

FRANCHISE DISCLOSURE DOCUMENT



Kwik Kar Franchising, LLC
a Delaware limited liability company
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Kwik Kar businesses provide oil changes and preventive maintenance services for cars and trucks to the general public (“Kwik Kar Centers”).

The estimated total investment necessary to begin operation of a Kwik Kar franchise ranges from \$251,816 to \$821,052, including between \$20,000 and \$49,900 which must be paid to the franchisor or its affiliates.

Kwik Kar multi-unit franchisees acquire the right to open multiple franchises at reduced franchise fees, with a commitment to open a minimum of three Kwik Kar Centers. If you sign a Multi-Unit Agreement for a three Center development, then in addition to the investments noted above for the first Center, you must pay the franchisor a Multi-Unit Fee of \$35,000. The fee increases by \$15,000 for each additional Center you commit to develop.

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 our Franchise Development Support Manager (Franchiseinfo@fullspeedautomotive.com) at 5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111, (303) 308-1660.

The terms of your contract will govern your franchise relationship. Do not 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, DC 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 5, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits K-1 and K-2.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit L includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Kwik Kar business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Kwik Kar franchisee?	Item 20 or Exhibits K-1 and K-2 list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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 and multi-unit agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Colorado. 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 Colorado than in your own state.

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.

INFORMATION FOR PROSPECTIVE FRANCHISEES 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.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (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 provisions 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 five 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 six 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. (The above language has been included in this Disclosure Document as a condition for registration. We and you do not agree that the parties are restricted from choosing to conduct arbitration outside of Michigan and believe that each of the provisions of the Franchise Agreement, including each of the arbitration provisions, is fully enforceable. We and you intend to rely on the federal pre-emption under the Federal Arbitration Act.)
- (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 franchisee 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 franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

Any questions regarding the notice should be directed to:

State of Michigan
Department of Attorney General
Franchise Section - Consumer Protection Division
G. Mennen Williams Building, 1st Floor
525 W. Ottawa Street
Lansing, Michigan 48933
Telephone Number: (517) 373-7117

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “KKF” and “we,” “us,” and “our” means Kwik Kar Franchising, LLC, the franchisor. “You,” “your,” and “Franchisee” means the person, and its owners if the Franchisee is a business entity, who buys the franchise from KKF.

The Franchisor and any Parents, Predecessors and Affiliates

We are a Delaware limited liability company formed on January 22, 2024. We operate under the name Kwik Kar Franchising LLC and Kwik Kar, and no other name. Our principal business address is 5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111. We began offering franchises for Kwik Kar businesses (“Kwik Kar Centers” or “Centers” or individually, a “Kwik Kar Center” or “Center”) in 2024. Our agents for service of process are disclosed in Exhibit M to this Disclosure Document. While KKF does not currently operate any Kwik Kar Centers, our affiliates do. We do not conduct any other business other than franchising Kwik Kar Centers.

Parents

We have the following parent structure:

Name	Principal Business Address	Parent Status
MOP GM Holding, LLC (“ <u>GM Holding</u> ”)	5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111	GM Holding is a holding company that is our direct parent company and a wholly owned subsidiary of GM Parent. GM Holding also owns GMI, GMF and SpeeDee, affiliates of ours.
MOP GM Parent, LLC (“ <u>GM Parent</u> ”)	5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111	GM Parent is a wholly owned subsidiary of GM Intermediate.
MOP GM Intermediate, LLC (“ <u>GM Intermediate</u> ”)	5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111	GM Intermediate is a wholly owned subsidiary of GMC.
GCP Grease Monkey Coinvest, Inc. (“ <u>GMC</u> ”)	5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111	GMC is a wholly owned subsidiary of GM Blocker.
MOP GM Blocker, Inc. (“ <u>GM Blocker</u> ”)	5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111	GM Blocker is a wholly owned subsidiary of MO FSA Blocker.
MidOcean FSA Blocker, Inc. (“ <u>MO FSA Blocker</u> ”)	245 Park Avenue, 38th Floor, New York, New York 10167	MO FSA Blocker is a wholly owned subsidiary of MO FSA Holdings.
MidOcean FSA Holdings, L.P. (“ <u>MO FSA Holdings</u> ”)	245 Park Avenue, 38th Floor, New York, New York 10167	MO FSA Holdings is controlled by MidOcean.
MidOcean Partners V, L.P. (“ <u>MidOcean</u> ”)	245 Park Avenue, 38th Floor, New York, New York 10167	MidOcean is our ultimate parent company. It is a private investment group that owns multiple other business concepts.

Affiliates

Other Affiliates Owned by GM Holding.

We are affiliated with the following companies that are owned, directly or indirectly, by our direct parent, GM Holding, and (1) conduct business of the type being offered under this Disclosure Document, (2) offer franchises in any line of business, or (3) provide products or services to our franchisees:

Name	Principal Business Address	Business Operations
Grease Monkey International, LLC (“GMI”)	5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111	<p>GMI is wholly owned by GM Holding.</p> <p>GMI was the franchisor of the Grease Monkey franchise system from approximately September 1978 through March 2006. GMI transferred all of the Grease Monkey franchises to Grease Monkey Franchising, LLC.</p> <p>GMI owns and licenses to us the Kwik Kar trademarks and the intellectual property for the Kwik Kar system, which it acquired from Kwik Industries, Inc. (“KII”) in 2022. It also acquired from KII 56 license agreements under which licensees operate automotive service centers under the Kwik Kar trademarks that are substantially similar to the Kwik Kar Center franchised to you, and currently has 89 Kwik Kar licensed outlets, all located in Texas.</p> <p>We have entered into a Management Agreement (“<u>Management Agreement</u>”) dated January 22, 2024 with GMI. Under the Management Agreement, we may direct GMI to provide development and ongoing assistance to our franchisees and otherwise fulfill certain of our duties under the franchise agreements on our behalf. GMI will also provide franchise sale services to us. Although GMI may provide certain services to you, we are responsible to make sure that all services we promise to perform under the franchise agreements are performed in compliance with the franchise agreements.</p> <p>As of December 31, 2023, GMI operates businesses under the following brand names: American LubeFast, AutoLube, Economy Oil Change, Fast Lube Plus, Grease Monkey, Herbert Auto Emissions, Herbert Automotive, Ingleside Auto, Insta-Quick, Kwik Kar, Lambuth’s Quick Lube, Master Lube, Minit Man, Mobil 1 Express, Pioneer Lube & Wash, Premier, Speedee, Super</p>

Name	Principal Business Address	Business Operations
		Lube Plus, Texas Express, Uncle Ed’s Oil Shoppes, and Waterfalls Car Wash and Lube, which are located in Alabama, Arizona, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Louisiana, Maryland, Michigan, Minnesota, Missouri, Mississippi, Nebraska, North Carolina, New Hampshire, New Mexico, Oklahoma, South Dakota, Texas, Utah, Washington and Wisconsin. Some of these businesses operate under a non-Kwik Kar brand but may be substantially similar to the Kwik Kar Center franchised to you. GMI also owns the franchise-related assets of LubePro’s International, Inc. (“ <u>LPI</u> ”), which include the intellectual property rights. LPI was dissolved in August 2016. LubePro’s services may be substantially similar to the Kwik Kar Center franchised to you.
Grease Monkey Franchising, LLC (“ <u>GMF</u> ”)	5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111	GMF is wholly owned by our parent, GM Holding. GMF franchises the Grease Monkey system for automotive maintenance and repair services, which may be substantially similar to the Kwik Kar Center franchised to you. GMF has Grease Monkey franchises in the United States and Mexico.
GMI Services S de RL de CV (“ <u>GMI Mexico</u> ”)	Belisario Domínguez # 2470, Piso 4, Oficina 413, Col. Obispado, Monterrey, N.L. C.P. 64060	GMI Mexico is wholly owned by GMI. It provides support services for GMF to Grease Monkey businesses operating in Mexico.
SpeeDee Worldwide, LLC (“ <u>SpeeDee</u> ”)	5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111	SpeeDee is wholly owned by our parent, GM Holding. SpeeDee franchises the SpeeDee system for automotive maintenance and repair services, which may be substantially similar to the Kwik Kar Center franchised to you. SpeeDee has SpeeDee franchises in the United States and Mexico, and SpeeDee/Midas co-branded franchises in the United States, which are co-branded with Midas International, LLC, who is not an affiliate.

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The Lynx Companies

Our ultimate parent, MidOcean, is also the ultimate parent of Lynx Franchising, LLC (“Lynx Franchising”). Lynx Franchising is owned by Lynx-JP Holdings, Inc., which is owned by MidOcean BCAT Holdings, Inc. The principal business address of all of these entities is 2520 Northwinds Parkway, Suite 375, Alpharetta, Georgia 30009. MidOcean BCAT Holdings, Inc. is controlled by MidOcean.

Lynx Franchising owns the following companies that offer franchises in other lines of businesses:

Name	Principal Business Address	Business Operations
Jan-Pro Franchising International, Inc. (“ <u>JPF</u> ”)	2520 Northwinds Parkway, Suite 375, Alpharetta, Georgia 30009	JPF has offered franchises for Jan-Pro Franchise Development franchised businesses offering janitorial and building maintenance service businesses since 1995. As of September 30, 2023, it had 98 operating regional developer franchises, all located in the United States.
Jan-Pro Enterprises, LLC (“ <u>JPE</u> ”)	2520 Northwinds Parkway, Suite 375, Alpharetta, Georgia 30009	JPE has sold Jan-Pro franchises outside of the United States since February 2005. As of September 30, 2023, JPE had 18 operating country or international regional developer franchises operating outside of the United States.
The Intelligent Office System, LLC (“ <u>IOS</u> ”)	2520 Northwinds Parkway, Suite 375, Alpharetta, Georgia 30009	IOS has sold Intelligent Office franchise businesses that operate progressive virtual office and communications solutions businesses, offering a range of vital business services to a mobile and non-mobile client base since April 1999. As of September 30, 2023, there were 43 franchised Intelligent Office outlets in the United States.
Intelligent Office of Canada, Inc. (“ <u>IOC</u> ”)	221 W. Esplanade, Suite 500, North Vancouver, B.C. V7M 3J3	IOC has offered and sold franchises for Intelligent Office businesses in Canada since September 2017. As of September 30, 2023, there are 12 franchised Intelligent Office centers in Canada.
FRSTeam, LLC (“ <u>FRSTeam</u> ”)	2520 Northwinds Parkway, Suite 375, Alpharetta, Georgia 30009	FRSTeam has offered and sold FRSTeam franchises that provide specialty and emergency dry cleaning and laundry services for clothing and fabrics following a residential or commercial disaster, including damage due to smoke, fire, water and mold, since March 2006. As of September 30, 2023, there are 42 franchised FRSTeam outlets.
Archadeck Franchisor, LLC (“ <u>AFL</u> ”)	2426 Old Brick Road, Glen Allen, Virginia 23060	AFL has offered Archadeck franchises for Archadeck businesses offering construction sales and services of outdoor living spaces and environments. As of September 30, 2023, there are 51 franchises, including 48 franchises located throughout the United States and three franchises located in Canada.

Name	Principal Business Address	Business Operations
Conserva Irrigation Franchisor, LLC (“ <u>CIF</u> ”)	2426 Old Brick Road, Glen Allen, Virginia 23060	CIF has offered franchises for Conserva Irrigation businesses offering repair, maintenance, service, design and construction of irrigation systems for residential and commercial customers, with an emphasis on water conservation, since April 2014. As of September 30, 2023, there are 75 franchises located throughout the United States.
Outdoor Lighting Perspectives Franchisor, LLC (“ <u>OLP</u> ”)	2426 Old Brick Road, Glen Allen, Virginia 23060	OLP has offered franchises for Outdoor Lighting Perspectives businesses offering outdoor lighting design, automated lighting control equipment, holiday lighting design, installation services, and sales to residential and commercial customers since March 2005. As of September 30, 2023, there are 79 franchises, including 77 franchises located throughout the United States and 2 franchises located in Canada.
Superior Fence & Rail Franchisor, LLC (“ <u>Superior</u> ”)	2426 Old Brick Road, Glen Allen, Virginia 23060	Superior has offered franchises for Superior Fence & Rail businesses offering fencing services for residential and commercial customers since January 2017. As of September 30, 2023, there are 93 franchises located throughout the United States.
Bumble Roofing Franchisor, LLC (“ <u>Bumble</u> ”)	2426 Old Brick Road, Glen Allen, Virginia 23060	Bumble is a roofing franchisor headquartered in Los Angeles that specializes in restoring, repairing, and maintaining commercial and residential roofs on a wide range of buildings. As of September 30, 2023, there is one franchise, located in the United States.
Canopy Franchise Corporation (“ <u>Canopy</u> ”)	2426 Old Brick Road, Glen Allen, Virginia 23060	Canopy is a franchisor specializing in lawn management using weed control and fertilization, aeration, top dressing, fungal protection, and tree and shrub care to better help both residential and commercial lawns. As of September 30, 2023, there are zero franchises.
Koala Insulation Franchisor, LLC (“ <u>KIF</u> ”)	2426 Old Brick Road, Glen Allen, Virginia 23060	KIF is the fastest growing insulation franchise in the market with over 100 locations in the US. KIF’s services include Batt Insulation, Blow-In, and Spray Foam insulation for residential homes across the country. As of September 30, 2023, there are 98 franchises, located throughout the United States.
Wallaby Windows Franchisor, LLC (“ <u>Wallaby</u> ”)	2426 Old Brick Road, Glen Allen, Virginia 23060	Wallaby is a franchisor that provides window and door replacement services, offering premium impact and non-impact replacement windows and expert installation. As of September 30, 2023, there are 20 franchises located throughout the United States.

Name	Principal Business Address	Business Operations
Junk Junk Baby Franchisor, LLC (“ <u>JJBF</u> ”)	2426 Old Brick Road, Glen Allen, Virginia 23060	Specializing in junk removal services, JJBF is a franchisor offering residential and real estate clean-outs, as well as disposal of outdoor furniture, equipment, and appliances. As of September 30, 2023, there are zero franchises.

Except as noted above, none of our parent, predecessors or affiliates have operated a business similar to the type described in this Disclosure Document, and neither we, our parent, predecessors or affiliates have sold franchises in any other line of business.

The Franchise

We offer franchises (“Kwik Kar Franchise(s)” or “Franchise(s)”) for the use of the “Kwik Kar[®]” trademarks and other trade names, service marks, and logos (“Marks”) for the operation of Kwik Kar Centers. Kwik Kar Centers are operated under our proprietary Kwik Kar system (“System”). The System may be changed or modified by us throughout your ownership of the Franchise. You will operate your Kwik Kar Center from an approved retail location.

Each Kwik Kar Center offers the general public automotive oil and lubrication services, along with a preventive check and fill of fluid levels, and other approved automotive maintenance and repair services. Customers are not required to schedule an appointment to receive services. Kwik Kar Centers commit to provide automotive oil and lubrication services to each customer within a specified period of time, depending on the type of vehicle and other factors, and in accordance with our standards and specifications.

Kwik Kar Centers must offer brake services and sell other select automotive products.

You must sign our standard franchise agreement attached to this Franchise Disclosure Document as Exhibit A (“Franchise Agreement”). You may operate one Kwik Kar Center for each Franchise Agreement you sign. Your right to use the Marks and System is granted solely for the operation of your Kwik Kar Center.

Kwik Kar Centers are generally built to our specifications as to interior and exterior style. Most Kwik Kar Centers are freestanding structures with drive-through capability. Centers can have three to six service bays to accommodate multiple vehicles at a time, and have an in-ground vehicle service area basement and/or pits and a waiting area for customers. Kwik Kar Centers are usually located in urban areas, in heavily populated suburban areas, or on major arteries of smaller cities.

We also offer opportunities for conversion franchises (“Conversion Franchise(s)”) both to existing independent businesses that provide services and products similar to those offered by Kwik Kar Centers and to existing franchisees who purchase such businesses for conversion (“Conversion Owners”). Conversion Owners will sign a Franchise Agreement that will include an addendum for conversion owners, which is attached to this Franchise Disclosure Document in Exhibit F-2. Conversion Owners must modify their business premises to our design plans and specifications, use the Marks, and complete our training.

We also offer to select qualified persons (“Multi-Unit Franchisee(s)”) the opportunity to sign our multi-unit development agreement (attached to this Franchise Disclosure Document as Exhibit B) (“Multi-Unit Agreement”) and acquire the right to develop multiple (a minimum of three) Kwik Kar Centers at a reduced franchise fee. If you enter into a Multi-Unit Agreement, you must also sign a Franchise Agreement for your first Kwik Kar Center at the same time that you sign the Multi-Unit Agreement. You will be

required to sign our then-current form of Franchise Agreement for each additional Kwik Kar Center that you open under the Multi-Unit Agreement, which may differ from the current form of Franchise Agreement included in this Disclosure Document. You and we will agree to a development schedule (“Development Schedule”) for each of the Kwik Kar Centers to be opened under the Multi-Unit Agreement, which will be set forth in the Multi-Unit Agreement. Typically, the Development Schedule will require that you open the first location within 18 months from the effective date of the Multi-Unit Agreement, the second location within 36 months from the effective date of the Multi-Unit Agreement and the third location within 54 months from the effective date of the Multi-Unit Agreement. A Multi-Unit Franchisee does not receive a development area when it signs the Multi-Unit Agreement. Each Franchised Location (as defined in Item 12) may be located in a different city, county or state. You must obtain our prior written approval of the location for your Franchised Location based on the then current criteria for Center locations. Unless otherwise stated, any reference in this Franchise Disclosure Document to “you” or “franchisee” includes you both as a Multi-Unit Franchisee under the Multi-Unit Agreement, and as a franchisee under a Franchise Agreement.

Market and Competition

The market for the goods and services offered by Kwik Kar Centers is well-developed and highly competitive. Our services are not seasonal in nature.

You will compete with independent garage businesses, local automobile service shops, new car dealerships, other franchise companies in the quick service automotive lubrication business, automobile dealers, big box centers that offer automotive maintenance and repair services businesses, and national, regional, and local chains offering the same or similar services, as well as other systems and centers owned and/or franchised by us and/or our affiliates, including brands that we or any affiliated company of ours now owns or may acquire in the future. There are other companies which have established or are establishing regional or national systems of quick service automotive lubrication and other automotive maintenance and repair centers. There are also large discount department store chains that offer automotive services, including oil changes and other maintenance and repair services. There will be competition from these companies not only in attracting customers, but also in locating and acquiring a site for your Center.

Industry-Specific Laws

You must investigate and comply with all local, state, and federal laws and regulations affecting your Center. There are some federal laws and regulations specific to the operation of an automotive oil and lubrication business and other automotive maintenance and repair service businesses.

Generally, you must comply with the Resource Conservation and Recovery Act of 1976, the Clean Water Act of 1977, the Clean Air Act, the Comprehensive Environmental Response Compensation and Liability Act, the Oil Pollution Act, the Occupational Safety and Health Act, the Toxic Substance Control Act, and similar federal, state, and local laws and regulations. If your Center has floor openings in the service bays, you may be required to provide certain physical barriers or warning signs to prevent employee injury (such as a railing or cover). If oil is stored in underground or above ground tanks, you may be required to comply with certain regulations set forth by the United States Environmental Protection Agency (the “EPA”), including the EPA’s Spill Prevention, Control and Countermeasure regulations and registration of these tanks. The EPA also regulates waste oil, waste oil filters and fluid disposal. More than half of the states in the U.S. have used oil requirements that are similar to the federal requirements. The type of regulation may depend on whether or not these liquids are recycled. Some states impose additional requirements on businesses that handle used oil filters, such as registration and demonstration of financial responsibility. You may also be required to seal off or eliminate any floor sumps and drains in your Center that come in contact with soil to prevent oils and other liquids from entering the environment.

You must comply with these federal laws and regulations and similar other federal laws and regulations, as well as similar state and local laws and regulations applicable to the storage, handling, and management of petroleum products, used oil, used antifreeze, and other used vehicle fluids and related used vehicle parts. These laws and ordinances may include certain fees which relate to the operation of a quick lube service center.

