of them.
- 20.2 Neither this Agreement nor the operation of the ProColor Collision Center will in any way give or be deemed to give to Franchisee any interest in the Proprietary Rights, except for its right to use same in connection with the conduct of the ProColor Collision Center in strict compliance with this Agreement and mandatory provisions of the Operations Manual. Any unauthorized use of the Proprietary Rights by Franchisee will constitute an infringement of the owner's rights in and to the Proprietary Rights.

- 20.3 In addition, Franchisee agrees as follows:
- 20.3.1 immediately upon the request by Franchisor, Franchisee will sign and deliver to Franchisor any document and do anything required by Franchisor to confirm any of its related companies' ownership of the Proprietary Rights, maintain their validity, obtain, maintain or renew any registration of them and comply with any applicable trade name, trade mark or other intellectual property legislation;
  - 20.3.2 Franchisee will affix in a conspicuous location in or upon the Premises, a sign containing the following notice or any variation of it required by Franchisor:

“This ProColor Collision center is owned and operated by COMPANY NAME, a licensee of the trade mark “ProColor Collision” which is owned by Mondofix Inc.;
  - 20.3.3 Franchisee will not use the Trademarks or any variation of them as part of its corporate, firm or business name, nor will Franchisee hold out or otherwise use the Trademarks together with the performance of any activity, or so as to incur any obligation or indebtedness, in any manner which might make Franchisor or any of its related companies liable for it;
  - 20.3.4 except for use of the Trademarks as specifically provided in this Agreement, Franchisee will not use or permit the use of any trade mark, trade name or commercial symbol to identify the ProColor Collision Center and Franchisee will conduct the ProColor Collision Center under its own name, enter into any contracts, banking arrangements, security documents or other documents solely in its own name, indicate its own name on all purchase orders, sales slips, stationery as well as on all advertising and promotional materials, advise each supplier and all other persons with whom Franchisee deals that Franchisee is an independent contractor and that all debts incurred by it are for the account of Franchisee only and not Franchisor or any of its related companies; and
  - 20.3.5 Franchisee will not attempt to register the Proprietary Rights anywhere in the world. Franchisee will use the Proprietary Rights strictly in accordance with this Agreement and in a manner that will protect and preserve all rights of Franchisor or any of its related companies in them. Franchisee will not take any action which might invalidate the Proprietary Rights, impair any rights of Franchisor or any of its related companies in them, create any rights adverse to those of Franchisor or any of its related companies in them or use the Proprietary Rights in any manner calculated to represent that it owns them.
- 20.4 If Franchisee learns of any infringement or threatened infringement of any of the Proprietary Rights, any actual or intended common law passing-off or any third party claim that any of the Proprietary Rights causes deception or confusion with or infringes upon its own proprietary rights in any manner, Franchisee will immediately notify and provide Franchisor with all information it acquires with respect to same. Franchisor or any of its related companies will determine, in its sole discretion, whether to institute or defend proceedings, as the case may be, with regard to each of the foregoing matters. Franchisee will not institute any proceedings relating to the Proprietary Rights. If Franchisor or any of its related companies undertakes the defence or prosecution of any such proceedings,

Franchisee agrees to sign and deliver any document and do anything including, without limitation, being made a party to such proceedings, as may be deemed necessary or advisable by counsel of Franchisor. So long as Franchisee has not breached this Agreement, Franchisor will reimburse Franchisee for its out-of-pocket costs in so doing except that Franchisee will bear the cost of salaries of its employees.

- 20.5 Franchisee agrees that, subject to the terms of subsections 4.1 to 4.2 to inclusively, its license to use the Proprietary Rights is non-exclusive as Franchisor retains the right to itself use the Proprietary Rights or grant other licenses for the use of the Proprietary Rights anywhere in the world.
- 20.6 Franchisee agrees that all goodwill associated with the Trademarks will benefit directly and exclusively to and belong to Franchisor or any of its related companies. In addition, no monetary amount will be assigned or attributable to any goodwill associated with Franchisee's use of the Trademarks or Franchisee's business upon the termination, expiration, or nonrenewal of this Agreement.
- 20.7 Franchisee acknowledges that Franchisor has not made any representation or warranty that the Trademarks are registrable or that the offer of Services or the use of the Proprietary Rights will not infringe any trademark, patent or any other proprietary mark of any third party.
- 20.8 From time to time, Franchisor may elect to discontinue the use of any of the Trademarks and to commence use of new Trademarks. Franchisee shall pay all expenses incurred by it in discontinuing the use of existing Trademarks in the ProColor Collision Center and commencing the use of new Trademarks therein.

## **21. INSURANCE**

- 21.1 At all times during the Term, Franchisee shall maintain in force, at its sole expense, "all risk" general comprehensive public and product liability insurance against claims for bodily and personal injury, death and property damage caused by, or incurred in conjunction with, the operation of, or conduct of business by, Franchisee; general casualty insurance (including the perils of fire, broad form extended coverage, vandalism and malicious mischief) on the ProColor Collision Center's building, equipment, signs and inventory; motor vehicle liability insurance; business interruption insurance; workers' compensation insurance; contractual liability and employer's liability insurance relating to Franchisee's activities in the operation of the ProColor Collision Center; and such other insurance as may be desirable for a prudent ProColor Collision Center, as determined from time to time in the sole discretion of Franchisor.
- 21.2 The insurance coverage Franchisee is required to obtain under the Agreement shall be maintained under one or more policies of insurance containing the amounts and types of coverage from time to time prescribed by Franchisor and insured by insurance companies with a financial strength rating of A or better as established by A.M. Best Company. All public and product liability and motor vehicle liability insurance policies shall name Franchisor as an additional insured and shall provide that Franchisor receive 10 days' prior written notice of termination, expiration, reduction or cancellation of any such policy.

- 21.3 At least 10 days before commencing operation of the ProColor Collision Center and annually thereafter, Franchisee will submit to Franchisor a copy or certificate or other acceptable proof of said insurance. Thereafter, Franchisee shall submit to Franchisor, annually, a copy of the certificate of or other evidence of the renewal or extension of each insurance policy.
- 21.4 If Franchisee at any time fails or refuses to maintain any insurance coverage required by Franchisor, or fails to furnish satisfactory evidence thereof, Franchisor, at its option and in addition to its other rights and remedies under this Agreement, may obtain such insurance coverage on behalf of Franchisee, and any costs of premiums incurred by Franchisor in connection therewith shall be paid by Franchisee on demand.
- 21.5 Franchisee will promptly report all claims and potential claims against Franchisee or Franchisor or any of its related companies to its insurers and Franchisor.