There may also be state and local laws and regulations specific to your Center, including motor vehicle repair shop acts which may require you to register or claim an exemption and otherwise comply with their terms. If you operate a Kwik Kar Center, you must comply with such state and local laws and regulations, including, without limitation, any laws and regulations related to motor vehicle repair shops, as may be applicable to your Kwik Kar Center.

It is also your responsibility to comply with employment, worker's compensation, insurance, corporate taxing, environmental, zoning, licensing, and all other laws and regulations. You should familiarize yourself with these laws and regulations and with other federal, state, or local laws and regulations of a more general nature which may affect the operation of your Center.

You alone are responsible for investigating, understanding, and complying with all applicable laws, regulations, and requirements applicable to you and your Kwik Kar Franchise, despite any advice or information that we may give you. You should consult with a legal advisor about whether these and/or other requirements apply to your Kwik Kar Center. Failure to comply with laws and regulations is a material breach of the Franchise Agreement.

You must also obtain all necessary permits, licenses, and approvals to operate your Kwik Kar Center.

ITEM 2 BUSINESS EXPERIENCE

Chief Executive Officer: Robert M. Lynch

Mr. Lynch has been our Chief Executive Officer since January 2024. He also serves as the CEO of our parent companies, MO FSA Holdings, MO FSA Blocker, GM Blocker, GMC, GM Intermediate, GM Parent and GM Holding, our sister companies, GMI, GMF and SpeedDee, and SpeedDee Worldwide Realty Corporation, a subsidiary of SpeedDee that leases locations to SpeedDee franchisees, positions he has held since July 2022. Previously, Mr. Lynch served as Chief Executive Officer for Metamorphic Consulting, located in Salt Lake City, Utah, a position he held from August 2015 to July 2022. Mr. Lynch is located in our Greenwood Village, Colorado offices.

President of Franchise Operations and Development: Ron Stilwell

Mr. Stilwell has been our President of Franchise Operations and Development since January 2024. He is also the President of Franchise Operations and Development of our affiliates, GMI, GMF and SpeedDee, positions he has held since October 2022. He was previously the Chief Development Officer of GMF from July 2021 to October 2022. He was the Chief Development Officer for Marco's Franchising, LLC located in Toledo, Ohio, from October 2018 to June 2021. Mr. Stilwell is located in our Greenwood Village, Colorado offices.

General Counsel: Kelvin Sellers

Mr. Sellers has been our General Counsel since January 2024. He has served in the same position for our affiliates GMF and SpeedDee since August 2023. From May 2016 to August 2023, he was General Counsel of Interstate Batteries in Dallas, Texas, becoming its Vice President and General Counsel in February 2019. Mr. Sellers is located in our Greenwood Village, Colorado offices.

Chief Financial Officer: Jim Boswell

Mr. Boswell has served as our Chief Financial Officer since January 2024. He has served in the same position for our affiliates GMI, GMF and SpeedDee since September 2023. He was GMF's Interim Chief Financial Officer from December 2022 to September 2023. Mr. Boswell joined our FullSpeed Automotive group of companies in October 2021, initially serving as the Vice President of Finance for our affiliate GMI. From September 2019 to October 2021, he served as Chief Financial Officer for Streamline Brands located in Lone Tree, Colorado, and from October 2012 to August 2019, he was the Vice President of Finance for Marcos Franchising, LLC, located in Toledo, Ohio. Mr. Boswell is located in our Greenwood Village, Colorado offices.

Vice President of Operations: Scott Accardo

Mr. Accardo has been our Vice President of Operations since January 2024. Mr. Accardo has been employed by our affiliates since June 2017, first serving as a member of an acquisition team, then becoming a Director of Facilities. Mr. Accardo is located in our Greenwood Village, Colorado offices.

Senior Director of Franchise Development: Kelly Tope

Ms. Tope joined our FullSpeed Automotive group of companies in January 2024 as our Senior Director of Franchise Development. Previously, Ms. Tope was the Senior Director of Franchise Development for 9Round Franchising, located in Simpsonville, South Carolina, from January 2022 to December 2023. From January 2020 to January 2022, Ms. Tope was the Director of Franchise Development for Newk's Eatery, located in Jackson, Mississippi. Ms. Tope was the Director of Franchise Development for Taco John's International, located in Cheyenne, Wyoming, from November 2017 to December 2019. Ms. Tope is located in our Greenwood Village, Colorado offices.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

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

ITEM 5 INITIAL FEES

Franchise Agreement

Initial Franchise Fee

The “Initial Franchise Fee” for a single Kwik Kar Center is \$39,900. Each Franchise Agreement will grant you the right to operate one Kwik Kar Center. The Initial Franchise Fee is payment for all of our pre-opening assistance that we provide - including an initial training program and travel for up to two people to attend, as described further in Items 7 and 11 - to allow you to open your Kwik Kar Center and also to offset some of our franchisee recruitment expenses.

We currently offer a reduced Initial Franchise Fee under the following circumstances:

1. If you are a Conversion Owner, we offer a reduced Initial Franchise Fee of \$20,000 for your first location you are converting to a Kwik Kar Center, and \$10,000 for each additional location that is open and operating and you convert to a Kwik Kar Center; provided that if you are an existing Franchisee converting another location or locations to a Kwik Kar Center, the Initial Franchise Fee shall be \$10,000 for each location you convert. If you meet additional qualifications, you may also be eligible for a royalty rebate, as described in Item 6 below.
2. If you are an existing franchisee, are in full compliance with the terms and conditions of your existing Franchise Agreement(s) and secure a location for an additional Kwik Kar Franchise, for which you sign a then-current Franchise Agreement, the Initial Franchise Fee will be \$20,000 for your second Kwik Kar Franchise and each additional Kwik Kar Franchise thereafter. To “secure a location,” you must be acquiring a new location (versus acquiring an existing location), have your location approved by us, and either own the location or have an executed finalized lease for the location. You cannot purchase an additional Kwik Kar Franchise until all of your existing Kwik Kar Centers are open and operating except pursuant to a Multi-Unit Agreement as described further below. If you meet additional qualifications, you may also be eligible for a royalty rebate, as described in Item 6 below. You must meet our then-current franchise qualification standards to purchase additional Franchises. The franchise(s) purchased under this program may not be transferrable or offered for resale prior to opening your new Kwik Kar Center. The purchase of additional franchises under this program will not be associated with a specific market, and we will not guarantee that any such additional franchises may be used in a specific market. We may change or discontinue our current policy of discounting fees for additional franchises at any time.
3. If you are an honorably discharged United States military veteran or first responder or a spouse of either (“Veterans and First Responders”), we offer a reduced Initial Franchise Fee of \$29,900 for a single Kwik Kar Center (“Veterans and First Responders Program”). If you are an existing franchisee, you qualify as a Veteran or First Responder, and you sign a then-current Franchise Agreement, the Initial Franchise Fee will be \$20,000 for your second Kwik Kar Franchise and each additional Kwik Kar Franchise thereafter. You are required to provide us with a copy of your DD214 (for a U.S. military veteran) or evidence of at least 24 months of continued service in the respective service (for a first responder) and maintain an ownership percentage of 50 or more of your franchised businesses to receive this discount. If you meet additional qualifications, you may also be eligible for a

royalty rebate, as described in Item 6 below. We may change or discontinue our current Veterans and First Responders Program at any time.

Discounts may not be combined with any other discount programs. We reserve the right to modify or terminate any discount program at any time in our sole discretion. The Initial Franchise Fee for your first Franchise is payable in full when you sign the Franchise Agreement, and the Initial Franchise Fee for each additional Franchise is payable in full when you sign the Franchise Agreement for such additional Franchise.

Except as described above, all franchisees currently pay the same applicable Initial Franchise Fee and all initial fees are nonrefundable.

Multi-Unit Agreement

You may be offered the right to open multiple Kwik Kar Centers by signing our Multi-Unit Agreement, as defined in Item 1 and attached to this Franchise Disclosure Document as Exhibit B. Multi-Unit Franchisees must open a minimum of three Kwik Kar Centers. You will sign a Multi-Unit Agreement and the Franchise Agreement for your initial Kwik Kar Center at the same time. You will pay the applicable Initial Franchise Fee for the first Kwik Kar Center noted above under the initial Franchise Agreement, and a multi-unit fee (“Multi-Unit Fee”) equal to a reduced Initial Franchise Fee of \$20,000 for the second Kwik Kar Center, and a reduced Initial Franchise Fee of \$15,000 for each additional Kwik Kar Center you intend to open under the Multi-Unit Agreement. The minimum Multi-Unit Fee is \$35,000. Multi-Unit Franchisees do not receive an exclusive development or similar area in which to locate and develop their Kwik Kar Centers. Each Franchised Location under a Multi-Unit Agreement may be located in a different city, county or state. You must obtain our prior written approval of the location for your Franchised Location based on our then-applicable criteria.

The Multi-Unit Fee must be paid in full when you sign the Multi-Unit Agreement and is not refundable under any circumstances, even if you fail to open any Kwik Kar Centers. However, the applicable portion of the Multi-Unit Fee will be applied to the Initial Franchise Fee for each Franchise Agreement signed under the Multi-Unit Agreement provided the applicable Kwik Kar Center is developed in accordance with the Development Schedule that will be set forth in the Multi-Unit Agreement. Typically, the Development Schedule will require that you open the first location within 18 months from the effective date of the Multi-Unit Agreement, the second location within 36 months from the effective date of the Multi-Unit Agreement and the third location within 54 months from the effective date of the Multi-Unit Agreement.

Grand Opening

We may, but are not required, to provide certain grand opening services to you. If we provide such grand opening services to you, you will pay us or a third-party \$10,000 (“Grand Opening Costs”) to cover the cost as further described in Item 7. The Grand Opening Costs are due at the time you secure a Location and are non-refundable once paid. The grand opening and grand opening services are further described in the Brand Standards Manual.

**ITEM 6
OTHER FEES**

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Royalty ⁽²⁾⁽³⁾	6.0% of Gross Revenues	Due on the 10 th day of each month	The “ <u>Royalty</u> ” is based on “ <u>Gross Revenues</u> ” during the previous month. Your Royalty is an ongoing payment that allows you to use the Marks and the intellectual property of the System and pays for our ongoing support and assistance.
Advertising Contribution ⁽²⁾	0.5% of Gross Revenues	Same as the Royalty	This contribution is used for a system-wide “ <u>National Materials Fund</u> ” for our use in promoting and building the Kwik Kar brand. We reserve the right to increase the required contribution to 1% of Gross Revenues.
Local Advertising Commitment	4.0% of Gross Revenues	As incurred	You must spend a minimum of 4 percent of your total monthly Gross Revenues on local advertising that has been pre-approved by us.
Local and Regional Advertising Cooperatives	Established by cooperative members	Established by cooperative members	Payments to a Local or Regional Advertising Cooperative will be credited to your Local Advertising commitment. We do not have controlling voting power in any Local or Regional Advertising Cooperative. Item 11 contains more information about advertising cooperatives.
Point of Sale System (POS) Maintenance Fee	Ranges between \$193 to \$346 per month	As Agreed	This monthly fee is paid directly to the vendor. The cost may increase if you elect additional modules or services that the vendor offers.
Audit Expenses	Cost of audit and inspection, any understated amounts, and any related accounting and legal expenses	On demand	You will be required to pay this if an audit reveals that you understated monthly Gross Revenues by more than 2%, if you fail to submit required reports, or if you fail to produce records or otherwise cooperate with an audit.
Transfer Fee	\$5,000	\$1,000 non-refundable deposit at time of transfer application submittal with the remainder due at time of the approved transfer	Payable in connection with the transfer of your Kwik Kar Center, a transfer of ownership of your legal entity, or the Franchise Agreement. If you are transferring an unopened Center under a Multi-Unit Agreement, the fee will be \$2,000 per Center. This fee may increase annually based on increases in the Consumer Price Index (“ <u>CPI</u> ”).
On-site Transferee Training Fee	\$2,500 per trainer for up to five days of training	Prior to consummation of transfer	Payable in connection with us sending one or more trainers to your location for training. We will determine how many days of on-site training of the transferee and how many trainers we will send.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Renewal Fee ⁽⁴⁾	\$0 to \$5,000	When you sign the then-current Franchise Agreement	Payable if you qualify to renew your Franchise Agreement and choose to enter into a successor franchise agreement.
Interest	Lesser of 1.5% per month or highest rate of interest allowed by law	As incurred	Interest accrues from the original due date until payment is received in full.
Late Charges	\$25	As incurred	Payable if any payment due to us or our affiliates is not made by the due date.
Additional Training or Assistance Fees	\$500 per trainer per day	As incurred	Except for a transfer, we provide initial training at no charge for up to two people. We may charge you this fee for training additional persons, newly-hired personnel, refresher training courses, advanced training courses, and additional or special assistance or training you need or request. You are also responsible for all of your own travel related expenses for attending training sessions. Item 11 contains more information about our training.
Noncompliance Service Charge	\$1,000 per event of noncompliance, depending on the type of noncompliance	As incurred	We have the right to impose this charge, in addition to our other rights and remedies, if you are not in compliance with your Franchise Agreement or our standards and specifications to reimburse us for time devoted by us to deal with the issue.
Professional Fees and Expenses	Will vary under circumstances	As incurred	You must reimburse us for any legal or accounting fees that we incur as a result of any breach or termination of your Franchise Agreement. You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement.
Indemnification	Will vary under circumstances	As incurred	You must indemnify and reimburse us for any expenses or losses that we or our representatives incur related in any way to your Kwik Kar Center or Franchise.
Insurance	Reimbursement of our costs, plus a 20% administration charge	On demand	If you fail to obtain insurance, we may obtain insurance for you, and you must reimburse us for the cost of insurance obtained plus 20% of the premium for an administrative cost of obtaining the insurance. You must also list us, our affiliates and others as additional insured under your policy.
Supplier and Product Evaluation Fee	Costs of inspection (estimated to be approximately \$100 to \$500)	As incurred	Payable if we inspect a new product, service, or proposed supplier nominated by you.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Resale Assistance Program	\$3,600	As incurred	This fee is only due if you request our assistance in the resale of your franchise to another party. It is in addition to any broker fees we or you may be required to pay to a third party broker.
Broker Fees	The actual cost of the brokerage commissions, finder's fees, or similar charges	As incurred	Payable only in connection with the transfer to a purchaser that was referred to you through a broker employed by us or you and who is not an affiliate of ours.

Notes:

1. Fees. All fees paid to us or our affiliates are uniform, but we and our affiliates may in unique situations modify certain fees. Fees paid to us and our affiliates are not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We currently require you to pay fees and other amounts due to us or our affiliates via electronic funds transfer (“EFT”) or other similar means. You are required to complete the EFT authorization (in the form attached to this Franchise Disclosure Document in Exhibit E). We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement.
2. Gross Revenues. Gross Revenues include the aggregate amount received from all sales of services, products or merchandise of every kind or nature (including, without limitation, any services or products that have not been approved or authorized by us), performed or sold from, at or in connection with the operation of the Kwik Kar Center or arising out of the operation or conduct of the Kwik Kar Center or, if Franchisee is an entity, arising out of the operation or conduct of any business by such entity, whether for cash or credit, but excluding (i) the amount of the discount given off the regular retail price of such services or products in connection with the use of coupons or other discount promotions; and (ii) federal, state or municipal sales or services taxes collected from customers and paid to the appropriate taxing authority. As described in further detail in Item 16 below, you are only permitted to sell or offer for sale the services and products specified by us. For example, you are not permitted to open a car wash service from your Kwik Kar Center, unless it is approved by us.
3. Incentive Program. If you are a Conversion Owner or a Veteran and First Responder, you are eligible to participate in our Incentive Program (“Incentive Program”), during the first two years of operations after you open your Center. Under the Incentive Program, provided you are in full compliance with the Franchise Agreement, including making all payments of fees and other amounts to us and our affiliates on time, you are eligible to receive a 50 percent rebate of the Royalty paid to us during the first year of operations and a 25 percent rebate of the Royalty paid to us during the second year of operations. This rebate will be calculated on a quarterly basis and will be paid before the expiration of the subsequent quarter. See Addendum to Franchise Agreement (Incentive Program) attached to this Disclosure Document in Exhibit F-1 (the “Incentive Addendum”) or Addendum to Franchise Agreement (Conversion) attached to this Disclosure Document in Exhibit F-2 for more information (the “Conversion Addendum”). Acquisition of an

existing Center through a transfer does not qualify for the Incentive Program. We reserve the right to modify or terminate this and any other incentive program at any time in our sole discretion.

4. Renewal Fee. Our current renewal fee is \$5,000. However, we currently offer renewal discounts for any franchisee that provides their notice to renew at least six months prior to the expiration of their Franchise Agreement. If a franchisee provides at least six months' notice and chooses to enter into the then-current Franchise Agreement that provides for a term of 15 years, the renewal fee will be waived. If a franchisee provides at least six months' notice and chooses to enter into the then-current Franchise Agreement that provides for a term of five years with an automatic extension for a subsequent five year term (franchisees will have the right to void the automatic extension for the five year subsequent term by providing written notice to us at least six months before the expiration of the first additional five year renewal term), we will reduce the amount of the renewal fee to \$2,500.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT
(FOR A SINGLE BROWNFIELD LOCATION)**

Type of Expenditure ⁽¹⁾	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee ⁽²⁾	\$10,000	\$39,900	Lump Sum	When You Sign the Franchise Agreement	Us
Lease and Real Estate ⁽³⁾	\$14,000	\$50,000	As Agreed	As Specified in Lease	Third Parties
Leasehold Improvements ⁽³⁾	\$60,000	\$300,000	As Agreed	As Incurred	Third Parties
Equipment, Furniture, Tools and Installation ⁽⁴⁾	\$75,000	\$245,500	As Agreed	As Incurred	Third Parties
Grand Opening Costs ⁽⁵⁾	\$10,000	\$10,000	As Agreed	As Incurred	Us or Third Parties
Initial Inventory ⁽⁶⁾	\$14,500	\$25,000	As Agreed	As Incurred	Third Parties
Signs ⁽⁷⁾	\$10,000	\$35,000	As Agreed	As Incurred	Third Parties
Supplies	\$2,000	\$4,000	As Agreed	As Incurred	Third Parties
Initial Training-Travel & Lodging Expenses ⁽⁸⁾	\$2,500	\$5,000	As Agreed	As Incurred	Third Parties
Computer Hardware and Software ⁽⁹⁾	\$12,500	\$19,500	As Agreed	As Agreed	Third Parties

Type of Expenditure ⁽¹⁾	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Point of Sale Maintenance Fee ⁽⁹⁾	\$2,316	\$4,152	As Agreed	As Agreed	Third Parties
Prepaid Expenses ⁽¹⁰⁾	\$2,000	\$3,000	Cash	As Agreed	Third Parties
Additional Funds (3 months) ⁽¹¹⁾	\$40,000	\$80,000	As Agreed	As Incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT ⁽¹²⁾	\$254,816	\$821,052			

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Kwik Kar Franchise if you are able to find an existing or former automotive repair center to lease that currently has a basement or existing service pits (“Brownfield” locations). We do not offer direct or indirect financing for these items. Our estimates are based on our experience, the experience of our affiliates, and our current requirements for Kwik Kar Franchises. The factors underlying our estimates may vary depending on several variables, and the actual investment you make in developing and opening your Kwik Kar Franchise may be greater or less than the estimates given, depending upon the location of your Kwik Kar Center, and current relevant market conditions. Your costs will also depend on factors such as how well you follow our methods and procedures; your management skills; your business experience and capabilities; local economic conditions; the local market for our products and services; the prevailing wage rates; competition; and sales levels reached during your initial phase of business operations. All expenditures paid to us or our affiliates are uniform (except as we may agree to modify them in unique situations) and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable unless you and the third party provider agree otherwise. The availability and terms of third party financing depend on several factors, including the availability of financing generally, your creditworthiness, collateral you may have and lending policies of financial institutions.

1. General. The high and low ranges in the chart are based on a single Franchise Agreement and to retrofit the location for a three-bay tandem to a six-bay Center using current brand standards. The low ranges in the chart assume you are purchasing a Conversion franchise, which is already in the quick lube business, in which case you may not need to incur all of these expenses.
2. Initial Franchise Fee. The Initial Franchise Fee for a single Kwik Kar Center is \$39,900. If you are a Conversion Owner, the Initial Franchise Fee is \$20,000. If you are a Veteran or First Responder, the Initial Franchise Fee is \$29,900. We offer a reduced Initial Franchise Fee of \$20,000 for existing franchisees (unless you are also an existing franchisee that is converting an open and operating competitive business to a Kwik Kar Center, then the Initial Franchise Fee is further reduced to \$10,000). See Item 5 for more information on the Initial Franchise Fee.

3. Lease, Real Estate and Improvements. A common arrangement used by franchisees is to secure a triple net lease through which you will pay all the expenses of the property, including real estate taxes, building insurance, and maintenance (“NNN”) for an existing automotive building. In this type of a lease, the landlord may pay some or all of the tenant improvement costs, which could lower your costs of construction. Your rent rate is based in part on those costs. If property is owned by a third party and leased to you, we estimate the rent for the first month to be in a range of \$3,500 to \$9,000 for a three-bay tandem to six-bay unit and the security deposit is usually equal to one month’s rent. Rates may be higher in certain areas of the country. The chart shows three months’ rent and a security deposit equal to one month’s rent. If you propose a site that was an existing automotive building to be reviewed and approved by us that is for sale and you choose to retrofit that site, the estimated cost to purchase a site for a Kwik Kar Center ranges from approximately \$350,000 to \$2,400,000 for the land and building. You need a site of approximately 43,000 square feet, but smaller sites may be acceptable. Smaller sites may be used if there is adjoining common usage space such as a shopping center. The standard three-bay tandem building is approximately 71 feet by 32 feet and contains approximately 2,272 square feet on the main level of the building (the basement is not included in the 2,272 square foot estimate). Your building should have drive-through capability and an in-ground car service basement area unless we authorize you to use a different configuration, such as shallow pits and/or auto-service pits rather than an in-ground car service basement area. Preferred sites are located on major streets or within high volume shopping areas. Acceptable levels of vehicle traffic, population size and demographics of an area may vary from location to location. You must negotiate your lease, or financing for the purchase, of the real estate and the construction or retrofitting of a building to a Kwik Kar Center designed to meet our specifications. If you purchase an existing Kwik Kar Center from an existing Kwik Kar franchisee, you will be required to sign a Deferred Maintenance Agreement which requires the buyer or seller of the Kwik Kar Center to repair conditions of the Center identified in our inspection of the Center within 90 days of the purchase (Exhibit D-3).
4. Equipment, Furniture, Tools and Installation. This amount includes storage tanks. Assuming you can establish a creditworthiness acceptable to third parties, financing through third parties may be available. Certain of these prices may vary due to fluctuations in the price of steel. A breakdown of these estimated costs is as follows:

	Low	High
Equipment	\$29,000	\$133,100
Storage Tanks	\$10,200	\$17,000
Installation	\$12,500	\$35,000
Filter Crusher	\$1,300	\$1,700
Tools	\$2,500	\$8,000
Vacuum	\$400	\$2,300
Radiator Flush	\$1,400	\$4,000
Furniture	\$2,000	\$4,000
Transmission Fluid Machine	\$3,700	\$8,500
Air Conditioning Equipment	\$3,900	\$8,500
Tire Rotation	\$6,800	\$20,400
Service Pit Covers	\$1,300	\$3,000
Subtotal	\$75,000	\$245,500

5. Grand Opening Costs. You must plan to spend a minimum of \$10,000 on your Grand Opening, not including labor, cost of goods and discounts or special offers. You will plan the Grand Opening with us or our designee, and it will include advertising and promotional campaigns to be conducted at or around the time your Center opens or within 30 days of opening and will last for as long as

four to six months. Within 30 days after the completion of your Grand Opening, you will submit a summary of your expenditures for the Grand Opening. We may provide the Grand Opening services to you (See Item 11.) If we provide such Grand Opening services, you will pay to us the Grand Opening Costs at the time you secure a Location (See Item 5).

6. Inventory. The initial inventory typically includes filters, bottle/bulk oil, plug kits, brakes and brake supplies, uniforms (towels, mats and covers), window wash, automotive specifications software or publications, new store opening kit and miscellaneous supplies. The cost of the initial inventory will range from \$14,500 to \$25,000.
7. Signs. All signs must meet our graphic standards and be approved in writing by us in advance of production. The estimated cost in the chart assumes channel letters on four sides of the building and one monument sign. The estimated cost in the chart may increase due to zoning or installation factors.
8. Initial Training – Travel & Lodging Expenses. The estimated amount in the chart represents the travel and living expenses you will incur to attend our initial training program. This amount will vary depending on the number of people attending, the length of your instruction, the distance you must travel and the standard of living you desire while you attend the program.
9. Computer Hardware and Software; POS Maintenance Fee. The estimated initial investment includes costs related to the purchase of computer hardware and software and the ongoing POS Maintenance Fee for the first three months of operations. We reserve the right to require that you purchase hardware and proprietary software from a vendor approved by us and which has been developed for use in the operation of Kwik Kar Centers.
10. Prepaid Expenses. This estimated amount includes utility deposits, fees for city, state and local business licenses, a 25 percent deposit of the first year's insurance premiums for liability, replacement property, garage-keepers liability and umbrella insurance, and other prepaid expenses.
11. Additional Funds. This amount includes estimated operating expenses you should expect to incur during the first three months of operations. It includes payroll costs (but not a draw or salary for you), taxes, utilities, advertising, rent, accounting and other professional fees, and other operational expenses that are not covered by sales revenue. You may have additional expenses starting your business. Your costs depend on several factors, including how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market for our products and services, the prevailing wage rate, competition and the sales level reached during the initial period. This is only an estimate, there is no guarantee that the amounts specified will be adequate or that additional investment will not be necessary during the first three months of operations or afterwards. There is no assurance that you will have reached "break-even" or any other financial level by the end of three months and you may need additional capital.
12. Total Estimated Initial Investment. Because the ranges in the chart are only estimates and are subject to economic and inflationary conditions, it is possible both to reduce and exceed the estimated range of costs listed in each item of the chart. In certain major metropolitan areas, actual costs may substantially exceed the high range estimates in the chart. You should review these figures carefully with a business advisor or other professionals before making any decision to purchase a franchise.

**YOUR ESTIMATED INITIAL INVESTMENT
(FOR A SINGLE BUILD-TO-SUIT GREENFIELD LOCATION)**

Type of Expenditure ⁽¹⁾	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee ⁽²⁾	\$20,000	\$39,900	Lump Sum	When You Sign the Franchise Agreement	Us
Lease and Real Estate ⁽³⁾	\$36,000	\$64,000	As Agreed	As Specified in Lease	Third Parties
Leasehold Improvements ⁽³⁾	\$0	\$50,000	As Agreed	As Incurred	Third Parties
Equipment, Furniture, Tools and Installation ⁽⁴⁾	\$75,000	\$245,500	As Agreed	As Incurred	Third Parties
Grand Opening Costs ⁽⁵⁾	\$10,000	\$10,000	As Agreed	As Incurred	Us or Third Parties
Initial Inventory ⁽⁶⁾	\$14,500	\$25,000	As Agreed	As Incurred	Third Parties
Signs ⁽⁷⁾	\$15,000	\$35,000	As Agreed	As Incurred	Third Parties
Supplies	\$2,000	\$4,000	As Agreed	As Incurred	Third Parties
Initial Training-Travel & Lodging Expenses ⁽⁸⁾	\$2,500	\$5,000	As Agreed	As Incurred	Third Parties
Computer Hardware and Software ⁽⁹⁾	\$12,500	\$19,500	As Agreed	As Agreed	Third Parties
Point of Sale Maintenance Fee ⁽⁹⁾	\$2,316	\$4,152	As Agreed	As Agreed	Third Parties
Prepaid Expenses ⁽¹⁰⁾	\$2,000	\$5,000	Cash	As Agreed	Third Parties
Additional Funds (3 months) ⁽¹¹⁾	\$60,000	\$150,000	As Agreed	As Incurred	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT⁽¹²⁾	\$251,816	\$657,052			

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating a build to suit site through which you enter into an agreement with a developer or landowner to construct a new, custom-build facility to lease your Kwik Kar Franchise if you are able to find developer or landowner who will purchase the land, and develop the building and

infrastructure (“Greenfield” or “BTS”). We do not offer direct or indirect financing for these items. Our estimates are based on our experience, the experience of our affiliates, and our current requirements for Kwik Kar Franchises. The factors underlying our estimates may vary depending on several variables, and the actual investment you make in developing and opening your Kwik Kar Franchise may be greater or less than the estimates given, depending upon the location of your Kwik Kar Center, and current relevant market conditions. Your costs will also depend on factors such as how well you follow our methods and procedures; your management skills; your business experience and capabilities; local economic conditions; the local market for our products and services; the prevailing wage rates; competition; and sales levels reached during your initial phase of business operations. All expenditures paid to us or our affiliates are uniform (except as we may agree to modify them in unique situations) and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable unless you and the third party provider agree otherwise. The availability and terms of third party financing depend on several factors, including the availability of financing generally, your creditworthiness, collateral you may have and lending policies of financial institutions.

1. General. The high and low ranges in the chart are based on a single Franchise Agreement and to complete a BTS building consisting of a three-bay tandem to a six-bay Center using a build to suit developer. The low ranges in the chart assume your developer completes the unit to specifications, in which case you may not need to incur all these expenses.
2. Initial Franchise Fee. The Initial Franchise Fee for a single Kwik Kar Center is \$39,900. If you are a Veteran or First Responder, the Initial Franchise Fee is \$29,900. We offer a reduced Initial Franchise Fee of \$20,000 for existing franchisees who are eligible to participate in our Incentive Program. See Item 5 for more information on the Initial Franchise Fee.
3. Lease, Real Estate and Improvements. A common arrangement used by franchisees is to secure a BTS lease. In this type of a lease, the landlord pays some or all of the lease improvement costs. If property is developed by a third party and leased to you, we estimate the rent for the first month to be in a range of \$9,000 to \$16,000 for a three-bay tandem to six-bay unit and the security deposit is usually equal to one month’s rent. The chart shows three months’ rent and a security deposit equal to one month’s rent. In view of the developer securing the equity and debt for the project, creditworthiness is a must for tenants in a BTS arrangement. Typically, only individuals with a higher net worth and with higher liquidity may be able to qualify for a new BTS. If you intend to purchase the land and build your own Greenfield site, the estimated cost to develop a Greenfield site for a Kwik Kar Center ranges from approximately \$350,000 to \$750,000 for land and \$950,000 to \$1,650,000 for a three-bay tandem building. You need a site of approximately 43,000 square feet, but smaller sites may be acceptable. Smaller sites may be used if there is adjoining common usage space such as a shopping center. The standard three-bay tandem building is approximately 71 feet by 32 feet and contains approximately 2,272 square feet on the main level of the building (the basement is not included in the 2,272 square foot estimate). Your building should have drive-through capability and an in-ground car service basement area unless we authorize you to use a different configuration, such as shallow pits and/or auto-service pits rather than an in-ground car service basement area. Preferred sites are located on major streets or within high volume shopping areas. Acceptable levels of vehicle traffic, population size and demographics of an area may vary from location to location. You must negotiate your lease of, or financing for the purchase of, the real estate and the construction for a Kwik Kar Center designed to meet our specifications.
4. Equipment, Furniture, Tools and Installation. This amount includes storage tanks. Assuming you can establish a creditworthiness acceptable to third parties, financing through third parties may be

available. Certain of these prices may vary due to fluctuations in the price of steel. A breakdown of these estimated costs is as follows:

	Low	High
Equipment	\$29,000	\$133,100
Storage Tanks	\$10,200	\$17,000
Installation	\$12,500	\$35,000
Filter Crusher	\$1,300	\$1,700
Tools	\$2,500	\$8,000
Vacuum	\$400	\$2,300
Radiator Flush	\$1,400	\$4,000
Furniture	\$2,000	\$4,000
Transmission Fluid Machine	\$3,700	\$8,500
Air Conditioning Equipment	\$3,900	\$8,500
Tire Rotation	\$6,800	\$20,400
Service Pit Covers	\$1,300	\$3,000
Subtotal	\$75,000	\$245,500

5. Grand Opening Costs. You must plan to spend a minimum of \$10,000 on your Grand Opening, not including labor, cost of goods and discounts or special offers. You will plan the Grand Opening with us or our designee, and it will include advertising and promotional campaigns to be conducted at or around the time your Center opens or within 30 days of opening and will last for as long as four to six months. Within 30 days after the completion of your Grand Opening, you will submit a summary of your expenditures for the Grand Opening. We may provide the Grand Opening services to you (See Item 11.) If we provide such Grand Opening services, you will pay to us the Grand Opening Costs at the time you secure a Location (See Item 5).
6. Inventory. The initial inventory typically includes filters, bottle/bulk oil, plug kits, brakes and brake supplies, uniforms (towels, mats and covers), window wash, automotive specifications software or publications, new store opening kit and miscellaneous supplies. The cost of the initial inventory will range from \$14,500 to \$25,000.
7. Signs. All signs must meet our graphic standards and be approved in writing by us in advance of production. The estimated cost in the chart assumes channel letters on four sides of the building and one monument sign. The estimated cost in the chart may increase due to zoning or installation factors.
8. Initial Training – Travel & Lodging Expenses. The estimated amount in the chart represents the travel and living expenses you will incur to attend our initial training program. This amount will vary depending on the number of people attending, the length of your instruction, the distance you must travel and the standard of living you desire while you attend the program.
9. Computer Hardware and Software; POS Maintenance Fee. The estimated initial investment includes costs related to the purchase of computer hardware and software and the ongoing POS Maintenance Fee for the first three months of operations. We reserve the right to require that you purchase hardware and proprietary software from a vendor approved by us and which has been developed for use in the operation of Kwik Kar Centers.
10. Prepaid Expenses. This estimated amount includes utility deposits, fees for city, state and local business licenses, a 25 percent deposit of the first year's insurance premiums for liability, replacement property, garage-keepers liability and umbrella insurance, and other prepaid expenses.

11. Additional Funds. This amount includes estimated operating expenses you should expect to incur during the first three months of operations. It includes payroll costs (but not a draw or salary for you), taxes, utilities, advertising, rent, accounting and other professional fees, and other operational expenses that are not covered by sales revenue. You may have additional expenses starting your business. Your costs depend on several factors, including how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market for our products and services, the prevailing wage rate, competition and the sales level reached during the initial period. This is only an estimate, there is no guarantee that the amounts specified will be adequate or that additional investment will not be necessary during the first three months of operations or afterwards. There is no assurance that you will have reached “break-even” or any other financial level by the end of three months and you may need additional capital.

12. Total Estimated Initial Investment. Because the ranges in the chart are only estimates and are subject to economic and inflationary conditions, it is possible both to reduce and exceed the estimated range of costs listed in each item of the chart. In certain major metropolitan areas, actual costs may substantially exceed the high range estimates in the chart. You should review these figures carefully with a business advisor or other professionals before making any decision to purchase a franchise.

MULTI-UNIT AGREEMENT^{(1), (2), (3)}

Type of Expenditure ^{(1), (2)}	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Multi-Unit Fee ⁽¹⁾	\$35,000	\$35,000	Lump Sum	When You Sign the Multi-Unit Agreement	Us

Notes

1. Multi-Unit Franchisees must open a minimum of three Kwik Kar Centers. You will sign a Franchise Agreement for your initial Kwik Kar Center and pay the Initial Franchise Fee noted above for that Center, and then also sign a Multi-Unit Agreement which will designate how many additional Centers you will develop, and pay a Multi-Unit Fee equal to a reduced Initial Franchise Fee of \$20,000 for the second Kwik Kar Center, and \$15,000 for each additional Kwik Kar Center you intend to open under the Multi-Unit Agreement. The chart shows the Multi-Unit Fee for the minimum two additional Kwik Kar Centers that must be opened under the Multi-Unit Agreement. The Multi-Unit Agreement must be paid in full when you sign the Multi-Unit Agreement and is not refundable under any circumstances, even if you fail to open any Kwik Kar Centers. See Item 5 for more information about your Multi-Unit Fee.

2. Multi-Unit Franchisees do not receive a protected development in which to locate and develop their Kwik Kar Centers. Each Franchised Location under a Multi-Unit Agreement may be located in any city, county or state. You must obtain our prior written approval of the location for your Franchised Location based on our then-applicable criteria.

3. This chart does not include the initial investment to open each of the Centers under the Multi-Unit Agreement. The initial investment for opening your first Kwik Kar Center is described separately in the first chart of this Item 7.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Operations

You must establish and operate your Center in compliance with your Franchise Agreement and the standards and specifications contained in the manual we loan to you for your Kwik Kar Center (the “Brand Standards Manual”). The Brand Standards Manual is now available online and requires you to enter into a confidentiality agreement. The Brand Standards Manual consists of one or more manuals, technical bulletins, or other written or electronic materials, which we may modify from time to time in our sole discretion.

Through the Brand Standards Manual and otherwise, we may make available standards and specifications for your premises, premises lease, equipment, computer hardware and software, technology systems, furniture, fixtures, uniforms, supplies, forms, inventory, promotional and advertising materials, both written and electronic, and most other products, services, and items used in or sold through your Kwik Kar Center.

Standards and specifications include standards for supply, delivery, performance, warranties, design, appearance, quality, and other standards. You are obligated to purchase or lease all products, equipment, supplies, and services used in or sold through your Center in accordance with our standards and specifications only from sources approved by us. After you sign the Franchise Agreement, we will make available to you our standards and specifications and a list of our approved suppliers as part of our Brand Standards Manual. We have the right to change these standards and specifications on 30 days’ prior written notice to you.

If you are approved to offer Alternative Automotive Services through your Kwik Kar Center, we may make available additional standards and specifications for those automotive services under a separate agreement. “Alternative Automotive Services” are services we identify or designate and are typically services that are not performed in at least 85 percent of Kwik Kar Centers. You must state in your work orders and invoices that your customer can only return to your Kwik Kar Center to exercise the warranty for any Alternative Automotive Services you performed.

Center Lease and Build-Out

You must, at your expense, construct, convert, design, furnish, and decorate the Center in accordance with our plans and specifications, at your expense, and through the assistance of contractors, architects, and suppliers designated or approved by us. You must use one of our approved architects in the design of your Kwik Kar Center. We will provide you a list of our approved architects after you sign the Franchise Agreement. We require that you obtain our written consent to any improvements to the Center site before construction begins and to any material improvements or changes to the Center after initial construction is completed.

We must review and approve any lease or sublease, including all amendments (the “Lease”), or, if you are purchasing real estate, the purchase agreement for the Center before you sign the lease, sublease, or purchase agreement. A copy of the signed lease must be delivered to us within 15 days after signing.

We reserve the right to require you to send us a copy of your letter of intent for the Lease before you sign the letter of intent.

The Lease must contain certain provisions which grant us certain rights, as your franchisor, including:

- (1) The initial term of the Lease, or the initial term together with any renewal terms (for which rent must be specified in the Lease) must be for at least 15 years;
- (2) The Lease must give the landlord's consent to your use of the Marks and signage which we prescribe for the Center, which may change from time to time;
- (3) We must have the right to enter the premises to make any modification necessary to protect the Marks and the System;
- (4) We or our designee, without the landlord's approval, must have the option to assume your occupancy rights under the existing Lease terms and have the right to assign the Lease or sublet the premises for all or any part of the Lease term, if you are in default under the Lease or the Franchise Agreement, or if the Lease or Franchise Agreement is terminated or not renewed;
- (5) Your landlord must agree to provide us with a notice of default and an opportunity to cure any default; and
- (6) The Lease must contain a use provision, an exclusive use provision, and a restrictive use provision which is acceptable to us.