## **22. NON-COMPETITION AND CONFIDENTIALITY OBLIGATIONS**

- 22.1 Franchisee agrees that during the Term, neither Franchisee nor any of its directors, officers, owners or the Operator will, directly or indirectly, or through, on behalf of or in conjunction with any individual, partnership or legal entity:
- 22.1.1 do or perform any act injurious or prejudicial to existing or potential relationships between Franchisor and a franchisee or a potential franchisee of Franchisor;
- 22.1.2 do or perform any act injurious or prejudicial to existing or potential relationships between Franchisor and any other person including, without limitation, insurance companies, suppliers or referral sources.
- 22.2 Franchisee agrees that during the Term, neither Franchisee nor any of its directors, officers, owners or the Operator will, either individually or in partnership or jointly or in conjunction with any individual, partnership or other legal entity, and whether as principal, agent, shareholder, member, consultant or in any capacity whatsoever, carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit its or their name or any part of it to be used in any business whose activities (whether in whole or in part) consist of: (i) the operation of an automotive collision repair center, except pursuant to a franchise agreement with Franchisor in effect at such time, or (ii) a franchise system, an automotive aftermarket marketing banner or a branded chain whose concept (whether in whole or in part) relates to the car collision industry.
- 22.3 Franchisee acknowledges that it has had no part in the creation or development of nor do they have any property or other rights or claims of any kind in or to any element of the Concept, the Proprietary Rights or any matters dealt with in the Operations Manual and that all disclosures made to Franchisee in connection with the operation of the ProColor Collision Center, including, without limitation, the specifications, standards, procedures, sales information relating to other locations within the Concept, and the entire contents of the Operations Manual are communicated to Franchisee solely on a confidential basis and as trade secrets, in which Franchisor has a substantial investment and a legitimate right to

protect against unlawful disclosure. Accordingly, Franchisee does hereby agree to maintain the confidentiality of all such information beginning on the execution of this Agreement and at any time thereafter and shall not disclose any of the contents of the Operations Manual or any information whatsoever with respect to Franchisee's or Franchisor's business affairs or the Concept other than as may be required to enable Franchisee to conduct its business from the Premises, and Franchisee further agrees not to use any such information in any other business or in any manner not specifically approved in writing by Franchisor.

## **23. ASSIGNMENT**

23.1 This Agreement will be to the benefit of the successors and assigns of Franchisor. Franchisor will be entitled to assign any of its rights under this Agreement to any individual, partnership or other entity.

23.2 A sale, transfer or assignment by Franchisor of its interest in the Concept or the Proprietary Rights or any parts thereof, and/or in the sale, transfer or assignment by Franchisor of this Agreement or any interest therein, may be completed without the consent of Franchisee. To the extent that the purchaser or assignee shall assume the covenants and obligations of Franchisor under this Agreement, Franchisor shall thereupon and without further agreement, be freed and relieved of all liability with respect to such covenants and obligations.

23.3 Franchisee acknowledges that Franchisor is granting the right and license to Franchisee to use the Concept and the Proprietary Rights as a result of, among other things, the character, skill, experience and financial capacity of the Owner and the officers, directors and shareholders of Franchisee. Accordingly, Franchisee will not, by operation of law or otherwise, sell, assign, transfer, convey, encumber or otherwise deal with any interest in this Agreement or in Franchisee or with the right and license to use the Concept and the Proprietary Rights granted to it in this Agreement or with a substantial portion of the other assets used in the ProColor Collision Center, nor offer, permit or suffer same (called an **"Assignment"**) without the prior written consent of Franchisor, which consent shall not be unreasonably withheld. Any actual or purported Assignment occurring without Franchisor's prior written consent shall be a default of this Agreement and shall be null and void. In considering the request for an Assignment, Franchisor may consider, among other things, the information set out in Franchisee's application, the qualifications, good character, requisite general business experience, apparent ability to operate the ProColor Collision Center and credit standing of the proposed transferee, and its partners, managers, principal shareholders, directors and officers, as appropriate. In addition, Franchisor shall be entitled to require as a condition precedent to the granting of its consent that:

23.3.1 the proposed assignee and its Affiliates are not a competitor of Franchisor;

23.3.2 The proposed assignee, and its shareholders and members in the case of an entity assignee, be of good moral character and reputation and have a good credit rating, financial capabilities and competent business qualifications reasonably acceptable to Franchisor, and Franchisee shall provide Franchisor with the information it may reasonably require to make a determination concerning such persons;

- 23.3.3 Franchisor is provided with a copy of the agreement of purchase and sale between Franchisee and the proposed assignee and all documents referred to therein as relied upon by the parties. If any financial statements are included, Franchisor shall be entitled but not obligated to question any figures relating to matters in respect of which Franchisee is required to report to Franchisor under this Agreement;
- 23.3.4 as of the date of Franchisee's request for consent and as of the effective date of the Assignment there shall be no default in the performance or observance of any of Franchisee's obligations under this Agreement or any other agreement between Franchisee and Franchisor or any Affiliate or supplier thereof, and if Franchisee intends to transfer its rights of possession of the Premises, that Franchisee have obtained the consent of all necessary parties to the assignment of any licenses, and the lease or sublease, to the proposed transferee;
- 23.3.5 Franchisee shall have settled all outstanding accounts with Franchisor, its Affiliates and all other trade creditors of the ProColor Collision Center up to the of date closing of the proposed Assignment;
- 23.3.6 Franchisee shall have executed a release, in Franchisor's standard form, of any and all claims (excepting any claims under an applicable franchise law statute (if any) that cannot be released) against Franchisor, its Affiliates, and their officers, directors, agents and employees;
- 23.3.7 the proposed transferee shall have entered into a written assignment of this Agreement, in a form prescribed by Franchisor or, at the option of Franchisor, shall have executed a new franchise agreement in the form then being used by Franchisor (which may contain then-current financial and other terms, any of which may be different than those contained in this Agreement) and shall have executed such other documents and agreements as are then customarily used by Franchisor in the granting of franchises;
- 23.3.8 the proposed transferee providing guarantees from any of its direct or indirect shareholders or members whom Franchisor may request, guaranteeing the proposed transferee's performance of its obligations under the agreements to be entered into;
- 23.3.9 the proposed transferee completing, to the satisfaction of Franchisor, such training in the operations of the ProColor Collision Center, at the proposed transferee's or Franchisee's sole expense, as Franchisor may require; and
- 23.3.10 Franchisee paying to Franchisor, a transfer fee equal to Ten Thousand Dollars (\$10,000).