Your Lease is collaterally assigned to us as security for your timely performance of all obligations under the Franchise Agreement. You are responsible for obtaining the lessor's consent to the collateral assignment. A copy of our standard form of Collateral Assignment of Lease is attached to this Franchise Disclosure Document in Exhibit D-1. We reserve the right to modify these required Lease terms and to require you to use our standard form of lease rider, in our discretion.

Purchases from Designated or Approved Sources

We have designated or approved vendors and suppliers for the following items: (a) premium and promotional merchandise; (b) dispensing equipment, storage tanks, and certain other equipment; (c) hand tools; (d) printed materials; (e) vacuums; (f) advertising materials in electronic format or otherwise; (g) uniforms; (h) auto parts; (i) insurance; (j) lenders; (k) employment; (l) lubricants; and (m) filters. We, or our affiliate, GMI, is a designated or approved vendor of some of these items. We and our affiliates reserve the right to designate additional suppliers for other products, equipment, and services. You must purchase 90% of all products from approved vendors. Approved vendors and suppliers may change from time to time based on availability and pricing.

As of the date of this Franchise Disclosure Document, none of our officers own an interest in any approved or designated supplier, although they reserve the right to do so.

You will purchase or lease the rest of your product needs, equipment, supplies, and services used, sold, or leased through your Center only from suppliers designated or approved by us in advance. As of the date of this Franchise Disclosure Document, we and our affiliates are not the sole approved supplier of

any products, equipment, supplies, or services. We reserve the right to designate a single approved supplier for certain products, equipment, supplies, and services, including us and our affiliates. If there is no designated or approved supplier for a particular item, you may purchase, lease, sell, or use merchandise, equipment, supplies, and services that meet our standards and specifications from any source approved by us. After you sign the Franchise Agreement, we give you a list of our approved suppliers, if any, the standards and specifications for products and services to be purchased, used, sold, or leased by you through your Kwik Kar Center, as well as our criteria for approving a supplier, if any.

Our affiliates sell and lease products, equipment, supplies, and services to franchisees and derive revenue from such sales. We reserve the right to sell or lease, and our affiliates reserve the right to sell or lease, other products, equipment, supplies, and services to franchisees and to derive revenue from such sales. Since we did not offer franchises until February 12, 2024, we had no revenues from franchisee purchases or leases in fiscal year 2023. During the fiscal year ending December 31, 2023, our affiliate, GMI, had no revenues from items sold to Kwik Kar franchisees and real estate leases although it will have revenues from Kwik Kar franchisees in the future.

The revenue figure for items sold to franchisees and real estate leases does not include our affiliates' costs.

We estimate that the cost of your purchases from designated or approved sources, or according to our standards and specifications may range from 60 percent to 80 percent of the total cost to establish your Center and 20 percent to 30 percent to operate your Center.

If you want to purchase or lease any products, equipment, supplies, or services not previously approved by us, or use a new supplier of these items not previously approved by us, you must first notify us and obtain our written approval. Each request must be in writing and contain the description of the product, equipment, supply, or service, together with its manufacturer and supplier, along with its specifications, cost, and uses. We may require you to submit to us sufficient specifications, photographs, drawings, supplier information, or other information and samples to determine whether the items or the supplier meet our specifications. We may conduct testing on samples provided by you, and you may be required to pay the actual cost of these tests. Your request is reviewed by our operations and marketing personnel. Although we are not required to respond within any time period or in any particular manner, we will attempt to notify you in writing as soon as possible after we receive all requested information if we approve or disapprove the product, service, or supplier. Our failure to do so does not grant you the right to use the product, service, or supplier without our approval. If a product or service is accepted, we include it in our approved products and services list and make it available to all of our franchisees. If the product, service, or supplier is not accepted by us, you are prohibited from using it. Our Brand Standards Manual outlines the criteria/standards for approving alternative suppliers, products, equipment, supplies, and services used, offered for sale, or leased by franchisees. We may revoke our approval of previously approved alternatives by written notice to the supplier and each franchisee using that supplier.

We do not provide material benefits, such as renewal or granting additional franchises to franchisees based on your use of designated or approved sources or suppliers. We may implement policies that provide royalty rebates based on your purchase of supplies or equipment from approved suppliers. The terms and conditions of these policies would be stated in our Brand Standards Manual. We may modify or discontinue any such policy upon written notice to you.

You must use the computer hardware and software, including the point-of-sale (“POS”) system (collectively referred to as the “Computer System”) that we periodically designate to operate your Kwik Kar Franchise. You must obtain the computer hardware, software licenses, maintenance and support

services, and other related services that meet our specifications from the suppliers we specify (which may be limited to us and/or our affiliates).

You must obtain the insurance coverage required under the Franchise Agreement. The insurance company must be authorized to do business in the state where your Kwik Kar Center is located and must be approved by us. It must also be rated “A” or better by A.M. Best & Company, Inc. and reasonably acceptable to us, a policy or policies of the following insurance: (a) commercial general liability insurance with a limit of not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate, including, without limitation, blanket business interruption coverage; (b) replacement cost property insurance in an amount equal to at least 80 percent of the highest coverage permitted by law or the replacement cost of the building and contents comprising the Kwik Kar Center as provided in a lease; (c) garage-keepers liability insurance for damage to vehicles that are in your care, custody and control with a limit of not less than \$30,000 for the Kwik Kar Center; (d) unemployment and workmen’s compensation insurance with a broad form all-states endorsement coverage sufficient to meet the requirements of applicable state law and employer’s liability insurance with a limit of not less than \$100,000 for each accident for bodily injury by accident; and (e) automobile liability coverage with a limit not less than \$1,000,000 per accident for bodily injury and property damage, such coverage shall include all owned, non-owned and hired autos.

We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time. All insurance policies must name us and any affiliates we designate as additional named insured parties. The cost of insurance may be significantly higher than the estimate depending on such factors as particular state coverage requirements, store location, and your loss history.

Purchasing Arrangements

We have no purchasing or distribution cooperatives at the current time, although we may establish pricing programs with certain suppliers based on volumes purchased. Periodically, we may negotiate purchase arrangements with preferred and approved suppliers for the benefit of our franchisees, including price terms. As of the date of this Franchise Disclosure Document, for Centers, we have purchase arrangements with suppliers of: (a) oil filters and air filters; (b) oil additives; (c) premium and promotional merchandise; (d) bulk motor oil and certain other petroleum products; (e) dispensing equipment; (f) fuel injection cleaners; (g) hand tools; (h) insurance; (i) miscellaneous hardware and parts; (j) printed materials; (k) radiator flush machines; (l) vacuums; (m) advertising materials; (n) service bulletins; (o) computer hardware and software for point-of-sale operations package; (p) sign packages; (q) database marketing; and (r) customer feedback. You should not rely on the continued availability of any particular discount buying, pricing, or distribution arrangement, or the availability of any particular product or brand in deciding whether to purchase the Franchise.

We and our affiliates have the right to receive payments from suppliers in consideration for goods or services that we require or advise you to obtain from approved suppliers, (either as prebates or rebates) and we reserve the right to do so in the future. During the fiscal year ending December 31, 2023, our affiliate, GMI, did not receive payments from suppliers as a result of Kwik Kar Center franchisee purchases as the Kwik Kar franchise system is a new system. Except in certain situations where you negotiate a credit with a supplier, GMI may retain the credit of any volume discounts, rebates, or incentives received as a result of your purchases.

**ITEM 9
FRANCHISEE'S OBLIGATIONS**

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in Agreements	Item in Disclosure Document
(a) Site selection and acquisition/ lease	Sections 4.1, 4.2, and 5.1.a of Franchise Agreement; Section 3 of Addendum to Franchise Agreement (Conversion); Sections 3.4 and 3.6 of Multi-Unit Agreement	Items 7 and 11
(b) Pre-opening purchases/leases	Sections 4.3 through 4.7 of Franchise Agreement; Section 5 of Addendum to Franchise Agreement (Conversion); Section 3.4 of Multi-Unit Agreement	Items 5, 7 and 8
(c) Site development and other pre-opening requirements	Sections 4.3 through 4.7 of Franchise Agreement; Sections 4 and 6 of Addendum to Franchise Agreement (Conversion Section 2 of Incentive Addendum	Items 6, 7 and 11
(d) Initial and ongoing training	Section 6 of Franchise Agreement	Items 7 and 11
(e) Opening	Section 4.8 of Franchise Agreement; Section 4 of Addendum to Franchise Agreement (Conversion)	Item 11
(f) Fees	Sections 2.2, 9.2, 10.5, 12.2 through 12.5, 14.3, 14.4, 15.2, 16.3, 18.7, 19.2, 21.1, 23.7, 23.11 and Sections 6, 11 and 12 of Franchise Agreement; Section 7 of Addendum to Franchise Agreement (Conversion); Section 2 and Section 5.3 of Multi-Unit Agreement;	Items 5, 6 and 7
(g) Compliance with standards and policies/ Standards Manual	Section 7 and Sections 9.1 and 10.1 of Franchise Agreement	Items 1, 11 and 14
(h) Trademarks and proprietary information	Section 13 and Sections 18.4 and 18.5 of Franchise Agreement; Section 6.2 of Multi-Unit Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Sections 9.1.e, 10.3, 10.4 and 10.5 of Franchise Agreement	Item 16
(j) Warranty and customer service requirements	Section 9.1 of Franchise Agreement; Brand Standards Manual	Item 8
(k) Territorial development and sales quotas	Section 3.1 of Multi-Unit Agreement	Items 1 and 12
(l) On-going product/service purchases	Sections 9.1, 10.3, 10.4, and 10.5 of Franchise Agreement	Item 8
(m) Maintenance, appearance and remodeling requirements	Sections 9.1.a, 15.2.f, and 16.3.e of Franchise Agreement	Item 17
(n) Insurance	Section 19 of Franchise Agreement	Item 7
(o) Advertising	Section 12 of Franchise Agreement	Items 6, 7 and 11
(p) Indemnification	Section 20.3 of Franchise Agreement	Item 6
(q) Owner's participation/ management/staffing	Sections 6.2, 9.1.h, and 9.1.i of Franchise Agreement	Item 15
(r) Records/reports	Section 14 of Franchise Agreement	Item 6
(s) Inspections/audits	Sections 10.2 and 14.4 of Franchise Agreement	Items 6 and 11

Obligation	Section in Agreements	Item in Disclosure Document
(t) Transfer	Section 15 of Franchise Agreement; Section 5 of Multi-Unit Agreement; Section 2 of Incentive Addendum	Item 17
(u) Renewal	Section 16 of Franchise Agreement; Addendum to Franchise Agreement (Renewal)	Item 17
(v) Post-termination obligations	Sections 17.4 and 17.6 of Franchise Agreement; Section 4.4 of Multi-Unit Agreement	Item 17
(w) Noncompetition covenants	Section 18 of Franchise Agreement; Section 6.1 of Multi-Unit Agreement	Item 17
(x) Dispute resolution	Section 21 of Franchise Agreement; Section 8.7 of Multi-Unit Agreement	Item 17
(y) Guaranty	Attachment III to Franchise Agreement; Attachment 2 to Multi-Unit Agreement	Item 15

ITEM 10 FINANCING

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

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 Obligations

Before the opening of your Center, we (or our designee(s), which may be an affiliate of ours), will provide the following assistance and services to you:

1. Assist you in your site selection process by reviewing a site for your Kwik Kar Center and reviewing a final lease or purchase contract for your Center (Sections 3.1, 4.1, 4.2, and 5.1.a of the Franchise Agreement; Sections 3.4 and 3.6 of the Multi-Unit Agreement).

2. Provide you with a list of approved architects, as well as our standards and specifications for the buildout of the Center location, which may include interior and exterior design of the building, layout, floor plan, parking and driveway facilities, signs, color, decor, equipment, and machines (Section 5.1.b of the Franchise Agreement).

3. Loan to you, or make available to you on our website, one copy of our confidential and proprietary Brand Standards Manual for your Kwik Kar Center. The Brand Standards Manual contains approximately 303 pages. The table of contents for the Brand Standards Manual is attached to this Franchise Disclosure Document as Exhibit J (Sections 5.1.f and 7.1 of the Franchise Agreement).

4. Between your actual opening and your grand opening promotion, one of our representatives will be on site to assist you in operating the Grease Monkey Center. We will establish the time for the on-site opening assistance. (Section 5.1.c of the Franchise Agreement).

5. Make available to you, upon your request, names of suppliers, which may include our affiliate, GMI, or us, and other information, including specifications, to assist you in acquiring your

equipment, signs, and other items and materials used, and inventory offered for sale at your Center (Section 5.1.d of the Franchise Agreement). We do not deliver or install any of these items.

6. Provide an initial training program in Greenwood Village, Colorado, or another location designated by us (“Initial Training Program”) for you or your principal owner (Sections 5.1.e and 6.1 of the Franchise Agreement).

We do not provide the above services to renewal franchisees and certain of the services to Conversion Owners.

Site Selection

We will provide you with site criteria and advice in identifying a suitable location for the Center, if you request assistance. Although we will consult with you on your site and require your site be subject to our final authorization, you have the ultimate responsibility in choosing, obtaining and developing the site for your Center. We must approve the site before you sign the Lease. In evaluating a proposed site, we consider such factors as zoning considerations, appropriate size and dimensions, visibility factors, traffic flow and patterns, access and exits, area population, and a consideration of market conditions. Before leasing or purchasing the site for your Center, you must submit to us, in the form we specify, a description of the site, with other information and materials we may reasonably require. We will have 30 days after we receive the information and materials to evaluate the proposed site. If we disapprove of the proposed site, you must select another site, subject to our consent. You must submit a site for your Center, which is approved by us, within 270 days after signing the Franchise Agreement. If we disapprove of your proposed site, we will grant you an additional, reasonable period of time to obtain approval of an alternative site for your Center. We will determine the length of the additional period of time to locate an alternative site in our sole, but reasonable, business judgment. If we cannot agree on a site, we may terminate the Franchise Agreement.

You may not relocate your Center without our prior written consent.

We generally do not own the premises for the Center and lease it to you. If you or your owners (if you are a business entity or trust) also own, or become the owner of, the site for your Center, we may require you to enter into an Option and Center Lease (Exhibit D-2) (the “Lease Option”) with us that could be exercised at our option in the event of a default by you or any other termination of the Franchise Agreement that would allow us or an affiliate of ours to take over possession of the Center. The Lease Option will provide, if the Lease Option is exercised, the terms for the lease, and will contain a right of first refusal for us to purchase the site for the Center. A Memorandum of Lease Option may be recorded or filed by us in the event a Lease Option is required.

If you sign a Multi-Unit Agreement with us to open multiple Centers, you will locate the site for each of the Centers to be opened under the Multi-Unit Agreement. You do not receive a protected development area, and may locate the sites in any location, subject to our approval of the location based on our then current standards. The same site selection process noted above will apply for the site of each Center to be opened under the Multi-Unit Agreement.

Schedule for Opening

The typical length of time between signing the Franchise Agreement or the payment of any fees and the opening of the Center can vary from nine to 18 months. Some factors which may affect this timing are your ability to locate an acceptable site that we approve; the time to acquire the site through lease or purchase; your ability to secure any necessary financing; your ability to comply with local zoning and other

ordinances; the timing of the delivery and installation of equipment and signs; and the time to convert, renovate, or build the premises. The conversion of an existing lubrication center to a Kwik Kar Center usually takes two to six months, depending on the extent conversion of the premises, equipment, and operational systems is necessary.

Your Center must be open for business within 270 days from the date we approve your Center location, but in no event more than 18 months from the date of the Franchise Agreement (“Development Period”). We will extend the Development Period for a reasonable time in the event factors beyond your reasonable control prevent you from meeting the deadline, and if you have made reasonable and continuing efforts to comply with your development obligations and request, in writing, an extension of time to open your Center before the Development Period lapses. If you do not commence operations of the Center within the Development Period or any extension of the Development Period, we may terminate the Franchise Agreement.

If you sign a Multi-Unit Agreement with us to open multiple Centers, your Multi-Unit Agreement will contain a Development Schedule for when your additional Kwik Kar Centers must be opened.

Grand Opening Assistance

We may provide you with grand opening assistance and in the event we do, you will pay us the Grand Opening Costs for these services in advance (See Item 5).

Continuing Obligations

During the term of the Franchise Agreement, we (or our designee(s), which may be an affiliate of ours) will provide the following assistance and services to you:

1. Provide additional training, seminars, or continuing development programs at a frequency we determine, in person or online, on new methods and processes, marketing techniques, equipment, and products (Section 6.3 of the Franchise Agreement).
2. Upon reasonable request, provide advice regarding your Kwik Kar Center operation based on reports or inspections. Advice will be given during our regular business hours and via written materials, electronic media, telephone or other methods in our discretion (we do not provide advice or consultation on employment-related matters) (Section 8.1.a of the Franchise Agreement).
3. Make available to you information regarding any new product, service, or supplier, or any updated methods of doing business (Section 8.1.b of the Franchise Agreement).
4. Provide you with access to our advertising and promotional programs and materials for your Center (Section 8.1.c of the Franchise Agreement).
5. A representative of ours will visit your Center approximately twice a year, and provide consulting assistance (we do not provide consulting assistance on employment-related matters) (Section 8.1.d of the Franchise Agreement).

If you execute a Multi-Unit Agreement, we (or our designee(s), which may be an affiliate of ours) will provide the following assistance to you: assist you in your site selection process for your second and subsequent Kwik Kar Centers by reviewing and accepting a site for the Center, and approving and accepting a final lease or purchase contract for the second and subsequent Centers (Sections 3.4 and 3.6 of the Multi-Unit Agreement).

Optional Assistance

During the term of the Franchise Agreement, we (or our designee(s)) may, but are not required to, provide the following assistance and services to you:

1. Modify, update, or change the System, including the adoption and use of new or modified trade names, trademarks, service marks, or copyrighted materials, new products, new equipment, or new techniques.
2. Make periodic visits to your Center for the purpose of assisting in all aspects of the operation and management of the Kwik Kar Franchise, prepare written reports concerning these visits outlining any suggested changes or improvements in the operation of the Kwik Kar Franchise, and detailing any problems in the operations which become evident as a result of any visit. If provided at your request, you must reimburse our expenses and pay our then-current training charges.
3. Maintain and administer a national materials fund. We may dissolve the national materials fund upon written notice.
4. Hold periodic national or regional conferences to discuss business and operational issues affecting Kwik Kar franchisees.

Advertising

National Materials Fund

We have established a National Materials Fund for marketing the System, the Marks, and Kwik Kar Centers. You must pay up to 1 percent (currently 0.5 percent) of your Gross Revenues (“Advertising Contribution”). Your contribution to the National Materials Fund will be in addition to all other advertising requirements set out in this Item 11. Each franchisee will be required to contribute to the National Materials Fund, but certain franchisees may contribute on a different basis depending on when they signed their Franchise Agreement. Kwik Kar Centers owned by us will contribute to the National Materials Fund on the same basis as franchisees.

The National Materials Fund will be administered by us, or our affiliate or designees, at our discretion, and we may use a professional advertising agency or media buyer to assist us. The National Materials Fund will be in a separate bank account, commercial account or savings account.

We have complete discretion on how the National Materials Fund will be utilized. We may use the National Materials Fund for local, regional or national marketing, advertising, sales promotion and promotional materials, public and consumer relations, website development and search engine optimization, the development of technology for the System, and any other purpose to promote the Marks. We may use any media for disseminating National Materials Fund advertisements, including direct mail, print ads, the Internet, radio, billboards, and television. We may reimburse ourselves, our authorized representatives, or our affiliates from the National Materials Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting and legal expenses, taxes and all other direct or indirect expenses associated with the programs funded by the National Materials Fund. We are not obligated to spend any amount on advertising in the geographical area where you are or will be located. We will not use the Advertising Contributions for advertising that is principally a solicitation for the sale of franchises, but we reserve the right to include a notation in any advertisement or website indicating “Franchises Available” or similar phrasing.

We assume no fiduciary duty to you or other direct, or indirect liability or obligation to collect amounts due to the National Materials Fund or to maintain, direct or administer the National Materials Fund. Any unused funds that were collected in any calendar year will be applied to the following year's funds, and we reserve the right to contribute or loan additional funds to the National Materials Fund on any terms we deem reasonable.

The National Materials Fund is not audited. Upon your written request, we will provide to you an annual accounting for the National Materials Fund that shows how the National Materials Fund proceeds have been spent for the previous year.

Because the Kwik Kar system is new as of 2024, we are unable to provide a breakdown of how the funds in the National Materials Fund were spent during the 2023 fiscal year.

Initial Advertising

We, or our designee(s), and you will decide upon a grand opening advertising and promotional campaign to be conducted at or around the time your Center opens, or within 30 days of opening and will last for as long as four to six months. See Items 5 and 7 for costs of the campaign. Within 30 days of completion of the grand opening advertising and promotion campaign, you must submit to us a summary of campaign expenditures.

Local Advertising

In addition to the National Materials Fund and Initial Advertising, you must spend a minimum of 4 percent of your total amount of monthly Gross Revenues related to the operation of your Center on local advertising that has been pre-approved by us ("Local Advertising Commitment"). A separate accounting of your local advertising expenditures must be submitted to us within 30 days after the end of each calendar year, showing how you spent the 4 percent of your Gross Revenues related to the operation of your Center, averaged over a year, for local advertising expenditures. In addition to the franchise advisory council described below, we and our affiliate may, in our sole discretion, solicit input on advertising from all or a group of franchisees. You must purchase local advertising separately through local marketing and media sources within a geographical area. Local advertising is your responsibility.

All marketing and promotion of your Kwik Kar Center, including electronic, social media, or Internet advertising, must conform to our standards and specifications, including any social media policies we establish. You must submit to us samples of all advertising and promotional materials that have not been prepared or previously approved by us. You may not use any advertising or promotional plans or materials, including electronic or Internet advertising, unless and until you have received written approval. Your Center must participate in promotions we institute from time to time for all Centers, or for all Centers within a particular area. If you wish to advertise online, you must follow our online policy which is contained in our Brand Standards Manual. Our online policy may change as technology and the Internet changes. Under our online policy, we may retain the sole right to market on the Internet, including all use of websites, domain names, advertising, and co-branding arrangements. We may restrict your use of social media. We may not allow you to independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique with words or symbols similar to the Marks. We intend that any franchisee website will be accessed only through our home page.

Regional Advertising

We and our affiliate, GMI, may, upon 30 days' written notice to you, create a regional advertising association ("Co-op") in the market area where you are located, at which time you must become a member of the Co-op. Company and affiliate-owned Centers in the particular market area will also become members of the Co-op and contribute to it on the same basis as other members. We and our affiliate may contribute back to the Co-op all or a portion of the National Materials Fund payments received by us from franchisees in the Co-op from your market area for marketing and advertising programs. We and our affiliate may make these funds available on a regular basis or intermittently for specific programs selected by the majority of the Co-op members and approved in advance by us or our affiliate(s). If we or our affiliate(s) form a Co-op, you will be bound by the decisions of the majority of the members of the Co-op regarding expenditures, assessments, and dues, to the extent we or our affiliate(s) approve them. If you fail to participate in the Co-op or pay any Co-op contributions or dues, this constitutes a material breach under the Franchise Agreement.

We determine the contributions members of a Co-op will contribute to the Co-op on a regular or intermittent basis, which may be up to 4 percent of the Gross Revenues of the member's Center. You receive credit for all contributions and dues paid to a Co-op toward your Local Advertising Commitment. See Item 6. We or our affiliate, GMI, must approve all advertising materials before they are used by a Co-op or furnished to its members. Each Co-op must prepare unaudited annual financial statements and send them to you if you request them. We and our affiliate have the right to determine the scope of the geographical areas included in each Co-op. We and our affiliate also have the right to seek reimbursement from the Co-op for reasonable administrative costs, salaries, and overhead that we and our affiliate(s) may incur in implementing and administering the Co-op and its marketing programs. We and our affiliate(s) can change and dissolve the Co-op. The Co-op must operate under a written document which franchisees can view. Either we, our affiliate(s), or the Co-op may create the Co-op's advertising, but advertising created by the Co-op must have our or our affiliate's written approval before use. We and our affiliate may establish an advertising cooperative for a particular region to enable the cooperative to self-administer the local or regional advertising program.

A Co-op has been created in the Denver front range area. If your Center is located in this area, you must participate in the Co-op. The members of the Co-op elect a governing board. The board, subject to our rights, determines and administers the advertising and marketing programs of the Co-op.

Advisory Council

We do not currently have a franchise advisory council that advises on advertising and other policies. We may form a franchise advisory council in the future on terms we establish, but we have no obligation to do so. If a franchise advisory council is created, we reserve the right to disband or terminate the council in our sole discretion.

Software and Computer Equipment

We require that you purchase or lease and use an approved POS system, software, and other technology systems which meet our specifications. The only POS systems currently approved by us are the Sage Microsystems and Integrated Services, Inc. POS systems. The Computer System permits us or our affiliate, GMI, to receive information on a timely basis concerning sales and inventory of the Center and provides you with detailed information necessary to prepare your financial statements, including sales and inventory information. The Computer System will perform the following functions: cash drawer management, point-of-sale processing, fleet accounting, inventory control, general ledger, creation of management and other reports, operating system, backup and utility program, and automotive parts

resource. You must store all data and information in the Computer System that we designate, and report data and information in the manner we specify. You must also maintain a high-speed Internet connection at the Center. In addition to offering and accepting Kwik Kar gift cards and loyalty cards, you must use any credit card vendors and accept all credit cards and debit cards that we determine. The term “credit card vendors” includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, Apple Pay and Google Wallet). We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates, or support for the Computer System. You must arrange for installation, maintenance, and support of the Computer System at your cost. There are no limitations in the Franchise Agreement regarding the costs of such required support, maintenance, repairs, or upgrades relating to the Computer System. We cannot estimate the cost of maintaining, updating, or upgrading the Computer System or its components, because it will depend on your repair history, costs of computer maintenance services in your area, and technological advances, which we cannot predict at this time. We may revise our specifications for the Computer System periodically. You must upgrade or replace your Computer System at such time as specifications are revised. There is no limitation on the frequency and cost of this obligation.

The cost to purchase and license the hardware and software ranges from \$10,500 to \$19,500.

We (or our designee(s)) have the right to independently access the electronic information and data regarding your Center, through the POS system, Computer System, and other technology systems, and to collect and use your electronic information and data in any manner, including to promote the System and the sale of Kwik Kar Franchises. This may include posting financial information of each franchisee on an intranet website or using financial information in our Franchise Disclosure Document. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system. We may access the electronic information and data from your Computer System remotely, in your Kwik Kar Center, or from other locations. You must join an approved electronic network connection service and maintain an e-mail address to facilitate communication between you, us, and GMI.

We and our affiliate, GMI, reserve the right to require that you sublicense from us or GMI any proprietary computer programs and related materials we may designate. We and our affiliate also reserve the right to require you to purchase compatible hardware to run the designated software.

Training

Initial Training

Before the opening of your Kwik Kar Center, you or your principal owner are required to attend and complete to our satisfaction the Initial Training Program conducted at the times and location designated by us. The Initial Training Program consists of approximately three to four days of classroom training and approximately five days of hands-on training. We reserve the right to increase the length of our Initial Training Program by up to five additional days. The additional initial training may be conducted in Greenwood Village, Colorado or other locations designated by us in closer proximity to where you are located. You will be responsible for the travel and lodging expenses for your people to attend the Initial Training Program.

Training will be conducted after you have signed a Franchise Agreement and as close to your initial opening date as possible. The Initial Training Program is conducted on a quarterly basis. We plan to provide the training listed in the table below. We reserve the right to vary the length and content of the Initial Training Program based upon the experience and skill level of the individual attending the Initial Training Program.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
General Center Operations*	10	43	Greenwood Village, Colorado and Franchised Location**
Vendor Training	1		Greenwood Village, Colorado
Sales/Presentation Techniques	3		Greenwood Village, Colorado
Lubricants and Fluids	2		Greenwood Village, Colorado
Certification Programs	1		Greenwood Village, Colorado
Fleet Accounts Sales and Processing	1		Greenwood Village, Colorado
Key Performance Indicators/Financial	2		Greenwood Village, Colorado
Management/Leadership Skills	2		Greenwood Village, Colorado
Customer Interactions and Role Play	5		Greenwood Village, Colorado
Marketing	2		Greenwood Village, Colorado
TOTAL	29	43	

* Please see the chart below for a breakdown of the General Center Operations Hours of On-The-Job Training

** The Classroom Training will take place in Greenwood Village, Colorado and the On-The-Job Training will take place at the Franchised Location

Breakdown of General Center Operations Hours of On-The-Job Training

General Center Operations Subjects	Hours of On-The-Job Training	Location
Process Training	8	Franchised Location
Lubricants and Fluids	1	Franchised Location
Certification Programs	1	Franchised Location
Fleet Accounts Sales and Processing	1	Franchised Location
Key Performance Indicators/Financial	1	Franchised Location
Management/Leadership Skills	1	Franchised Location
Point-of-Sale System	24	Franchised Location

General Center Operations Subjects	Hours of On-The-Job Training	Location
Customer Interactions and Role Play	6	Franchised Location
TOTAL	43	

Notes:

1. The training subjects may vary, and the training may be less than the times indicated above, depending on the number and experience of the attendees. We will use the Brand Standards Manual, handouts, and media presentations as the primary instruction materials during the Initial Training Program.
2. Tom Staker, our Director of Training and New Services since our inception in January 2024, has served in the same position for our affiliates since October 2013 and oversees our training program. Mr. Staker has over forty years of automotive experience.

Ongoing Training

We also may offer franchisees and their employees optional or required training programs to obtain certification as a specialist in certain of the services that we offer (“Certification Programs”). Certification Programs may be conducted online, at our training facility in Greenwood Village, Colorado, or at a Kwik Kar Center designated by us. Certification Programs are offered at current published rates, and may be conducted through in-person training programs or Remote Training, as described below. You may also be responsible for any costs incurred in attending Certification Programs in person, including the costs of transportation, lodging, meals, and wages. We currently provide Remote Training courses that can be accessed online through our online training program called “FullSpeed University.” Some of the online courses offered through FullSpeed University may be designated as required courses that you or your employees must complete to obtain certification under a Certification Program.

We may present seminars, conventions, or continuing development programs for the benefit of our franchisees. Your attendance at many of these seminars is voluntary. However, we may require that you or your manager or principal owner attend in person certain seminars, conventions, or programs we deem mandatory at least once a year. We may also present additional training programs and Certification Programs through FullSpeed University, online training, or training in other formats that do not require you, your manager, or principal owner to attend the training program in person (“Remote Training”), but that are mandatory, more often than once per year. Currently we do not designate any seminar, convention, program, FullSpeed University, online training, or training in other formats as mandatory. If we designate any training program as mandatory in the future, we will give you at least 30 days’ prior written notice of any seminar, convention, or program which is considered mandatory and at least 10 days’ prior notice of any Remote Training program which is considered mandatory. You are responsible for your travel and living expenses incurred in attending any training program, seminar, or convention. In addition, we may charge our then-current published fee for attendance and participation at any of these programs. We currently do not have any published fee for mandatory training programs. We have the right to designate whether you, your principal owner, and/or manager must participate in Remote Training or any mandatory seminar, convention, or program.

If you appoint a new manager, it is your responsibility to train your manager before assuming responsibility for the management of your Kwik Kar Center. You may elect to have your new manager attend our Initial Training Program, at your expense. If we conduct an inspection of your Kwik Kar Center and determine you are not operating in compliance with the Franchise Agreement, we may require that you attend remedial training that addresses your operational deficiencies.

If you sign a Multi-Unit Agreement, you must complete the training described above for each franchise agreement you sign that is related to the Multi-Unit Agreement.

ITEM 12 TERRITORY

We designate a geographic area (“Designated Area”) in which a site will be located for your Kwik Kar Center. The Designated Area is designated solely to select a proposed suitable location for your Center, and does not give you any exclusive rights to the Designated Area, nor imply any other territorial rights either before or after execution of the Franchise Agreement. The Designated Area is customarily designated by city, county, or other physical boundaries. You must operate your Center at a specific location designated in the Franchise Agreement (“Franchised Location”). Once you have designated your Franchised Location, you cannot move it without our or our affiliate’s prior written approval, which approval will not be unreasonably withheld. Approval is based on a variety of factors, including the viability of the then-current location and demographics of the proposed new location. You have no option, right of first refusal, or similar contractual right to acquire additional Kwik Kar Centers or Franchises in areas contiguous to your Franchised Location.

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. You may also face competition from competitive brands that we or our affiliates or parents own and any other brand that we or our affiliates may acquire, franchise and operate. Conflicts between these other brands and Kwik Kar franchisees will be resolved by us, in consultation with our affiliated companies (as the case may be) in our sole discretion.

The placement of Centers depends on various market conditions around a proposed Franchised Location, including density of population, number of competitors in the market, site availability, and growth potential. Your right to operate a Kwik Kar Center does not grant you the right to any particular market or customers. Except for limits placed upon Internet, electronic advertising, and other advertising by us, you may solicit customers using the Internet, telemarketing, or other direct marketing from any geographic area. Just as other franchisees, we, and our affiliates may use these means to solicit customers from your area. However, sales of Kwik Kar Center services and related products may only be made at the Franchised Location, and may not be made through alternative channels of distribution.

Multi-Unit Franchisees do not receive an exclusive development or similar area in which to locate and develop their Kwik Kar Centers. Each Franchised Location under a Multi-Unit Agreement may be located in a different city, county or state. You must obtain our prior written approval of the location for your Franchised Location based on our then-applicable criteria.

Our affiliate GMF franchises Grease Monkey businesses (“GM Businesses”), which offer goods and services that are the same or similar to those that you will offer at your Kwik Kar Center. Specifically, both businesses offer oil changes and ancillary car services. Our affiliate, GMF, and its franchisees offer oil change and ancillary car services under the trademarks: “GREASE MONKEY OIL CHANGES & MORE”, “GREASE MONKEY”, and additional tagline and design marks (collectively, the “GM Marks”). GMF currently licenses franchisees to operate GM Businesses, and will continue to license its franchisees

to operate GM Businesses, potentially within your Designated Area. GMF and its franchisees operating under the GM Marks may solicit and accept orders within your Designated Area.

Our affiliate Speedee franchises Speedee Centers (“Speedee Centers”), which offer goods and services that are the same or similar to those that you will offer at your Kwik Kar Center. Specifically, both businesses offer oil changes and ancillary car services. Its franchisees offer oil change and ancillary car services under the trademarks: “SPEEDEE OIL CHANGE & AUTO SERVICE”, “SPEEDEE”, and additional taglines and design marks (collectively, the “Speedee Marks”). Speedee currently licenses franchisees to operate Speedee Centers and will continue to license its franchisees to operate Speedee Centers, potentially within your Designated Area. Speedee and its franchisees operating under the Speedee Marks may solicit and accept orders within your Designated Area.

The training for the the Grease Monkey Center franchisees, the Speedee Centers, and the Kwik Kar Center franchisees are held in the same physical offices. Kwik Kar franchisees, Grease Monkey franchises, and Speedee franchisees are supported by the same support staff. Conflicts between Kwik Kar franchisees, Grease Monkey franchisees, and Speedee franchisees regarding territory, customers and franchise support will be resolved by us, in consultation with GMF and/or Speedee, in our sole discretion. GMF’s and Speedee’s principal business address is the same as our principal business address.

Our affiliate GMI, which also operates under the name FullSpeed Automotive, owns and operates several businesses that offer goods and services that are the same or similar to those that you will offer at your Kwik Kar Center. Those businesses operate under several different brand names, including American LubeFast, AutoLube, Castrol, Economy Oil Change, Fast Lube Plus, Grease Monkey, Herbert Auto Emissions, Herbert Automotive, Ingleside Auto, Insta-Quick, Kwik Kar, Lambuth’s Quick Lube, Master Lube, Mater Lube, Minit Man, Mobil 1, Pioneer Lube & Wash, Pit Stop Oil & Lube, Premier, Quick Change Oil, Rocky Mountain Oil Change, Speedee, Speedee-Midas, Super Lube Plus, Texas Express, Uncle Ed’s Oil Shoppe, and Waterfalls Car Wash and Lube. GMI may acquire and operate other brands as well. GMI currently operates outlets under these various brand names and will continue to do so. GMI does not offer franchises under any of these brands, but may do so in the future. Each of these brands offer oil changes and ancillary car services. Some of these brands may have outlets that are located, and will solicit and accepts orders, in your Designated Area. All of these brands are supported by some of the same support staff that supports our franchisees. Conflicts between Grease Monkey franchisees and outlets under these various brands that are owned and operated by GMI regarding territory, customers and franchise support will be resolved by us, in consultation with GMI, in our sole discretion. GMI’s principal business address is the same as our principal business address.

We and our affiliates and successors retain the right, among others, without compensation to you: (1) to use, and license others to use, the Marks and System for other franchised, company, and affiliate-owned Kwik Kar Centers at any location, other than the Franchised Location; (2) to use the Marks and System to identify services and products that you sell and other than those which you sell through promotional and marketing efforts or related items, and to identify products and services similar to, and the same as, those which you will sell, which are made available through alternative channels of distribution, such as the Internet, social media marketing, catalog sales, telemarketing, or other direct marketing sales, at any location; (3) use and license the use of other proprietary marks or methods, whether in alternative channels of distribution, such as the Internet, social media marketing, catalog sales, telemarketing or other direct marketing sales, or with the operation of businesses at any location, which businesses may be the same as, similar to, or different from Kwik Kar Centers; (4) to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your Kwik Kar Center in any location; (5) to acquire and convert to the System, any businesses offering a business that competes directly with your Kwik Kar Center or not, including businesses operated by competitors or otherwise operated independently in any location; (6) to implement multi-area marketing programs that may allow us or others

to solicit or sell to customers anywhere (we also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs); (7) to solicit, sell, to and service local, regional or national accounts wherever located; and (8) to engage in any other activities not expressly prohibited in the Franchise Agreement and, if applicable, Multi-Unit Agreement. We and our affiliates and successors may use or license these rights on any terms and conditions we deem advisable, and without granting you any rights in them.

The continuation of your exclusive right to operate your Center is not dependent on the achievement of a certain sales volume, market penetration, or other similar contingency.

**ITEM 13
TRADEMARKS**

The Franchise Agreement and your payment of Royalties grant you the non-exclusive right and license to use the System, which includes the use of the proprietary Marks in the operation of your Center. You may also use other future trademarks, service marks, and logos we approve to identify your Kwik Kar Center(s).

Under the Trademark and System License Agreement dated January 22, 2024 (“License Agreement”), GMI licenses to us the right to use and sublicense the Marks and System in granting Franchises for Kwik Kar Centers. The License Agreement continues for a term of 15 years from the date of execution, and it will automatically renew for additional terms of 15 years unless either party terminates the agreement prior to the end of each term.

We must use, display, and sub-license the Marks only in strict compliance with mandated quality standards. If we fail to comply with the terms and conditions of the License Agreement and do not cure the default within 30 days after receipt of written notice, or an extended period if we are diligently pursuing a cure to completion, GMI shall have the right to terminate the License Agreement. GMI also has the right to terminate the License Agreement if we are insolvent, make an assignment for the right of our creditors, or other unapproved assignment or transfer of our rights under the License Agreement, or our assets are placed in the hands of a trustee or receiver. Upon termination of the License Agreement as a result of a default, our rights under any Franchise Agreement or other license shall be deemed to be automatically assigned at GMI’s option, to GMI or its designee.