The refusal of Franchisor to consent to the proposed Assignment based upon the non-compliance with any of the foregoing conditions shall not be deemed to be an unreasonable withholding of such consent. Franchisor's consent to an Assignment shall not operate to release Franchisee from any liability under this Agreement.

## **24. RIGHT OF FIRST REFUSAL**

- 24.1 If Franchisee wishes to effect any Assignment, it will send Franchisor a notice within 30 days of the receipt of an offer in this regard, which shall have been made by an arm's length *bona fide* third party, indicating its intention to accept the offer and provide Franchisor with a copy of the offer received as well as any other relevant or important documents or information regarding the offer received. Franchisor shall then have a period of 30 days from the date of receipt of said notice together with all of the relevant documents fully described in Section 23 of this Agreement to notify Franchisee that it exercises its right of first refusal and to execute a purchase agreement in accordance with the terms of the offer received from the *bona fide* third party, which Franchisee will be required to execute upon Franchisor's request. Franchisor shall have the right to substitute equivalent cash consideration for any noncash consideration included in the offer. In every case, Franchisee shall provide free and clear title to the assets sold. If Franchisor has waived its right to acquire the interest in Franchisee or a substantial portion of the assets used by Franchisee in the ProColor Collision Center or, as the case may be, the rights and interest in this Agreement, within such period, Franchisee may then execute an agreement in favor of the *bona fide* third party, provided the conditions set forth in Section 23 of this Agreement have been met, and provided further that if such sale is not consummated within 60 days after such waiver, Franchisor shall be provided a new right of first refusal in accordance with the terms of this Section 24.1.
- 24.2 If a direct or indirect equity holder in Franchisee wishes to sell or assign, in one or more transactions, a portion of its equity in Franchisee, which would result in a change of control of Franchisee, or a change of fifty percent (50%) or more of the equity of Franchisee, the equity holder shall provide Franchisor with a copy of the offer made by an arm's length *bona fide* third party and indicated its intention to accept offer. Franchisor will have a period of 60 days from the receipt of the copy of said offer to notify the equity holder that it exercises its right of first refusal and to execute a purchase agreement in accordance with the terms of the offer received from the *bona fide* third party, which the Franchisee will be required to execute upon Franchisor's request. If Franchisor has not exercised its right and purchased the shares within such period, the equity holder in question may execute an agreement in favor of the arm's length *bona fide* third party, provided that the conditions set forth in Section 23 of this Agreement have been met. If the equity holder consummates such a transaction without having complied with the provisions of this Section 24.2, the consummation of such transfer shall be considered a breach of this Agreement. The failure of Franchisor to exercise its rights under this Section 24 shall not affect Franchisor's rights to consent to an assignment as set forth in Section 23 above.

## **25. TERMINATION AND PRE-TERMINATION RIGHTS**

- 25.1 This Agreement and the right and license granted to Franchisee in this Agreement will terminate immediately, without notice, in the event that Franchisee is declared bankrupt.
- 25.2 Franchisor will have the right to immediately terminate this Agreement and the right and license granted to Franchisee in this Agreement, upon written notice to Franchisee, and without any demand, prior notice or time period to cure:

- 25.2.1 if Franchisee ceases to actively promote and carry on its business or takes any action to liquidate its assets;
  - 25.2.2 if Franchisee shall fail to observe or perform any of the terms and conditions of the lease or sublease for the Premises, other instruments under which Franchisee has acquired the right to occupy the Premises, or if said lease or sublease expires or is terminated for any reason whatsoever;
  - 25.2.3 if Franchisee stops making payments in the usual course of business, or if Franchisee or any of its shareholders or members becomes insolvent;
  - 25.2.4 if Franchisee or any of its shareholders makes a general assignment for the benefit of its creditors, or if a petition of bankruptcy is filed against any of them and is not dismissed within sixty (60) days, or if any of them is adjudicated insolvent or makes a proposal to its creditors or otherwise takes advantage of any insolvency legislation;
  - 25.2.5 if a custodian, receiver, manager or any other person with like powers is appointed to take charge of and liquidate all or any part of Franchisee's business or assets;
  - 25.2.6 if an order is made or resolution passed for the winding-up or the liquidation of Franchisee, or if Franchisee adopts or takes any corporate proceedings for its dissolution or liquidation;
  - 25.2.7 if a seizure or execution against any of the business or assets of Franchisee and no action to discharge same is instituted within such time period as such action must be instituted;
  - 25.2.8 if any judgement rendered against Franchisee remains unsatisfied or unbounded for thirty (30) days except where the matter is under appeal;
  - 25.2.9 if Franchisee understates Gross Sales (except for clerical errors occurring on not more than two (2) occasions during any twelve (12) month consecutive period);
  - 25.2.10 if Franchisee attempts or purports to effect an Assignment, contrary to the terms of Section 23;
  - 25.2.11 if Franchisee, any of its officers, directors or shareholders or the Operator commits a criminal act or an indictable offense or behaves in such a way which adversely affects the reputation of the Concept or the ProColor Collision Center or the goodwill of the Proprietary Rights;
  - 25.2.12 if Franchisee is in default under any term of Section 22 or;
  - 25.2.13 if Franchisee does not comply with any other term of this Agreement that is of a nature that is not capable of being remedied.
- 25.3 Franchisor will have the right to immediately terminate this Agreement and the right and license granted to Franchisee in this Agreement, upon written notice to Franchisee:

- 25.3.1 if Franchisee does not pay when due any amount owing to Franchisor or any supplier or other trade creditor, and does not remedy such default within 5 days after receipt of written notice of that default given by Franchisor; or
  - 25.3.2 if Franchisee does not comply with any other term of this Agreement or the Operations Manual that is capable of remedy and does not remedy such default within 30 days after receipt of written notice from Franchisor containing reasonably sufficient particulars of that default.
- 25.4 Any default under any other agreement entered into by Franchisee with Franchisor or for Franchisee's benefit will be deemed to constitute a default under this Agreement. Upon the termination, expiration, or nonrenewal of any such other agreement for any reason whatsoever, Franchisor will have the right to immediately terminate this Agreement and the right and license granted to Franchisee in this Agreement, upon written notice to Franchisee, and without any demand, prior notice or time period to cure.
- 25.5 Notwithstanding the provisions of Sections 25.2 and 25.3, to the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, nonrenewal or the like other than in accordance with applicable law, such provisions shall, to the extent such are not in accordance with applicable law, be superseded by said law, and Franchisor shall comply with applicable law in connection with each of these matters.
- 25.6 Franchisee acknowledges that Franchisor will have the right, at any time but without any obligation, to remedy any default of Franchisee under this Agreement or any other agreement or obligation of Franchisee toward any person regarding the subject matter hereof, if Franchisee has not remedied such default within the time period provided for in this Section 25.

Franchisee acknowledges that Franchisor may collect from Franchisee, who agrees to pay the same immediately upon request, all amounts disbursed with respect to the exercise of its right described in this Section 25.6.

- 25.7 Prior to the termination of this Agreement, and whether or not Franchisor has instituted termination proceedings or provided a notice of termination, if Franchisee fails to comply with any term of this Agreement, then in addition to any other right Franchisor may have to terminate this Agreement or to bring a claim for damages, Franchisor shall have the option, without prior notice:
- 25.7.1 to remove the listing of the ProColor Collision Center from all advertising, websites, and marketing materials produced, published or approved by Franchisor;
  - 25.7.2 to suspend the promotion of the ProColor Collision Center to Insurers and to suspend the referral of Insurer customers to the ProColor Collision Center; and/or
  - 25.7.3 to suspend all services provided to Franchisee under this Agreement or otherwise, including but not limited to training, marketing assistance and provision of software updates.

Franchisor's actions, as outlined in this Section 25.7 may continue until Franchisee has cured any default, and complied with Franchisor's requirements, and Franchisor has acknowledged the same in writing. The taking of any of the actions permitted in this Section 25.7 shall not suspend or release Franchisee from any obligation that would otherwise be owed to Franchisor or its Affiliates under this Agreement or otherwise. Further, Franchisee acknowledges that the taking of any or all such actions on the part of Franchisor shall not deprive Franchisee of the most essential benefits of this Agreement, and shall not constitute a constructive termination of this Agreement.

## **26. EFFECT OF TERMINATION**

26.1 Upon termination, expiration or nonrenewal of this Agreement for any reason:

26.1.1 all rights of Franchisee under this Agreement including, without limitation, the right and license to use the Concept and the Proprietary Rights, will cease immediately and Franchisee will cease operating its shop as a ProColor Collision center;

26.1.2 all amounts owing to Franchisor and its Affiliates will become due and payable without notice;

26.1.3 all amounts owing to Franchisee out of the Insurers Account will be payable on the 15<sup>th</sup> and last day of each month following the termination, expiration, or nonrenewal based upon amounts received by Franchisor on behalf of Franchisee for the previous month, until such time as all amounts payable by Insurers to Franchisee will have been paid. There will be deducted from payments made to Franchisee an amount of Fifteen Thousand Dollars (\$15,000) (the "**Deposit**");

26.1.4 Franchisor will be entitled to retain the Deposit for a period of eighteen (18) months following the termination, expiration, or nonrenewal, and to use the Deposit to pay franchisees of the Concept who honor warranties issued by Franchisee, the whole in accordance with Section 17. Franchisor may reduce from the Deposit any unpaid amounts to any ProColor suppliers or partners, as well as any amounts received from Insurers that do not belong to Franchisee. Franchisor will, within 30 days following the expiration of such eighteen (18) month period, remit to Franchisee the balance of the Deposit, if any, without interest;

26.1.5 Franchisee will immediately deliver to Franchisor the Operations Manual and all other forms, documents or other information provided to Franchisee under this Agreement, without retaining any copy or record of them;

26.1.6 Franchisee will immediately cease using, in any manner whatsoever, any and all e-mail addresses or domain names, if any, which contain the Trademarks and all materials, methods, procedures, names and techniques associated with the Concept, and the Proprietary Rights in particular. Franchisee authorizes Franchisor, and appoints Franchisor its attorney-in-fact, to direct the telephone company and all listing agencies, registrars, and service providers to transfer all telephone numbers, domain names, user names, accounts, and listings to

Franchisor, as well as provide access to Franchisor to any such account, registration, user name or profile, and further authorizes Franchisor to take such action as is necessary to direct any third party to take any actions necessary to assure Franchisee's compliance with the first sentence of this Section 26.1.6.

- 26.1.7 Franchisee will also immediately cease using all signs, stationery, forms and any other articles bearing any of the Trademarks or any other identifying characteristics associated with the Concept. Franchisee also agrees not to use any reproduction, counterfeit, copy or colourable imitation of the Proprietary Rights which is likely to cause confusion or mistake or to deceive, and further agrees not to utilize any commercial symbol or designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor or the Concept;
- 26.1.8 Franchisee will make all changes to the physical appearance and structure of the Premises, including the removal of signs and other distinctive replica of the Concept as Franchisor may require in its discretion. If Franchisee does not make such changes immediately upon request, Franchisor will be entitled to enter upon the Premises without being deemed guilty of trespass or any other offence and make said changes at Franchisee's sole cost and expense, which Franchisee undertakes to pay on demand.
- 26.2 Termination, expiration, or nonrenewal of this Agreement for any reason whatsoever will not release Franchisee from any obligation which remains unfulfilled at that time or release Franchisee from those obligations which survive such termination, expiration, or nonrenewal including, without limitation, the obligations set forth in Sections 22.1, 22.3 and 26.
- 26.3 If this Agreement is terminated as a result of a default by Franchisee, the rights granted to Franchisor in Section 25 shall not be exclusive, and Franchisee shall reimburse Franchisor for any other costs, damages or losses it incurs or suffers arising from such default.

## **27. INDEMNIFICATION**

- 27.1 Franchisee agrees to indemnify and save Franchisor as well as its directors, officers, shareholders, employees and agents harmless from any and all claims, demands, judgements, damages, suits, losses, penalties, expenses, costs and liabilities of any kind or nature to which they will or may become liable for, or suffer as a result of, or in connection with, or arising from, directly or indirectly, any breach, violation or non-performance by Franchisee of any term or condition of this Agreement and/or the operation of the ProColor Collision Center.
- 27.2 If Franchisor is made a party to any litigation commenced by or against Franchisee, or as a result of the operation of the ProColor Collision Center, Franchisee will indemnify, save and hold Franchisor harmless from any and all claims, demands, judgements, damages, suits, losses, penalties, expenses, costs and liabilities of any kind or nature to which Franchisor will or may become liable for, or suffer as a result of, or in connection with, or arising from said litigation and will pay all costs and expenses, including reasonable judicial and extra-judicial fees and disbursements incurred or paid by Franchisor relating

to said litigation. Furthermore, if Franchisor is successful in any litigation or arbitration against Franchisee arising out of Franchisee's breach of any of the terms of this Agreement, or in defending any action brought against Franchisor by Franchisee, Franchisee agrees to pay all Franchisor's costs and expenses, including reasonable judicial and extra-judicial fees and expenses, incurred or paid by Franchisor in connection with such action.