Kwik Kar has registrations with the United States Patent and Trademark Office (“USPTO”) for the following Marks:

Registered Mark	Registration (Application) Number	Registration (Application) Date	Register
KWIK KAR OIL & LUBE	1,994,316	Aug. 20, 1996	Principal
KWIK BRAKE	2,044,005	Mar. 11, 1997	Principal
KWIK KAR LUBE & TUNE	2,090,295	Aug. 26, 1997	Principal
KWIK	5,309,175	Oct. 17, 2017	Principal
KWIK	5,493,986	Jun. 12, 2018	Principal
GO KWIK	5,821,553	Jul. 30, 2019	Principal
KWIK KAR	2,344,744	Apr. 25, 2000	Principal

Registered Mark	Registration (Application) Number	Registration (Application) Date	Register
KWIK KAR OIL CHANGE & AUTO CARE	(98,369,874)	(Jan. 19, 2024)	Pending
	(98,369,915)	(Jan. 19, 2024)	Pending

In addition to those Marks listed above, we claim common law service or trademark rights to a number of other words, phrases, or designs that you may use in your Kwik Kar Center. The following statements apply solely to any unregistered trademarks and service marks: We do not have a federal registration for these principal trademarks. Therefore these trademarks do not have as many legal benefits and rights as federally registered trademarks. If our right to use these trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

All required affidavits of use and renewals of registration have been filed.

The Marks are used as the sole identification of the Kwik Kar Center. If you are a Conversion Franchisee, you may continue to use in conjunction with the Marks, previous signage or identifying symbols or names for 60 days after signing the Franchise Agreement, in a manner approved by us. We require that you identify yourself as the independent owner of your Center, however, in the manner we require. You cannot, without our prior written consent or as may be permitted in the Brand Standards Manual, use a name or Mark as part of a corporate name or trade name, as part of an electronic mail address, or on any sites on the Internet, or with any prefix, suffix, or modifying words, designs, or symbols, except as we may license to you. You may not use the Marks with an unauthorized product or service, or in a manner not authorized in writing by us. You may not use or register the Marks as an Internet domain name. You must modify or discontinue your use of the Marks if we require the modification or discontinuance of them, at your own expense.

Other than the License Agreement, there are no agreements in effect which significantly limit our rights to use or license the use of the Marks in any manner.

To our knowledge, there are no currently effective determinations of the United States Patent and Trademark Office, 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 the Marks which are relevant to their use.

We and our affiliates are not contractually obligated by the Franchise Agreement to protect you against claims of infringement or unfair competition involving the Marks, but it is our policy to do so when, in the opinion of our counsel, your rights require protection. We and our affiliates will pay all of our costs, including attorney's fees and court costs, associated with any litigation we commence or defend on your behalf to protect the licensed Marks, and your rights to use them. You are obligated to fully cooperate with us and our affiliate in any litigation we commence or defend for your benefit.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The information in the Brand Standards Manual is proprietary and is protected by copyright and other laws. The designs contained in the Marks, the layout of our advertising materials, the content and format of our products, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. Although we have not applied for copyright registration for the Brand

Standards Manual, our advertising materials, the content and format of our products, or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information (“Copyrighted Works”) for the operation of your Kwik Kar Franchise, but such copyrights remain our sole property. The Brand Standards Manual, FullSpeed University training programs and content, associated prototypical space plans, blueprints and similar documents, and related materials are proprietary and confidential. They are our or our affiliates’ property to be used by you only as described in the Franchise Agreement. You may not use our or our affiliates’ confidential information in any unauthorized manner, and must take reasonable steps to prevent its disclosure to others.

There are currently no effective determinations by any administrative office or court, or any pending administrative or judicial proceedings respecting the copyrights which are material to you. Item 13 describes the terms of the license agreement between GMI and KKF relating to the license of the Marks and System by GMI to us. We and our affiliates have no obligations to protect or defend the use of any material by you in which we or our affiliates may claim a copyright. There are no infringing uses actually known to us which could materially affect your use of any material in which we or our affiliates have or may claim a copyright.

Our Brand Standards Manual, electronic information and communications, sales and promotional materials, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of, and experience in the development, operation, and franchising of Kwik Kar Franchises, our training materials and techniques, information concerning product and service sales, operating results, financial performance and other financial data of Kwik Kar Franchises, and other related materials are proprietary and confidential (“Confidential Information”) and are our property to be used by you only as described in the Franchise Agreement and the Brand Standards Manual. Where appropriate, certain information has also been identified as trade secrets (“Trade Secrets”). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Confidential Information and Trade Secrets.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for you to develop your Kwik Kar Franchise during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement we can enforce. Nothing in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other Kwik Kar Franchises during the term of the Franchise Agreement.

You must notify us within three days after you learn about another’s use of language, a visual image, or a recording of any kind, that you perceive to be identical or substantially similar to one of our Copyrighted Works or use of our Confidential Information or Trade Secrets, or if someone challenges your use of our Copyrighted Works, Confidential Information, or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, Confidential Information, or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of, or challenge to, your use of any Copyrighted Works, Confidential Information, or Trade Secrets, or claim by any person of any rights in any Copyrighted Works, Confidential Information, or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Works, Confidential Information, or Trade Secrets. You may not communicate with anyone except us, our counsel, or our designees regarding any infringement, challenge, or claim. We will take

action as we deem appropriate regarding any infringement, challenge, or claim, and the sole right to control, exclusively, any litigation or other proceeding arising out of any infringement, challenge, or claim under any Copyrighted Works, Confidential Information, or Trade Secrets. You must sign any and all instruments and documents, give the assistance, and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding, or to protect and maintain our interests in the Copyrighted Works, Confidential Information, or Trade Secrets.

No patents or patents pending are material to the Franchise.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You or, if the franchisee is not an individual, your managing shareholder or partner who is designated by you to assume primary responsibility for the management of the Kwik Kar Center (“Principal Owner”) are not obligated to participate personally in the direct operation of your Center, although we recommend that you do so. If you or your Principal Owner do not participate in the day-to-day operation of your Center, you must designate a manager (“Manager”) who has been approved by us to be responsible for the direct on-premises supervision of your Center. If you are a corporation, limited liability company, or partnership, your Manager need not own an equity interest in the entity. You, your Principal Owner, or your Manager must devote full time and best efforts to the management and operation of the Center. You or, if applicable, your Principal Owner must successfully complete our mandatory Initial Training Program by demonstrating to us appropriate levels of competence in the subject matters taught in the training program, in our discretion. Although your Manager is not required to complete our mandatory Initial Training Program, it is your responsibility to train your Manager to manage and operate your Center. If your Manager’s employment with you is terminated, you must designate and train a new Manager.

Any Manager and, if you are an entity, an officer that does not own at least 5% equity in the franchisee entity must sign the System Protection Agreement, the form of which is attached to this Franchise Disclosure Document in Exhibit C-1. All of your employees, independent contractors, agents, or representatives that may have access to our Confidential Information must sign a Confidentiality Agreement (unless they already signed a System Protection Agreement), the current form of which is attached to this Franchise Disclosure Document in Exhibit C-2, unless such individual already signed a System Protection Agreement. If you are an entity, each owner (i.e., each person holding an ownership interest in you) must sign an Owners’ Agreement guarantying the obligations of the entity, in the form of which is attached to the Franchise Agreement as Attachment III. We also require that the spouses of the Franchise owners that own 5% or more of the franchisee entity sign the Owners’ Agreement.

If you form an entity to operate any of your Kwik Kar Centers after you sign your Franchise Agreement, you must own at least 51 percent of the issued ownership interests in each entity. You must provide us with any necessary documentation that we request to show your ownership interest.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use your Center solely for the operation of your Kwik Kar Center. You must service all national fleet accounts in accordance with our policies and procedures concerning national fleet accounts, and our agreements with any national fleet account vendors. You must keep your Center open and in normal operation for the minimum hours and days we may specify. You must refrain from using or permitting the use of your Center for any other purpose or activity at any time without first obtaining our written consent. You cannot, without our prior written consent or as may be permitted in the Brand

Standards Manual, use a name or Mark as part of a corporate name or trade name, as part of an electronic mail address, or on any sites on the Internet, or with any prefix, suffix, or modifying words, designs, or symbols. You must operate your Center in conformity with the methods, standards, and specifications in the Brand Standards Manual, or otherwise in writing. The Brand Standards Manual is described in Item 11 of this Franchise Disclosure Document.

Under the Franchise Agreement, you must sell or offer for sale only those services and products which meet or exceed our standards and specifications. You must follow our policies, procedures, methods, and techniques. You must sell or offer for sale all types of services and products specified by us. We may change or add to our required services and products at our discretion with prior notice to you. If we change or add to our required services and products, the changes or additions will remain in permanent effect, unless we specify otherwise. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. You must discontinue selling and offering for sale any services or products which we may, in our discretion, disapprove in writing at any time. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions. Other than the above, you are not restricted by the Franchise Agreement or any other practice or custom concerning the goods or services which you may offer or sell to the customers or clients with whom you may deal.

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

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

Provision	Section in Agreement	Summary
(a) Length of the Franchise term	Section 16.1	15 years.
(b) Renewal or extension of the term	Sections 16.2 and 16.3; Addendum to Franchise Agreement (Renewal)	If you are in good standing and you meet other requirements, you have the option to renew for: (a) one renewal term of 15 years; or (b) one renewal term of five years with an automatic extension for five additional years. Under option (b), you must provide notice at least six months before the expiration of the initial five-year renewal term that you do not want the term to automatically extend for another five years.

Provision	Section in Agreement	Summary
(c) Requirements for franchisee to renew or extend	Sections 16.3 and 16.4; Addendum to Franchise Agreement (Renewal)	Notice; renovation of premises; compliance with Franchise Agreement; execute current form of Franchise Agreement for renewal, instead of the extension of the existing agreement; execute a general release; pay fee; and others. You must sign our then-current franchise agreement and any ancillary documents, for the successor term, and this new franchise agreement may have materially different terms and conditions (including, for example, higher royalty and advertising contributions) from the original Franchise Agreement that covered your initial term.
(d) Termination by franchisee	Not Applicable	Not Applicable (subject to applicable state law).
(e) Termination by franchisor without cause	Not Applicable	Not Applicable.
(f) Termination by franchisor with cause	Sections 17.1, 17.2 and 17.3	We can terminate upon certain violations of the Franchise Agreement by you.
(g) “Cause” defined – curable defaults	Sections 17.2 and 17.3	30 days’ notice of breach of Franchise Agreement, except 10 days’ notice for monetary defaults and misuse of Marks and 7 days to cure the filing of a legal action in violation of the dispute resolution terms in the Franchise Agreement (subject to applicable state law).
(h) “Cause” defined – non-curable defaults	Section 17.1	Abandonment; conviction of a crime; unauthorized transfers; insolvency; bankruptcy*; appointment of receiver; assignment for benefit of creditors; unsatisfied judgments; levy; foreclosure; unauthorized disclosure; repeated violations; breach of any other agreement with us, including the Multi-Unit Agreement.
(i) Franchisee’s obligations on termination / non-renewal	Sections 17.4 and 17.7	Pay outstanding amounts due; payment of lost future royalties, if terminated due to your default; de-identification; return of confidential information and telephone numbers; covenant not to compete; others (see also r).
(j) Assignment of contract by franchisor	Section 15.6	No restriction on our right to assign.
(k) “Transfer” by franchisee – definition	Section 15.1	Includes transfer of interest in Franchise Agreement, Franchise, the Center, any assets of the Center, or real estate interests.

Provision	Section in Agreement	Summary
(l) Franchisor approval of transfer by franchisee	Sections 15.1 and 15.2	We have the right to approve all transfers.
(m) Conditions for franchisor approval of transfer	Sections 15.2 and 15.3	Notice; transferee qualifies; all amounts due are paid in full; transferee completes training; transfer fee and transferee training fee paid; assignment agreement or then-current contract signed; general release signed; covenant not to compete; Center upgrade/remodel (if we require); others.
(n) Franchisor's right of first refusal to acquire franchisee's business	Section 15.4	We can match any offer.
(o) Franchisor's option to purchase your business	Section 17.5	We may purchase your Center or portion of the assets on termination or non-renewal for their market value; less goodwill attributable to the Marks and System.
(p) Death or disability of franchisee	Section 15.7	Franchise must be assigned to approved buyer within six months.
(q) Noncompetition covenants during the term of the Franchise	Section 18.1	Prohibits owning or operating a competing business (subject to applicable state law).
(r) Noncompetition covenants after the Franchise is terminated or expires	Section 18.2	No competing business for three years within 25 miles of your former Center, or within five miles of any other Center. See also (i). Owners may not solicit any customer, employee, or independent contractor of the Franchise or any Grease Monkey Franchise for three years (subject to applicable state law).
(s) Modification of the agreement	Section 23.8	Must be in writing signed by both parties, but Brand Standards Manual subject to change.
(t) Integration/ merger clause	Section 23.1	Only the terms of the Franchise Agreement and Multi-Unit Agreement are binding (subject to applicable state law). Any representations or promises made outside of this Franchise Disclosure Document and Franchise Agreement may not be enforceable.
(u) Dispute resolution by arbitration or mediation	Section 21.1	Except for certain claims, all disputes must be arbitrated in Denver, Colorado (subject to applicable state law).
(v) Choice of forum	Section 21.3	All disputes must be arbitrated, and if applicable, litigated in Denver, Colorado, except as provided in the State-Specific Addendum to this Franchise Disclosure Document, subject to applicable state law.

Provision	Section in Agreement	Summary
(w) Choice of law	Section 21.3	Colorado law applies, subject to any contrary provision contained in the State-Specific Addendum (See <u>Exhibit N</u>), subject to applicable state law. The Colorado Consumer Protection Act does not apply.
(x) Security Interest	Section 22	You grant us a security interest in your Grease Monkey Center and its assets to secure your obligations under the Franchise Agreement and other agreements with us and our affiliates.

*This provision may not be enforceable under federal bankruptcy law.

THE MULTI-UNIT DEVELOPER RELATIONSHIP

This table lists certain important provisions of the Multi-Unit Agreement and related agreements. You should read these provisions in the Multi-Unit Agreement attached to this disclosure document.

Provision	Section in Multi-Unit Agreement	Summary
(a) Length of term	Section 4.1	Coincides with the Development Schedule; expiring the last day of the month that the final Center is required to be opened under the Development Schedule.
(b) Renewal or extension of the term	Not applicable	No right to renew.
(c) Requirements for Multi-Unit Franchisee to renew or extend	Not applicable	Not applicable.
(d) Termination by Multi-Unit Franchisee	Section 4.2	You can terminate on 60 days' notice for any reason.
(e) Termination by franchisor without cause	Not applicable	Not applicable.
(f) Termination by franchisor with cause	Section 4.2	We can terminate if you default on the Multi-Unit Agreement or any of your Franchise Agreements executed in furtherance of the Multi-Unit Agreement.
(g) "Cause" defined - curable defaults	Section 4.2	60 days' notice of breach of Multi-Unit Agreement or any Franchise Agreement executed in furtherance of the Multi-Unit Agreement (subject to applicable state law).
(h) "Cause" defined - non-curable defaults	Section 4.2	Not applicable.
(i) Multi-Unit Franchisee's obligations on termination /non-renewal	Section 4.3	You remain bound to all Franchise Agreements not also terminated (see also r).
(j) Assignment of contract by franchisor	Section 5.1	No restriction on our right to assign.

Provision	Section in Multi-Unit Agreement	Summary
(k) "Transfer" by Multi-Unit Franchisee – defined	Section 5.2	Includes transfer of interest in Multi-Unit Agreement, in franchisee entity, or undeveloped Centers and may be conditioned on the transfer of some or all operating Centers. (see also k. above).
(l) Franchisor approval of transfer by Multi-Unit Franchisee	Section 5.2	We or our designee have the right to approve all transfers (see also l. above).
(m) Conditions for franchisor approval of transfer	Sections 5.2 and 5.3	Notice; transferee qualifies; pay fee (see also m. above).
(n) Franchisor's right of first refusal to acquire Multi-Unit Franchisee's business	Section 5.4	We can match any offer.
(o) Franchisor's option to purchase Multi-Unit Franchisee's business	Not applicable	Not applicable.
(p) Death or disability of Multi-Unit Franchisee	Section 5.2	Must assign to an approved buyer within 180 days (see also p. above).
(q) Non-competition covenants during the term of the Multi-Unit Agreement	Section 6.1	You are bound to the same restrictive covenants in the Franchise Agreements (subject to applicable state law).
(r) Non-competition covenants after the Multi-Unit Agreement is terminated or expires	Section 6.1	You are bound to the same restrictive covenants in the Franchise Agreements (subject to applicable state law).
(s) Modification of the Multi-Unit Agreement	Section 8.6	No modification except on signing of a written agreement.
(t) Integration/merger clause	Section 8.8	Only terms of Multi-Unit Agreement, and to the extent not inconsistent terms of the Franchise Agreement are binding (subject to applicable state law); no disclaimer of representations in the Multi-Unit Agreement or in this Franchise Disclosure Document. Any representations or promises made outside the Franchise Disclosure Document and Multi-Unit Agreement may not be enforceable.
(u) Dispute resolution by arbitration or mediation	Sections 8.1 and 8.2	All disputes, except those based on the Marks or enforcement of the covenants not to compete, will be arbitrated in Denver, Colorado, subject to applicable state law.
(v) Choice of forum	Section 8.7	All disputes must be arbitrated, and if applicable, litigated in Denver, Colorado, except as provided in the State-Specific Addendum to this Franchise Disclosure Document, subject to applicable state law.
(w) Choice of law	Section 8.7	All disputes must be arbitrated, and if applicable, litigated in Denver, Colorado, except as provided in the State-Specific Addendum to this Franchise Disclosure Document, subject to applicable state law.

Provision	Section in Multi-Unit Agreement	Summary
(x) Security Interest	Section 8.7	Colorado law applies, subject to any contrary provision contained in the State-Specific Addendum (See <u>Exhibit N</u>), subject to applicable state law. The Colorado Consumer Protection Act does not apply.