## **28. ENFORCEMENT OF AGREEMENT**

28.1 Franchisee, the Owner and the Operator (if applicable) agree that notwithstanding any other provision of this Agreement, Franchisor will have the right to petition a court of competent jurisdiction for the entry of temporary restraining orders, temporary and permanent injunctions, and orders of specific performance:

28.1.1 Enforcing the provisions of this Agreement relating to (i) the Proprietary Rights and the Concept; (ii) Franchisee's obligations on termination, nonrenewal or expiration of this Agreement; (iii) any Assignment by Franchisee; and/or (iv) the non-competition and confidentiality provisions contained in Section 22; and

28.1.2 Enjoining any act or omission by Franchisee or its employees that (i) is a violation of any law, ordinance or regulation; (ii) is dishonest or misleading to customers of the ProColor Collision Center or other ProColor Collision centers; (iii) is a danger to the employees, public, guests, clients or customers of the ProColor Collision Center; or (iv) may impair the goodwill associated with the Proprietary Rights or the Concept.

Franchisee agrees that Franchisor shall be entitled to obtain this injunctive relief without posting a bond or, if a court nevertheless requires a bond, by posting a bond set by the court in an amount not to exceed Five Thousand Dollars (\$5,000).

28.2 Except for matters for which Franchisor may elect to enforce this Agreement by judicial process and injunction as set forth in Section 28.1, each of Franchisor and Franchisee (and Franchisee's Owner and Operator, if applicable, and Personal Guarantors) agree to enter into mediation of all disputes involving this Agreement or any aspect of the relationship between Franchisor and Franchisee, for a minimum of four (4) hours, prior to the initiation of any lawsuit or other proceeding against the other.

28.2.1 Upon written notice by either Franchisor or Franchisee to the other of the initiating party's desire to mediate, the party receiving the notice will select an independent entity that regularly provides mediation services to franchisors and franchisees to serve as mediator in the proceeding. If the party receiving the notice of intent to mediate does not provide the name of such organization within 10 business days from the date the notice of intention to mediate is received, then the other party may forego mediation of the issue(s) and commence an arbitration action against the other or, at its option, make the selection of the organization to provide mediation services. If the selecting party selects an organization that is unwilling to serve as mediator or does not meet the requirements of this Section, then the other party may select the organization. Once the organization is designated and agrees to accept appointment as mediator, the organization will be directed to schedule the mediation proceeding

at a time mutually convenient for both Franchisor and Franchisee. The mediation will be held within 30 days following receipt by the mediation organization of notification that its services are being retained. If Franchisor and Franchisee cannot agree on a date for mediation, then the mediation organization will select a date it believes is reasonable, given all of the alleged conflicts and dates.

- 28.2.2 The actual mediator must be a person who has had at least ten (10) years of experience as either franchisee or franchisor (or is an officer of such an entity) or in franchise law.
  - 28.2.3 Franchisor and Franchisee will equally share the cost of the mediator.
  - 28.2.4 The mediator will select the location of the mediation, but unless Franchisor and Franchisee otherwise agree, the mediation will be held in a metropolitan area of not less than two hundred fifty thousand (250,000) persons and located at least two hundred (200) miles from either Franchisor's or Franchisee's principal offices.
  - 28.2.5 If either Franchisor or Franchisee initiates litigation or arbitration without complying with the obligation to mediate in accordance with this Section 28.2 (unless the other party has failed to respond on a timely basis or has indicated it will not engage in mediation in accordance with the provisions of this Section 28.2), then upon petition of any party named as a defendant in such litigation or arbitration, the court shall dismiss the action without prejudice upon motion of the defendant, and award attorneys' fees and costs to the party seeking dismissal in an amount equal to such party's attorneys' fees and costs incurred in seeking dismissal. If the court or arbitrator refuses for any reason to dismiss the action, then regardless of the outcome of the action, or of any award given by the court or arbitrator in the action, the party initiating the action will be responsible for all attorneys' fees and costs incurred throughout the action by the other party as damages for failing to comply with the provisions of this Section 28.2.
- 28.3 Each of Franchisor and Franchisee (and Franchisee's Owner and Operator if applicable) agree to waive, in the fullest extent permitted by law, any right to, or claim for, any punitive or exemplary damages against each other and against its respective Affiliates, employees or agents, and agree that in the event of a dispute between Franchisor and Franchisee, each of Franchisor and Franchisee will be limited to the recovery of any actual damages it sustains, and/or to injunctive relief, as permitted to the court.
- 28.4 Except insofar as either party elects to enforce this Agreement by judicial process and injunction as hereinabove provided, all disputes and claims arising out of or relating to this Agreement or any provision hereof, or to any specification, standard or operating procedure of Franchisor or to the breach thereof (including, without limitation, any claim that this Agreement, any provision thereof, any specification, standard or operating procedure or any other obligation of Franchisee or Franchisor is illegal, unenforceable or voidable under any law, ordinance or ruling) shall be settled by arbitration at the office of the American Arbitration Association located in Minneapolis, Minnesota, in accordance with the United States Arbitration Act (9 U.S.C. § 1 et seq.), if applicable, and the rules of the American

Arbitration Association (relating to the arbitration of disputes arising under franchise license agreements, if any, otherwise, the general rules of commercial arbitration).

- 28.4.1 Any arbitrator appointed to arbitrate a dispute under this Agreement shall have at least ten (10) years' experience in franchise matters and shall have the right to award or include in any award the specific performance of this Agreement.
- 28.4.2 The arbitrator will be instructed that he or she must follow the substantive law and the other requirements, waivers and limitations of this Agreement. The arbitrator shall have no authority to add, delete or modify in any manner, the terms and provisions of this Agreement. All findings, judgments, decisions and awards of the arbitrator will be limited to the dispute or controversy set forth in the written demand for arbitration and response to that demand. The arbitrator may not award any relief that was not specifically requested by the parties prior to the start of the arbitration hearing. The arbitrator shall file a reasoned brief with his or her award.
- 28.4.3 If there is any dispute as to whether a particular claim or matter is subject to arbitration, and the matter relates to an issue for which either party seeks an injunction in accordance with the provisions of Section 28.1, the arbitrability of such claim shall be determined by the court that would otherwise hear the motion to issue the injunction. In the case of a dispute as to the arbitrability of any other claim brought by either party against the other, the decision as to whether or not the claim is subject to arbitration shall be made by the arbitrator appointed in accordance with this Agreement.
- 28.4.4 Any award from the arbitrator may be appealed under the Optional Rules of the American Arbitration Association.
- 28.4.5 Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof. The award shall be binding, final, and nonappealable except as permitted under the United States Arbitration Act or for failure of the arbitrator to meet the requirements of this Section 28.4. Unless this Agreement is terminated in accordance with the provisions of Section 25, during the pendency of the arbitration proceeding, Franchisee and Franchisor shall fully perform this Agreement.
- 28.5 The parties agree they should each be able to settle, mediate, litigate, arbitrate, or compromise disputes in which they are involved with third parties, without having the disposition of such disputes directly affect the contract or relationship between Franchisor and Franchisee. Franchisor and Franchisee therefore each agree that a decision of an arbitrator or court of law in a dispute to which one of them is not a party shall not in any manner prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any subsequent action between Franchisor and Franchisee. The parties therefore waive the right to assert that principals of collateral estoppel prevent either of them from raising any claim or defense in an action between them as a result of such party having lost a similar claim or defense in another action.

**29. MISCELLANEOUS PROVISIONS**

- 29.1 Franchisee acknowledges that it has conducted an independent investigation of the matters dealt with in this Agreement and has either consulted independent counsel with respect to these matters or has had the opportunity to consult independent counsel but has not done so. Franchisee also acknowledges that the operation of the ProColor Collision Center involves business risks and its success will be largely dependent upon its ability. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty, representation or guarantee, express or implied, oral or written, statutory or otherwise, as to the choice of the location for the Premises, or the potential sales volume, profits or success of the ProColor Collision Center.
- 29.2 When Franchisor has the right to immediately terminate this Agreement, it may do so without judicial proceedings. All rights and recourses of Franchisor under this Agreement are cumulative and the exercise by Franchisor of any of its rights or recourses will not prevent it from exercising any other right or recourse available under this Agreement or at law. All obligations of Franchisee under this Agreement are indivisible.
- 29.3 If any term of this Agreement or its application to any person or circumstance is invalid or unenforceable, that term may be severed, and the remainder of this Agreement, or the application of that term to persons or circumstances other than those as to which it is invalid or unenforceable, will not be affected and each term of this Agreement will be valid and enforced to the fullest extent permitted by law.
- 29.4 This is an agreement between separate entities and neither is the agent, representative, master or servant of or possesses the power or authority to obligate the other or to make any warranties or representations on behalf of the other. Nothing in this Agreement will be interpreted so as to create a relationship of partners, joint venturers, agents, mandate, fiduciaries or any other similar relationship between the parties.
- 29.5 Any notice, consent, document or other communication required or permitted to be given under this Agreement will be given in writing, and be delivered personally or mailed by registered mail, postage prepaid, or by email, to the other party at their respective addresses mentioned in this Agreement, namely:

To Franchisee at:

The Premises

Attention: the Owner

To Franchisor at:

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

Attention: \_\_\_\_\_

or at any other address or telecopier number as the party to whom the notice is to be given may designate by notice in writing pursuant to this Agreement.

Any notice (i) if mailed, will be deemed to have been received on the 3rd business day following the mailing (or in the event of a postal disruption or strike, upon the 3rd business day following the resumption of normal postal service), (ii) if sent for next business day delivery through a nationally recognized overnight carrier, then on the next business day following deposit with the carrier, or (iii) if delivered personally, or by email, will be deemed to have been given on the day of delivery or transmission, as the case may be, if a business day, or if not a business day, on the business day next following the day of delivery or transmission.

- 29.6 Failure by either party to take action against the other will not affect its right to require full performance of this Agreement at any time thereafter. The waiver by either party of the breach of any term of this Agreement by the other will not operate or be interpreted as a waiver of any subsequent breach by such party. No term of this Agreement will be deemed to have been waived by either party unless such waiver is in writing.
- 29.7 Franchisee hereby consents to Franchisor obtaining, using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by Franchisor or disclosed to Franchisor in accordance with this Agreement.
- 29.8 This Agreement, the documents referred to in it or attached to this Agreement constitute the entire agreement between the parties with respect to the subject matter and supersede all prior discussions, negotiations and agreements. No amendment of, change to or variance from this Agreement will be binding on either party unless in writing and signed by the parties, except (a) modifications of the Operations Manual which will be made solely by Franchisor; and (b) any amendments or modifications signed by Franchisor and by at least eighty percent (80%) of the ProColor Collision centers in operation as of the date of the modification (including in such total future agreements that contain such amended or modified provisions) will be binding on Franchisee without Franchisee's signature or assent. Nothing in this or any related agreement is intended to disclaim the representations we made in the latest Franchise Disclosure Document that we furnished to you.
- 29.9 This Agreement will be governed by and interpreted in accordance with the laws of the State of Minnesota, provided, however, that if Franchisee is not organized under the laws of Minnesota, and the Premises are not located in Minnesota, then the Minnesota Franchises Act will not apply to this Agreement.
- 29.10 Time will be of the essence of each and every part of this Agreement.
- 29.11 Any provision of this Agreement which requires or contemplates performance following the termination or expiration of this Agreement shall survive such termination or expiration.
- 29.12 Because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any franchise owner based upon the peculiarities of a particular site or circumstance, density of population, business potential, population of trade area, existing

business practices or any other condition which Franchisor deems to be of importance to the successful operation of such franchise owner's business. Franchisee shall not complain on account of any variation from standard specifications and practices granted to any other franchise owner and shall not be entitled to require Franchisor to grant to Franchisee a like or similar variation.

- 29.13 Franchisee agrees that it will not, on grounds of the alleged non-performance by Franchisor of its obligations hereunder, withhold payment of any royalty or other amounts due to Franchisor or its Affiliates, whether on account of goods purchased by Franchisee or otherwise. If, however, Franchisee becomes delinquent in the payment of any amounts owed to Franchisor under this Agreement, Franchisor may withhold such amounts from any amount payable hereunder to Franchisee, including amounts owed to Franchisee under the Insurers Account.
- 29.14 This Agreement will be to the benefit of and be binding upon the parties to this Agreement and their respective successors and assigns.
- 29.15 Franchisee acknowledges that it has received as one document at one time, a copy of the form of this Agreement, the schedules hereto, and the applicable complete franchise disclosure document, not less than fourteen (14) days prior to the earlier of: (i) the date on which this Agreement or any other agreement relating thereto was executed, and (ii) the payment of any consideration by or on behalf of Franchisee relating to this Agreement, and the franchise associated therewith.
- 29.16 If you are an entity, all individuals with a direct or indirect ownership interest in you, including the Owner, that we designate (collectively, the "**Personal Guarantors**"), must sign the Personal Guaranty attached to this Agreement.
- 29.17 The use of the term "including" in this Agreement shall mean "including without limitation."