**ITEM 18
PUBLIC FIGURES**

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

**ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

**CHART I
OPERATIONAL RESULTS OF
AFFILIATED-OWNED KWIK KAR CENTERS
BASED ON NET SALES RANGES
FISCAL YEAR 2023**

SALES RANGE	Category “A” Less than \$400,000	Category “B” \$400,001 – \$600,000	Category “C” \$600,001 – \$800,000	Category “D” \$800,001 – \$1,000,000	Category “E” Greater than \$1,000,000
Number of Centers	0	5	4	6	9
Daily Vehicle Count Range	0	12 - 24	19 - 26	21 - 36	41 - 47
Ticket Range	N/A	\$69.62 - \$123.83	\$85.09 - \$105.19	\$82.11 - \$126.34	\$73.05 - \$121.52
Average Daily Vehicle Count	N/A	18	21	26	49
Average Ticket	N/A	\$94.88	\$96.97	\$106.28	\$93.12
Median Daily Vehicle Count	N/A	17.29	20.42	24.46	45.88
Median Ticket	N/A	\$97.79	\$98.45	\$107.52	\$90.38

SALES RANGE	Category "A" Less than \$400,000		Category "B" \$400,001 – \$600,000		Category "C" \$600,001 – \$800,000		Category "D" \$800,001 – \$1,000,000		Category "E" Greater than \$1,000,000	
Operating Statement										
Average Net Sales	N/A	100%	\$ 520,292	100%	\$ 657,558	100%	\$ 859,487	100%	\$1,475,867	100%
Cost of Goods Sold	N/A	N/A	\$ 99,144	19.1%	\$ 152,802	23.2%	\$ 187,790	21.8.0 %	\$ 314,562	21.4%
Gross Profit	N/A	N/A	\$ 421,148	80.9%	\$ 504,756	76.8%	\$ 671,697	78.2%	\$1,158,305	78.6%
Salaries, Wages and Benefits	N/A	N/A	\$ 281,573	54.1%	\$ 282,173	42.9%	\$ 353,118	41.1%	\$ 437,795	29.7%
Retail Operating Expenses	N/A	N/A	\$ 118,659	22.8%	\$ 113,241	17.2%	\$ 138,005	16.1%	\$ 185,459	12.6%
EBITDAR	N/A	N/A	\$ 20,917	4%	\$ 109,343	16.6%	\$ 180,574	21%	\$ 535,051	36.3%
Net Sales Range	N/A		\$457,299 – \$567,205		\$605,059 - \$708,347		\$805,538 – \$939,920		\$1,080,011 – \$2,051,392	
Median Net Sales	N/A		\$ 514,343		\$ 658,413		\$ 847,505		\$ 1,318,679	
#/% of Centers Exceeding Avg Net Sales	N/A		2/40.00%		2/50.00%		3/50.00%		3/33.33%	
#/% of Centers Exceeding Avg Gross Profits	N/A		2/40.00%		2/50.00%		3/50.00%		3/33.33%	
# of Centers Exceeding Avg EBITDAR	N/A		3/60.00%		2/50.00%		3/50.00%		4/44.00%	
Franchise costs not incurred by our Affiliate-Owned Kwik Kar Centers										
Royalties (6% of Net Sales)	N/A		\$31,218		\$39,453		\$51,569		\$88,552	
Advertising Contribution (0.5% of Net Sales)	N/A		\$2,601		\$3,288		\$4,297		\$7,379	

CHARTS CONTINUE ON NEXT PAGE

CHART II
OPERATIONAL RESULTS BASED ON QUARTILES OF AVERAGE SALES
AFFILIATED-OWNED KWIK KAR CENTERS
(24 CENTERS)

Operating Statement									
TOP QUARTILE OF SALES REVENUE AVERAGES (6 Centers)									
	Average Sales			Low Performer		Median Performer		High Performer	#/% of Centers Exceeding Average
Average Net Sales	\$1,609,637	100.0%		\$1,287,903		\$1,476,296		\$2,051,392	2/33.33%
Gross Profit	\$1,265,904	78.6%		\$ 1,017,958		\$1,163,745		\$1,592,635	2/33.33%
EBITDAR	\$ 597,510	37.1%		\$ 376,072		\$ 570,181		\$ 896,563	2/33.33%
THIRD QUARTILE OF SALES REVENUE AVERAGES (6 Centers)									
	Average Sales			Low Performer		Median Performer		High Performer	#/% of Centers Exceeding Average
Average Net Sales	\$1,053,549	100.0%		\$ 880,343		\$ 1,009,965		\$1,277,175	3/50%
Gross Profit	\$ 830,742	78.9%		\$ 676,891		\$ 800,620		\$1,007,990	3/50%
EBITDAR	\$ 305,047	29%		\$ 114,121		\$ 291,591		\$ 477,687	3/50%
SECOND QUARTILE OF SALES REVENUE AVERAGES (6 Centers)									
	Average Sales			Low Performer		Median Performer		High Performer	#/% of Centers Exceeding Average
Average Net Sales	\$ 743,130	100.0%		\$ 630,378		\$ 756,943		\$ 814,668	3/50%
Gross Profit	\$ 571,055	76.8%		\$ 490,541		\$ 579,082		\$ 637,879	3/50%
EBITDAR	\$ 134,449	18.1%		\$ 65,669		\$ 140,837		\$ 201,891	3/50%
BOTTOM QUARTILE OF SALES REVENUE AVERAGES (6 Centers)									
	Average Sales			Low Performer		Median Performer		High Performer	#/% of Centers Exceeding Average
Average Net Sales	\$ 534,420	100.0%		\$ 457,299		\$ 539,696		\$ 605,059	3/50%
Gross Profit	\$ 428,915	80.3%		\$ 358,029		\$ 423,306		\$ 498,524	3/50%
EBITDAR	\$ 36,471	6.8%		\$ (40,626)		\$ 38,352		\$ 114,243	3/50%

Notes to Charts:

1. The charts include a historic financial performance representation for the calendar year 2023 from our affiliated-owned Centers that were in operation for the entire calendar year 2023. Our affiliate is GMI. GMI acquired these Centers in 2022.
2. The charts include a historic financial performance representation from all 24 affiliated-owned Centers that operated for the entire calendar year 2023. The total number of affiliated-owned Centers as of January 1, 2023 was 36. Twelve Centers were closed in calendar year 2023 and are, therefore, not included in the charts.
3. Because we did not offer Kwik Kar Centers franchises in calendar year 2023, we did not have any franchisees in calendar year 2023 and cannot provide any financial information for franchisee-owned Centers. We also do not have company-owned Centers.
4. The Centers included in Chart I were classified into five separate categories based on Net Sales during calendar year 2023 with Category A being Centers with annual Net Sales of up to \$400,000, Category B being Centers with annual Net Sales between \$400,001 and \$600,000; Category C being Centers with annual Net Sales between \$600,001 and \$800,000; Category D being Centers with annual Net Sales between \$800,001 and \$1,000,000; and Category E being Centers with annual Net Sales in excess of \$1,000,000. The statistical and financial averages and median ranges shown in Chart I were then compiled within each category for each chart.
5. The Centers in Chart II are the same Centers shown in Chart I, but classified into quartiles based on Net Sales. There are 6 Centers shown in each of the quartiles.
6. The operating statement figures are averages of Net Sales, Cost of Goods Sold and other expenses of sales, Gross Profit, salaries, wages and benefits, retail operating expenses, which includes office and general administrative expenses, and EBITDAR of the Centers in each category.
7. The charts also include the median Net Sales for all the Centers in each category, the Center with the lowest Net Sales and the Center with the highest Net Sales in each category as well as the number of Centers and percentage of Centers in each category that exceeded the average numbers shown in the charts for each category. Chart I also shows the average, median, and range of daily vehicle counts and tickets sales range in each category.
8. The “median” number for purposes of the charts means the results of the Center falling in the middle of the group of Centers in each category, or, where there is an even number of Centers, the average of the results of the two Centers falling in the middle of the group.
9. Net Sales mean the aggregate amount received from all sales of services, products or merchandise of every kind or nature, performed or sold from, at or in connection with the operation of the Center or arising out of the operation or conduct of the Center, whether for cash or credit, but excluding (i) the amount of the discount given off the regular retail price of such services or products in connection with the use of coupons or other discount promotions; and (ii) federal, state or municipal sales or services taxes collected from customers and paid to the appropriate taxing authority.
10. Cost of Goods Sold includes only inventory items (oil, filters, greases, fluids, etc.).
11. Gross Profit is Net Sales minus Cost of Goods Sold.

12. Salaries, Wages, and Benefits includes the salaries, wages (including overtime), benefits, payroll taxes, worker's compensation, training, and payroll processing fees for all employees, including managers. Salaries, Wages and Benefits can vary significantly depending on local and regional employment conditions and the availability of labor.

13. Retail Operating Expenses include the following items: advertising, sales promotions, National Materials Fund fee, customer satisfaction, customer warranties, mystery shopper program, equipment rental, equipment maintenance and repair, computer maintenance and support, laundry and uniforms, building maintenance and repairs, security service, operating supplies, small tools, over and short cash drawer, utilities including water, gas and sewer, trash disposal, bank charges, late charges, merchant card fees, office supplies and expenses, bad debt expense, charitable contributions, licenses and fees, postage and freight, property taxes, telephone, accounting, legal and professional fees, beverage service, dues and subscriptions, general insurance, other miscellaneous overhead expenses and other miscellaneous operating expenses.

14. EBITDAR means Earnings before Interest, Taxes, Depreciation, Amortization, Occupancy Costs, and Non-Operating Income/Expense. This figure is not an actual amount earned. Your occupancy costs will vary based on the location of your Center, whether you secure a build-to-suit lease, purchase the property and construct a building, or select another rental or ownership arrangement, as well as other factors relating to your occupancy. Your interest expense will depend on your borrowing requirements. You should determine the occupancy costs which will apply based on the location and the rental or ownership arrangement alternatives which are available to you. Non-Operating Income/Expenses include: travel and entertainment expenses, interest income, owners' compensation, draws and life insurance expenses, overhead expense allocations by multi-unit operators, and other non-operating income/expense items.

General Notes

The compiled statistical and financial information in Chart I and Chart II (collectively referred to as the "Statement") are based on the Profit and Loss Statements provided to us by our affiliate, GMI, for its Centers and have not been audited or reviewed by an independent certified public accountant. The Statement does not include any estimate of the federal income tax that would be payable or the state or local income tax that may be applicable to the particular jurisdiction in which a Center is located. In addition, the Statement does not include any information or estimate regarding the occupancy expenses which will be incurred at a particular location. You are strongly urged to consult with your tax and other advisors regarding the impact that federal, state, and local taxes and occupancy expenses will have on the amounts shown in the Statement.

You are urged to make your own investigation and determine whether your Center will be profitable, including consulting with your financial, business, and legal advisers to conduct your own analysis of the information contained in this Item 19.

Some outlets have sold this amount. Your individual results may differ. There is no assurance you will sell as much.

Written substantiation for the financial performance representation will be made available to the prospective franchisee at our company headquarters in Greenwood Village, Colorado upon your reasonable request.

Other than the financial performance representation set forth above, KKF does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations, either orally or in writing. If you are purchasing an existing Center, however, we may provide you with the actual records of that Center. If you receive any other financial performance

information or projections of your future income, you should report it to our management by contacting our President at 5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111, (303) 308-1660, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

TABLE NO. 1
System-wide Outlet Summary
Kwik Kar Branded Franchised and Company-Owned Outlets
For Years 2021 – 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised*	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Company Owned	2021	0	0	0
	2022	0	36**	+36
	2023	36	24	-12
Total Outlets	2021	0	0	0
	2022	0	36	+36
	2023	36	24	-12

*We did not commence selling franchises until February 12, 2024.

**Acquired and operated by our affiliate, GMI, in 2022.

TABLE NO. 2
Transfers of Franchised Outlets to New Owners
(other than the Franchisor)
For Years 2021 – 2023

State	Year	Number of Transfers
Totals	2021	0
	2022	0
	2023	0

TABLE NO. 3
Status of Franchised Outlets
For Years 2021 – 2023*

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
Totals	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

*We did not commence selling franchises until February 12, 2024.

TABLE NO. 4
Status of Company-Owned US Outlets
For Years 2021 – 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Texas	2021	0	0	0	0	0	0
	2022	0	36**	0	0	0	36
	2023	36	0	0	12	0	24
Total Outlets	2021	0	0	0	0	0	0
	2022	0	36**	0	0	0	36
	2023	36	0	0	12	0	24

**Acquired and operated by our affiliate, GMI in 2022.

TABLE NO. 5
Projected Openings as of
December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Texas	0	1	0
Total	0	1	0

A list of the names of all franchisees and the addresses and telephone numbers of their Centers are listed as Exhibit K-1 to this Franchise Disclosure Document. A list of the name, current business address, and telephone number (or, if unknown, the last known home telephone number) of every franchisee who has had a store terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the one-year period ending December 31, 2023, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document, is listed in Exhibit K-2 to this Franchise Disclosure Document. In some instances, franchisees sign provisions restricting their ability to speak openly about their experience with us or the Kwik Kar Franchise System. You may wish to speak with current and former franchisees but be aware that not all such franchisees may be able to communicate with you. If you buy a Kwik Kar Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

As of the Issuance Date of this Franchise Disclosure Document, there are no franchise organizations sponsored or endorsed by us, and no independent franchisee organizations have asked to be included in this Franchise Disclosure Document. We do not have any trademark specific Franchise organizations.

ITEM 21 FINANCIAL STATEMENTS

Attached to this Franchise Disclosure Document as Exhibit L are the audited financial statements of our parent, MidOcean FSA Holdings, L.P. as of December 30, 2023, December 31, 2022, and January 1, 2022. Our parent and we use a 52-53-week tax year. Therefore, our tax year ends on the Saturday closest to December 31st. Our parent has absolutely and unconditionally guaranteed our performance of our obligations under the Franchise Agreement and state registrations. A copy of that Guarantee of Performance is included in Exhibit L.

ITEM 22
CONTRACTS

The following exhibits contain proposed agreements regarding the Franchise:

Exhibit A	Franchise Agreement
Exhibit B	Multi-Unit Agreement
Exhibit C-1	System Protection Agreement
Exhibit C-2	Confidentiality Agreement
Exhibit D-1	Collateral Assignment of Lease
Exhibit D-2	Option and Center Lease
Exhibit D-3	Deferred Maintenance Agreement
Exhibit E	Automated Clearing House Payment Authorization Form
Exhibit F-1	Incentive Program Addendum
Exhibit F-2	Conversion Addendum
Exhibit G	Statement of Prospective Franchisee
Exhibit H	Reserved for Future Use

ITEM 23
RECEIPTS

The last pages of this Franchise Disclosure Document, Exhibit O, are a detachable document, in duplicate. Please detach, sign, date, and return one copy of the Receipt to us, acknowledging that you received this Franchise Disclosure Document. Please keep the second copy for your records.

EXHIBIT A

FRANCHISE AGREEMENT



KWIK KAR FRANCHISING, LLC

FRANCHISE AGREEMENT

Franchisee: _____

Date: _____

Center #: _____

Franchised Location: _____

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ATTACHMENTS:

- I Addendum to Franchise Agreement
- II Statement of Ownership
- III Owners’ Agreement
- IV Riders to Franchise Agreement for Specific States

KWIK KAR FRANCHISE AGREEMENT

THIS AGREEMENT is entered into on this _____ day of _____, 202____, by and between Kwik Kar Franchising, LLC, (“**KKF**”), located at 5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111, and the Franchisee identified on the signature page of this Agreement (“**Franchisee**”), who, on the basis of the following agreements and understandings, agree as follows:

1. BACKGROUND AND PURPOSE

1.1 KKF and its affiliates have developed a system for establishing and operating businesses that provide quick service automotive oil and lubrication and other approved automotive maintenance and repair services (“**Kwik Kar Centers**” or “**Centers**”), associated with the service marks “**Kwik Kar**,” “**KWIK KAR OIL CHANGE & AUTO CARE**,” and other trademarks, service marks, logos and identifying features (“**Marks**”) and KKF’s and its affiliates’ proprietary and distinctive business plans and methods (“**Licensed Methods**”) for establishing and operating Kwik Kar Centers.

1.2 KKF grants the right to others to develop and operate Kwik Kar Centers under the Marks and pursuant to the Licensed Methods.

1.3 Franchisee desires to establish a Kwik Kar Center at a location approved by KKF and KKF desires to grant Franchisee the right to operate a Kwik Kar Center at such location under the terms and conditions contained in this Agreement.

2. GRANT OF FRANCHISE AND INITIAL FRANCHISE FEE

2.1 **Grant of Franchise.** KKF grants to Franchisee, and Franchisee accepts from KKF, the right and license to operate a Kwik Kar Center using the Marks and the Licensed Methods, at the location described in Section 3 below. Any references to the “**Kwik Kar Center**” or the “**Center**” in this Agreement shall, except where the context indicates otherwise, be deemed to refer to the Kwik Kar Center that Franchisee is authorized to operate under this Agreement. Franchisee shall use the Marks and Licensed Methods, as they may be changed, improved and further developed from time to time, in accordance with the terms and conditions of this Agreement. KKF grants the franchise to Franchisee in reliance upon Franchisee’s representations that Franchisee will at all times faithfully, honestly and diligently perform its obligations hereunder and continuously use its best efforts to promote and operate the Kwik Kar Center.

2.2 **Initial Franchise Fee.** Franchisee shall pay to KKF an initial franchise fee, in an amount which is set forth in “Attachment I,” due and payable as set forth in Attachment I of this Agreement. Franchisee acknowledges that the initial franchise fee represents payment for the initial grant of rights to use the Marks and Licensed Methods, that KKF has earned the initial franchise fee upon receipt thereof and that the fee is under no circumstances refundable to Franchisee after it is paid, unless otherwise specifically set forth in this Agreement. The initial franchise fee is in consideration of the right to develop and operate one Kwik Kar Center, all of the pre-opening assistance KKF provides to Franchisee, KKF’s lost or deferred opportunity to enter into this Franchise Agreement with others, and offsets some of KKF’s expenses for franchisee recruitment.

3. FRANCHISED LOCATION RIGHTS

3.1 Franchised Location. Franchisee shall have the right to operate the Kwik Kar Center at the address and location which shall be set forth in Attachment I, attached hereto and incorporated by this reference (“**Franchised Location**”). If, at the time of execution of this Agreement, the Franchised Location cannot be designated as a specific address because a location has not been selected and approved, then Franchisee shall promptly take steps to choose and acquire a location for its Kwik Kar Center within the “**Designated Area**,” set forth in Attachment I. In such circumstances, Franchisee shall select and propose to KKF for KKF’s prior approval a specific location for the Franchised Location which, once approved by KKF, shall then be described in that Franchised Location Rider attached as Attachment I-1.

3.2 Limitation on Franchise Rights. The rights that are granted to Franchisee are for the specific Franchised Location and shall not be transferred to an alternative Franchised Location without the prior written approval of KKF, which approval shall not be unreasonably withheld. Franchisee shall not operate another Center, offer products or services the same as or similar to those which are offered at the Franchised Location at any site other than the Franchised Location, sell products or services which are the same as or similar to those offered at the Franchised Location through alternative channels of distribution, or offer any other type of off-site product or service that is the same as or similar to those which are offered at the Franchised Location without KKF’s written approval, which approval can be withheld for any reason, in KKF’s sole discretion, and which approved products and services may be changed, added to or removed from time to time by KKF.

3.3 Reservation of Rights. Franchisee acknowledges that its franchise rights as granted are non-exclusive and that KKF, for itself and its affiliated companies and successors, retains the rights, among others, without compensation to Franchisee: (1) to use, and to license others to use, the Marks and Licensed Methods for the operation of Kwik Kar Centers at any location other than at the Franchised Location; (2) to use the Marks and Licensed Methods to identify services and products including those which Franchisee sells, promotional and marketing efforts or related items, and to identify products and services similar to those which Franchisee will sell, which are made available through alternative channels of distribution including, without limitation, the Internet, social media marketing, catalog sales, telemarketing, or other direct marketing sales, at any location; (3) to use and license the use of other proprietary marks or methods in connection with the sale of products and services similar to or the same as those which Franchisee will sell, whether in alternative channels of distribution including, without limitation, the Internet, social media marketing, catalog sales, telemarketing, or other direct marketing sales, or in connection with the operation of businesses, at any location, which businesses are the same as, or similar to, or different from Kwik Kar Centers, on any terms and conditions as KKF deems advisable; and (4) to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with Franchisee’s Kwik Kar Center in any location; (5) to acquire and convert to the Kwik Kar system, any businesses offering a business that competes directly with Franchisee’s Kwik Kar Center or not, including businesses operated by competitors or otherwise operated independently in any location; (6) to implement multi-area marketing programs that may allow KKF or others to solicit or sell to customers anywhere (KKF also reserves the right to issue mandatory policies to coordinate such multi-area marketing programs); (7) to solicit, sell, to and service local, regional or national accounts wherever located; and (8) to engage in any other activities not expressly prohibited in this Agreement.

4. DEVELOPMENT OF CENTER

4.1 Selection and Approval of Franchised Location. Franchisee shall obtain the written approval of KKF or its affiliates of a site suitable for the operation of its Kwik Kar Center, within the Designated Area described in Attachment I, within 270 days from the effective date of this Agreement. Franchisee

shall propose sites for review by KKF on forms and in the manner designated from time to time by KKF. Franchisee shall be responsible for obtaining KKF's then current site criteria prior to submitting a site approval application. A proposed site shall be submitted to KKF for review after Franchisee has evaluated the site and determined that it meets KKF's then current criteria for sites which KKF has communicated to Franchisee. KKF shall review the site approval application and, within 30 days of KKF's receipt thereof, shall approve or reject the proposed site. If KKF must disapprove of any site proposed by Franchisee, KKF will grant Franchisee an additional, reasonable period of time to obtain approval of an alternative site for the Franchised Location, the duration of which may be determined in KKF's sole but reasonable business judgment. Unless otherwise agreed to in writing by KKF, final site approval will be conditioned upon KKF's receipt of evidence of Franchisee's ownership, lease or control of the property in accordance with Section 4.2 of this Agreement. KKF will not unreasonably withhold approval of a proposed site that meets all of KKF's site selection criteria. Franchisee acknowledges that KKF's or its affiliates' approval of a site or provision of criteria regarding the site are for KKF's sole benefit and do not constitute a representation or warranty of any kind, express or implied, as to the suitability of the site for a Kwik Kar Center or for any other purpose. KKF's or its affiliates' approval of the site indicates only that KKF believes that a site falls within the acceptable criteria established by KKF as of that time.