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year appearing on the first page of this Agreement.

**“FRANCHISOR”**

\_\_\_\_\_

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

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

**“FRANCHISEE”**

\_\_\_\_\_

Legal Name of Franchisee

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

\_\_\_\_\_

Print Name

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

## PERSONAL GUARANTY

In consideration for, and to induce ProColor Collision USA LLC (“**Franchisor**”) to sign the Franchise Agreement to which this Guaranty is attached (the “**Franchise Agreement**”), each person signing this Guaranty, jointly and severally guarantees to Franchisor and to Franchisor’s successors and assigns the payment of all fees required to be paid to the Franchisor or its Affiliates by the Franchisee identified in the Franchise Agreement, whether provided for in the Franchise Agreement or under any other agreement between Franchisor and the Franchisee, and the performance by the Franchisee of all of the provisions of such agreements. The people signing this Guaranty also specifically agree to be individually bound by all covenants, obligations and commitments of the Franchisee contained in the Franchise Agreement to the same extent as if each of the people signing this Guaranty had personally signed the Franchise Agreement as Franchisee.

Each of the people signing this Guaranty understand and agree that any modification of the Franchise Agreement, including any addendum or addenda to the Franchise Agreement, or waiver by Franchisor of the performance by the Franchisee of any of its obligations under the Franchise Agreement, or the giving by Franchisor of any extension of time for the performance of any of the obligations of the Franchisee under the Franchise Agreement, or any other forbearance on the part of Franchisor or any failure by Franchisor to enforce any of its rights under the Franchise Agreement, including any addendum or addenda to the Franchise Agreement, or any release by Franchisor of any of the obligations of the Franchisee, will not in any way release any of the people signing this Guaranty from liability under this Guaranty or terminate, affect or diminish the validity of this Guaranty, except to the same extent, but only to such extent, that the liability or obligation of the Franchisee is so released, terminated, or affected or diminished. Notice to the people signing this Guaranty of any such modification, waiver, extension or forbearance under the terms thereof is hereby waived.

Except as prohibited by RCW 19.100.180(1), no defense available to the Franchisee, except the Franchisee’s full performance of its obligations, will be a defense for any of the people signing this Personal Guaranty or release of these people from their guarantees. This Guaranty will be enforceable upon 10 days’ written notice by Franchisor to any of the people signing this Guaranty of any default by the Franchisee of any of its covenants under the terms of the Franchise Agreement and addendum or addenda to the Franchise Agreement, and any other agreement between Franchisor and the Franchisee.

Each of the people signing this Guaranty hereby waive any and all notice of default on the part of the Franchisee; waive exhausting of remedies or recourse against the Franchisee; and consent to any assignment of the Franchise Agreement, in whole or in part, that Franchisor or its successors may make.

IN WITNESS WHEREOF, each of the people signing this Guaranty have done so effective as of the date appearing next to their names.

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

\_\_\_\_\_  
Individually

\_\_\_\_\_  
Address

\_\_\_\_\_  
City State Zip Code

\_\_\_\_\_  
Telephone

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

\_\_\_\_\_  
Individually

\_\_\_\_\_  
Address

\_\_\_\_\_  
City State Zip Code

\_\_\_\_\_  
Telephone



**Part 4**

Equity Holders:

Name:

Address:

Number and class  
of shares held:

Name:

Address:

Number and class  
of shares held:

Name:

Address:

Number and class  
of shares held:

Directors (Governors):

Name:

Address:

Name:

Address:

Name:

Address:

Officers:

Name:

Address:

Position:

Name:

Address:

Position:

Name:

Address:

Position:

This Schedule "A" a part of, and subject to, the Franchise Agreement to which it is attached.

**PAYMENT AUTHORIZATION**

**TO: ProColor Collision USA LLC**

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

**(“ProColor”)**

The undersigned, [COMPANY NAME] (“**Franchisee**”), duly authorized by a resolution of its governing body, authorizes any insurer dealing with ProColor to pay to ProColor any amount owing to Franchisee as payment for any repair effected by Franchisee for any insured of such insurer, and directs such insurer to issue the cheque directly to ProColor.

ProColor undertakes to pay to Franchisee any amount owing to Franchisee in accordance with the franchise agreement entered into between ProColor and Franchisee. Franchisee agrees that any payment made by any such insurer to ProColor will release such insurer towards ProColor and the insured, as if payment had been made directly to Franchisee, and any such insurer and insured will retain all defences against ProColor and Franchisee notwithstanding this payment authorization.

This payment authorization may be withdrawn by giving 20-day prior written notice to ProColor.

SIGNED at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**[COMPANY NAME]**

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

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

ACCEPTED at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**PROCOLOR COLLISION USA LLC**

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

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

**MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT**

Notwithstanding anything to the contrary set forth in the ProColor Collision USA LLC Franchise Agreement, the following provisions shall supersede and apply to all ProColor Collision franchises offered and sold in the state of Minnesota or to a resident of the state of Minnesota:

1. Section 25 will be amended to require that notice will be given to you at least 90 days before we terminate the Franchise Agreement, and you will have 60 days after receiving that notice to correct the breach specified in the notice.
2. A court of competent jurisdiction will determine whether we are required to post a bond or other security to obtain an injunction against you, your Owners or Personal Guarantors, and the amount of the bond or other security.
3. Any provisions requiring waiver of a right to a jury trial or punitive damages, or payment of liquidated damages are deleted from this Agreement.
4. Any limitation on the time for bringing claims shall not apply to any claims you may have under Minnesota Statutes, Section 80C.17.
5. Any provisions of the Franchise Agreement or any addendum to the Franchise Agreement requiring a general release will not apply, but you will still be bound by the other terms and conditions of the Franchise Agreement and any addendum thereto.
6. No statement, questionnaire, or acknowledgment 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 in connection with the franchise.

Each provision of this Minnesota Addendum shall be effective only if you are a resident of Minnesota or if your business is located in Minnesota.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date set forth in the Franchise Agreement.

Franchisor:

Franchisee:

PROCOLOR COLLISION USA LLC

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

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

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

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

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

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

**EXHIBIT G**  
**ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION**

**ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION**

Franchisee: \_\_\_\_\_  
Location: \_\_\_\_\_  
Date: \_\_\_\_\_

The undersigned has entered into a Franchise Agreement with ProColor Collision USA LLC (the “Franchise Agreement”), and authorizes ProColor Collision USA LLC (“Franchisor”) or any of its affiliated entities, to initiate one-time, weekly, and/or monthly ACH debit and credit entries against the account of the undersigned with you in payment of amount for ongoing royalty fees, advertising fees, and other amounts that become due and payable by the undersigned to Franchisor or any affiliate pursuant to the Franchise Agreement or any other agreement between the undersigned and Franchisor or any affiliate. The dollar amount to be debited per payment and credited per payment will vary.

Subject to the provisions of this letter of authorization, you are hereby directed to honor any such ACH debit and credit entry initiated by Franchisor. This authorization is binding, and will remain in full force and effect until ninety (90) days prior written notice has been given to you by the undersigned. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit and credit entries pursuant to this letter of authorization.

Please honor ACH debit and credit entries initiated in accordance with the terms of this letter of authorization, subject to there being sufficient funds in the undersigned’s account to cover such ACH debit and credit entries.

Sincerely,

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

\_\_\_\_\_  
Account Name

\_\_\_\_\_  
Bank Name

\_\_\_\_\_  
Customer Street Address

\_\_\_\_\_  
Branch

\_\_\_\_\_  
City State Zip Code

\_\_\_\_\_  
Bank Street Address

\_\_\_\_\_  
Customer Phone Number

\_\_\_\_\_  
City State Zip Code

\_\_\_\_\_  
Customer’s Account Number

\_\_\_\_\_  
Bank Phone Number

\_\_\_\_\_  
Bank’s Account Number

\_\_\_\_\_  
Bank Routing/ABA Number

**EXHIBIT H**  
**FRANCHISEE QUESTIONNAIRE**

## FRANCHISE QUESTIONNAIRE

**If you are a resident of the State of California or your franchise is located in California you are not required to sign this Questionnaire. If any California franchisee completes this Questionnaire, it is against California public policy and will be void and unenforceable, and we will destroy, disregard, and will not rely on such Questionnaire.**

**Do not sign this Questionnaire if you are a resident of Hawaii or Washington or if the franchise is to be operated in Hawaii or Washington.**

The purpose of this **FRANCHISE QUESTIONNAIRE** is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate, or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Have you received and personally reviewed our Franchise Agreement and any attachments to it?

Yes:  No:

2. Have you received and personally reviewed our Franchise Disclosure Document (“FDD”)?

Yes:  No:

3. Did you sign a Receipt for the FDD indicating the date you received it?

Yes:  No:

4. Have you had sufficient opportunity to discuss the benefits and risks of purchasing a ProColor franchise with an attorney, accountant, or other professional advisor?

Yes:  No:

If “No,” do you wish to have more time to do so?

Yes:  No:

5. Do you understand that the success or failure of your ProColor franchise will depend in large part upon your skills and abilities, competition from others, and other economic and business factors?

Yes:  No:

6. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits, or operating costs of a ProColor franchise?

Yes:  No:

7. Has any employee or other person speaking on our behalf made any statement (other than the information contained in Item 19 of the FDD), or any promise regarding the amount of money you may earn in operating a ProColor franchise?

Yes:  No:

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

Yes:  No:

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

Yes:  No:

10. Have you paid any money to us concerning the purchase of your ProColor franchise prior to today?

Yes:  No:

11. If you answered "Yes" to any of Questions 6 to 10, please provide a full explanation of each "Yes" answer in the following blank lines. Attach additional pages, if necessary, and refer to them below.

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

12. I signed the Franchise Agreement and Addendum (if any) on \_\_\_\_\_, 20\_\_\_\_, and acknowledge that no Franchise Agreement or Addendum is effective until signed and dated by ProColor Collision USA LLC.

Your responses to these questions are important to us and we will rely on them.

By signing below, you are representing that you have responded truthfully to the above questions.

**FRANCHISEE APPLICANT:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

## **State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
Minnesota	Pending

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

## RECEIPT

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

If ProColor Collision USA LLC (“ProColor”) offers you a franchise, ProColor must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, ProColor or an affiliate in connection with the proposed franchise sale. Iowa and New York require that ProColor give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that ProColor give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If ProColor Collision USA LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit B.

The franchisor is ProColor Collision USA LLC, 650 Pelham Boulevard, Suite 100, St. Paul, Minnesota 55114. Its telephone number is 952-944-8000. The name, principal business address, and telephone number of each franchise seller offering the franchise is:

\_\_\_\_\_

\_\_\_\_\_

**Issuance Date:** March 29, 2024.

ProColor Collision USA LLC authorizes the respective parties identified on Exhibit B to receive service of process for us in the particular state.

I have received a Disclosure Document with an Issuance Date of March 29, 2024, that included the following Exhibits:

- |              |  |
|--------------|--|
| Exhibit A.   | State Specific Addenda to Disclosure Document  |
| Exhibit B.   | List of State Agencies and Agents for Service of Process   |
| Exhibit C.   | Table of Contents of Operations Manuals  |
| Exhibit D-1. | List of Current Franchisees  |
| Exhibit D-2. | List of Former Franchisees   |
| Exhibit E.   | Financial Statements   |
| Exhibit F.   | Franchise Agreement, Personal Guaranty, Payment Authorization, and State Specific Addenda to Franchise Agreement |
| Exhibit G.   | Electronic Transfer of Funds Authorization   |
| Exhibit H.   | Franchisee Questionnaire   |

Indicate the date on which you received this Disclosure Document, sign, indicate the date you signed this Receipt, and promptly return one completed copy of the Receipt to ProColor Collision USA LLC, at 650 Pelham Boulevard, Suite 100, St. Paul, Minnesota 55114. Keep the second copy of the Receipt for your records.

\_\_\_\_\_  
Date Disclosure Document Received

\_\_\_\_\_  
Prospective Franchisee’s Signature

\_\_\_\_\_  
Date Receipt Signed

\_\_\_\_\_  
Print Name

Address: \_\_\_\_\_

\_\_\_\_\_

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\_\_\_\_\_

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\_\_\_\_\_  
Date Disclosure Document Received

\_\_\_\_\_  
Prospective Franchisee’s Signature

\_\_\_\_\_  
Date Receipt Signed

\_\_\_\_\_  
Print Name

Address: \_\_\_\_\_

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