4.2 Lease or Purchase of Franchised Location. Franchisee shall provide KKF or its designated affiliates prior to execution, the lease or sublease, including all amendments ("**Lease**"), for the Franchised Location for KKF's review and approval. Franchisee acknowledges that in connection with any Lease to be executed, Franchisee, each owner of the Franchisee entity and his or her spouse, may be required to sign a personal guaranty. If Franchisee is purchasing real estate upon which to operate its Kwik Kar Center, Franchisee shall provide to KKF or its designated affiliates prior to execution, any purchase agreement or other acquisition document proposed to be executed by Franchisee for KKF's review and approval. All documents submitted to KKF hereunder shall be delivered at least 10 days prior to the proposed date of their execution. After execution, Franchisee shall provide KKF with a fully executed copy of the documents. In addition:

a. The terms of any financing that Franchisee shall need to fund the acquisition and/or construction of a Kwik Kar Center, together with information regarding the acquisition of all required zoning and/or building permits and the plans for satisfaction of conditions precedent within acceptable time frames shall be provided in the Lease or purchase contract, or through separate documentation provided to KKF.

b. If a Lease is to be signed, the Lease shall contain provisions allowing for the assignment of the Lease to KKF, at the option of KKF, in the event that this Agreement is for any reason terminated or not renewed due to a default in Franchisee's obligations hereunder, and for providing KKF with notice and a right to cure a default in Franchisee's leasehold obligations under the Lease, and/or to take an assignment of the Lease upon such default, in KKF's sole discretion. If Franchisee or an affiliate of Franchisee owns the Franchised Location, Franchisee or the affiliate of Franchisee shall enter into an Option and Center Lease with KKF providing KKF with the option to lease the Franchised Location upon a termination or non-renewal of this Agreement.

c. Franchisee shall at all times keep KKF informed of Franchisee's progress toward the satisfaction of all obligations and conditions contained in any Lease or purchase contract related to the acquisition and/or construction of the Kwik Kar Center. Franchisee shall provide KKF with copies of all site plans, surveys, title reports and other related real estate information as and when such information becomes available.

Franchisee acknowledges that KKF's or its designee's review and approval of a Lease or purchase agreement or any assistance in the Lease or purchase negotiations is for the benefit of KKF and does not constitute a guarantee, recommendation or endorsement of the Lease, purchase agreement, or the Franchised Location and Franchisee should take all steps necessary to ascertain whether such Lease or purchase agreement and the Franchised Location is acceptable to Franchisee. Franchisee acknowledges that the Lease for the Franchised Location shall be collaterally assigned to KKF as security for performance of its obligations under this Agreement and the Lease, and Franchisee shall obtain the landlord's consent to such collateral assignment.

4.3 Design and Decor. Franchisee shall submit to KKF or its designated affiliate for approval, plans for the interior and exterior design of the building, layout, floor plan, parking and driveway facilities, all of which shall be in compliance with local and state building codes and with KKF's standards and specifications, and which shall include specifications for color, decor, equipment and machines for the Franchised Location. Franchisee shall construct, convert, design and decorate and furnish the Franchised Location in accordance with KKF's plans and specifications, as may be provided in accordance with Section 5.1.b below, and with assistance of architects, contractors, architects and suppliers designated by or otherwise approved by KKF. Franchisee must use an approved architect in the design of its Center. It shall be Franchisee's responsibility to have prepared all required blueprints and construction plans and specifications to suit the shape and dimensions of the Franchised Location, which blueprints and plans have been prepared based on the standardized space plans and others information obtained from KKF. Following completion of the initial improvements to the Kwik Kar Center, Franchisee must obtain KKF's prior written consent for any improvements or alterations which are not in accordance with the plans and specifications previously approved in writing by KKF.

4.4 Signage. Franchisee shall only use that signage at the Franchised Location which is consistent with the drawings and specifications provided by KKF. If such signage cannot be used because of local ordinances or applicable building codes, then Franchisee must submit to KKF detailed drawings and specifications of the proposed signage to be used, in sufficient detail acceptable to KKF, which signage can only be used upon receiving the prior written approval of KKF. No name, symbol or identifying marks other than the Marks shall be used in conjunction with the approved signage; provided, however, that a trademark of an approved oil supplier may be included on the signage. Franchisee shall obtain KKF's prior written consent as to the manner of the use of the trademark of the approved oil supplier and configuration of the signage in each instance.

4.5 Equipment and Inventory. Franchisee shall purchase or otherwise obtain for use or sale at the Franchised Location and in connection with the Kwik Kar Center equipment and inventory of a type and in an amount which complies with the standards and specifications of KKF. Franchisee acknowledges that the type, quality, configuration, capability and performance of the equipment, inventory and other products and services used or offered through the Kwik Kar Center are all standards and specifications which are a part of the Licensed Methods and therefore such equipment, inventory, products and other items must be purchased, leased or otherwise obtained in accordance with KKF's standards and specifications and only from KKF, its affiliates or suppliers or other sources approved by KKF.

4.6 Point-of-Sale System and Computers. Franchisee shall equip the Center with a point-of-sale system and computer hardware, software and other designated equipment as is consistent with the standards and specifications of KKF. KKF reserves the right to require on 30 days' notice that Franchisee purchase or license, proprietary computer software ("**Program**") which must be obtained from KKF's designated suppliers or KKF. Franchisee shall either own or obtain compatible computer hardware for operating the Program. Franchisee shall be responsible for all maintenance and upgrade costs associated with the computer hardware, software and point-of-sale system. Franchisee, at Franchisee's sole cost, shall join a high-speed electronic network connection service which meets the standards and

specifications of KKF and maintain an email address to facilitate communication between KKF and Franchisee. KKF reserves the right to require on 30 days' notice that Franchisee, at its sole cost, purchase, install and implement software, computer hardware and software updates, upgrades and revisions for use in the operation of the Kwik Kar Center. Franchisee acknowledges and agrees that changes to technology are dynamic and not predictable within the term of this Agreement, and that KKF will have the right to establish, in writing, reasonable new standards for the implementation of technology. KKF also reserves the right to require that KKF and its affiliates shall be given reasonable access to information and data regarding the Kwik Kar Center by Internet connection or by other means designated by KKF. Franchisee shall participate, at its sole cost, in all credit card, debit card, gift card, loyalty card, electronic payment services, electronic data capture or other similar programs, and use all credit card vendors, that KKF deems mandatory. The term "credit card vendors" includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, "Apple Pay" and "Google Wallet").

4.7 Permits and Licenses. Franchisee shall obtain all such permits and certifications as may be required for the lawful construction and operation of the Kwik Kar Center, together with all certifications from government authorities having jurisdiction over the site that all requirements for construction and operation have been met, including without limitation, zoning, access, sign, health, safety requirements, building and other required construction permits, licenses to do business and fictitious name registrations, sales tax permits, health and sanitation permits and ratings and fire clearances. Franchisee shall comply with all federal, state and local laws, codes and regulations, including the applicable provisions of the Americans with Disabilities Act, regarding the construction, design and operation of the Kwik Kar Center. Franchisee shall obtain all customary contractors' sworn statements and partial and final lien waivers for construction, remodeling, decorating and installation of equipment at the Franchised Location. Copies of all subsequent inspection reports, warnings, certificates and ratings issued by any governmental entity during the term of this Agreement in connection with the conduct of the Kwik Kar Center which indicates Franchisee's failure to meet or maintain the highest governmental standards, or less than full compliance by Franchisee with any applicable law, rule or regulation, shall be forwarded to KKF within five days of Franchisee's receipt thereof.

4.8 Commencement of Operations. Unless otherwise agreed in writing by KKF and Franchisee, Franchisee has 270 days from KKF's approval of the Franchised Location, but no more than 18 months from the date of this Agreement ("**Development Period**"), within which to: (1) secure all necessary financing for the Center; (2) complete KKF's initial training program described in this Agreement; (3) obtain all required permits and licenses; (4) construct all required improvements and decorate the Center in compliance with approved plans and specifications; (5) purchase and install all required fixtures, equipment, signs and software; (6) purchase an opening inventory of oil and other approved products, materials and supplies; and (7) commence operation of the Kwik Kar Center. KKF will extend the Development Period for a reasonable period of time in the event factors beyond Franchisee's reasonable control prevent Franchisee from meeting this development schedule, so long as Franchisee has made reasonable and continuing efforts to comply with such development obligations and Franchisee requests, in writing, an extension of time in which to have its Kwik Kar Center open and operating before the Development Period lapses. The parties will execute the Opening Date Rider attached as Attachment I-2 to specify the date of the opening of the Center.

5. OPENING ASSISTANCE

5.1 Opening Assistance. KKF or its designated representative shall provide Franchisee with assistance in the initial establishment of the Kwik Kar Center as follows:

a. Provision of written specifications for a Franchised Location which shall include, without limitation, specifications for space requirements, build-out, and the demographics and character of the surrounding market area. Franchisee acknowledges that KKF shall have no other obligation to provide assistance in the selection and approval of a Franchised Location other than the provision of such written specifications and approval or disapproval of a proposed Franchised Location, which approval or disapproval shall be based on information submitted to KKF in a form sufficient to assess the proposed location as may be reasonably required by KKF.

b. A list of approved architects, as well as standards and specifications for the buildout of the Franchised Location, which may include, but not be limited to, interior and exterior design of the building, layout, floor plan, parking and driveway facilities, signs, color, decor, equipment and machines. KKF shall provide Franchisee with a standard set of space plans for the building for the Kwik Kar Center and Franchisee shall be responsible for assuring that any necessary alterations are made to the same in order to fit the needs of Franchisee, the Franchised Location and local zoning and other local, state and federal laws and regulations including, without limitation, the federal Americans with Disabilities Act.

c. Between Franchisee's actual opening of the Center and its grand opening advertising promotion described in Section 12.2 below, KKF shall have one of its representatives on site to assist Franchisee in determining that the Kwik Kar Center is properly established. A KKF representative shall normally spend three to four days at Franchisee's Franchised Location to provide opening assistance; Franchisee acknowledges, however, that this may be subject to variation based on the experience and capabilities of Franchisee, as assessed by KKF in its sole discretion. The time for the on-site opening assistance shall be established by mutual agreement of the parties.

d. Names of suppliers, which may include KKF, its affiliates or its parent company, and other information, including specifications, to assist Franchisee in acquiring its equipment, signs and other items and materials used, and inventory offered for sale at the Kwik Kar Center. After execution of this Agreement, upon request by Franchisee, KKF will provide Franchisee with a list of approved suppliers, if any, of such equipment, signs, other items, materials, inventory and services and, if available, a description of any regional or central purchase and supply agreements offered by such approved suppliers for the benefit of Kwik Kar Center franchisees.

e. An initial training program for Franchisee or, if Franchisee is not an individual, the managing shareholder or partner of Franchisee designated by Franchisee to assume primary responsibility for the management of the Center ("**Principal Owner**"), as more fully described in Section 6 below.

f. A Brand Standards Manual, as defined and described in Section 7 below.

6. TRAINING

6.1 Initial Training. Franchisee or its Principal Owner shall be required to attend and successfully complete the initial training program offered by KKF, at a location designated by KKF. The initial training program shall be successfully completed as close to the opening date of Franchisee's Kwik Kar Center as possible and shall be evidenced by Franchisee or its Principal Owner receiving a certificate of training completion. KKF's initial training program consists of approximately three to four days of classroom training and approximately five days of hands-on training. KKF reserves the right to extend the initial training program by up to five additional days. Franchisee or its Principal Owner may attend

the program or programs until they have successfully completed the same. Franchisee shall pay the transportation costs and lodging expenses for its people while attending the initial training program. At least one individual must successfully complete the initial training program prior to Franchisee's commencement of operation of its Kwik Kar Center. KKF reserves the right to waive a portion of the initial training program or alter the training schedule, if in KKF's sole discretion, Franchisee or Principal Owner has sufficient prior experience or training.

6.2 Additional Training. The Kwik Kar Center shall only be managed and operated by individuals (each, a "**Manager**") who have been trained by Franchisee or Principal Owner; provided that Franchisee or Principal Owner have successfully completed the initial training program. If a Principal Owner is no longer actively involved in the management of the operation of the Kwik kar Center, then Franchisee shall notify KKF and the replacement Principal Owner must promptly complete the initial training program; provided, however, that the transfer requirements of Section 15 of this Agreement are also satisfied. Franchisee or Principal Owner is responsible for providing the necessary training to the Managers that will operate and directly supervise the Center. Franchisee shall pay to KKF the then current published fee for training additional persons or newly-hired personnel refresher training courses, advanced training courses, and for any additional or special assistance or training Franchisee needs or requests.

6.3 Additional Seminars. KKF may present seminars, conventions or continuing development programs from time to time for the benefit of its franchisees. Franchisee, Principal Owner or Franchisee's Manager, shall attend or participate in any mandatory seminar, convention, or program as may be offered by KKF. KKF may also present additional training programs and certification programs through FullSpeed University ("**FullSpeed University**") online training or training in other formats that do not require Franchisee, Principal Owner or Franchisee's Manager to attend the training programs in person ("**Remote Training**"). KKF shall give Franchisee at least 30 days prior written notice of any seminar, convention or program which is considered by KKF to be mandatory and at least 10 days prior notice of any Remote Training program which is considered mandatory; provided, however, Franchisee, Principal Owner or Manager, shall not be required to attend any mandatory seminar, convention or program more than once per year, except that Franchisee's, Principal Owner's or Manager's attendance may be required for Remote Training and local or regional advertising and marketing meetings sponsored by an advertising cooperative or by KKF. Franchisee is responsible for all costs and expenses associated with attending any training program, seminar or convention. Franchisee shall pay to KKF the then current published fee for attendance and participation at any of these programs. KKF shall have the right to designate whether Franchisee, Principal Owner and/or Manager must participate in Remote Training or any mandatory seminar, convention or program. KKF may preclude Franchisee from attending any seminar, convention or program if Franchisee is in default of this Agreement or if Franchisee has had two notices of default within 12 months prior to the seminar, convention, or program. If Franchisee requests or if KKF determines Franchisee requires additional on-site training, Franchisee shall pay KKF an additional training fee of \$500.00 per trainer per day.

7. BRAND STANDARDS MANUAL

7.1 Brand Standards Manual. KKF shall loan to Franchisee or make available electronically certain operations and marketing manuals and other technical or operational materials and updates (collectively referred to as the "**Brand Standards Manual**") concerning the standards and specifications for the development, operation and marketing of the Kwik Kar Center, which standards and specifications may include, but not be limited to, directives for authorized automotive repair and maintenance products; mandatory and optional automotive lubrication, maintenance and repair services; fleet and other customer services; build-out, design, décor and maintenance of the Center; standards for equipment, fixtures, inventory and related policies; employee attire and training; safety and data security standards; insurance;

signs; computer hardware and software; brand identity use and standards; supplies, forms, and advertising offered through the Center; and any other Licensed Methods associated with KKF and the Kwik Kar Marks. Franchisee shall comply with the Brand Standards Manual as an essential aspect of its obligations under this Agreement and failure to substantially comply with the Brand Standards Manual may be considered a breach of this Agreement. Franchisee acknowledges that compliance with the Brand Standards Manual is vitally important to KKF and other franchisees and is necessary to protect Kwik Kar's reputation and the goodwill of the Marks and to maintain the uniform quality of operation through the system; however, the Brand Standards Manual is not designed to control the day-to-day operation of the Kwik Kar Center.

7.2 Revisions to Brand Standards Manual. The Brand Standards Manual contents may be updated periodically by KKF, in KKF's sole discretion, and Franchisee shall update Franchisee's copy of the Brand Standards Manual as instructed by KKF and shall conform the Kwik Kar Center operations with the updated provisions, at Franchisee's expense, within 30 days after receipt of the update or as may be otherwise directed by KKF. Franchisee acknowledges that a master copy of the Brand Standards Manual maintained by KKF and its affiliates at its principal office shall be controlling in the event of a dispute relative to the contents of any Brand Standards Manual.

7.3 Confidentiality of Brand Standards Manual. Franchisee shall use the Marks and Licensed Methods only as specified in the Kwik Kar Brand Standards Manual. The Kwik Kar Brand Standards Manual is the sole property of KKF or its affiliates and shall be used by Franchisee only during the term of this Agreement and in strict accordance with the terms and conditions hereof. Franchisee shall treat the Brand Standards Manual and its contents as confidential and as a trade secret of KKF and shall not duplicate the Brand Standards Manual nor disclose its contents to persons other than employees of its Kwik Kar Center.

8. OPERATING ASSISTANCE

8.1 Operating Assistance. During the operation of Franchisee's Kwik Kar Center, KKF or its designated representative shall provide:

- a. Upon the request of Franchisee, advice and consultation by telephone, facsimile or electronic mail, regarding the continuing operation and management of a Kwik Kar Center.
- b. Information regarding any new product, service or supplier or any updated methods of doing business as may be available to Kwik Kar Centers. KKF will use national, regional or local seminars, conventions or continuing development programs, Brand Standards Manual updates, bulletins, newsletters or regional representatives to introduce Franchisee to new products, services, supplies and new techniques and methods of doing business.
- c. Access to advertising and promotional programs and materials, in a manner deemed appropriate by KKF, in its sole discretion, as may be funded through Advertising Contributions (defined in Section 12.4 below).
- d. Approximately twice per year, a KKF representative will visit the Franchised Location and provide consulting assistance.

8.2 Additional Assistance. Although not obligated to do so, KKF may make its employees or designated agents available to Franchisee for on-site advice and assistance in connection with the on-going operation of the Kwik Kar Center governed by this Agreement. In the event that Franchisee requests such additional assistance and KKF agrees to provide the same, KKF reserves the right to charge

Franchisee for all travel, lodging, living expenses, telephone charges and other identifiable expenses associated with such assistance, plus a fee based on the time spent by each employee on behalf of Franchisee, which fee will be charged in accordance with the then current daily or hourly rates being charged by KKF for assistance.

9. FRANCHISEE'S OPERATIONAL COVENANTS

9.1 Center Operations. Franchisee acknowledges that it is solely responsible for the operation of its Kwik Kar Center and that the successful operation is, in part, dependent upon Franchisee's compliance with this Agreement and the Brand Standards Manual. In addition to all other obligations contained in this Agreement and in the Brand Standards Manual, Franchisee shall comply with the following operational obligations:

a. Quality of Operations. Franchisee shall maintain a clean, efficient and high quality Kwik Kar Center and shall operate the Kwik Kar Center in accordance with the Brand Standards Manual and in such a manner as to enhance the goodwill in the Marks and the reputation and public image of Kwik Kar Centers generally.

b. Compliance with Laws. Franchisee shall conduct itself and operate its Kwik Kar Center in compliance with all applicable laws and ordinances. Franchisee shall at all times be fully responsible for obtaining and maintaining all licenses to carry on the business at the Kwik Kar Center. Franchisee shall, at KKF's request, promptly forward to KKF copies of all health department, fire department, building department, environmental agency and other reports of inspections as and when they become available. Franchisee shall also immediately forward to KKF upon receipt thereof, all inspection reports, warnings, certificates or ratings issued by any governmental entity during the term of this Agreement in connection with the conduct of the Kwik Kar Center which indicates Franchisee's failure to meet or maintain the highest governmental standards, or less than full compliance by Franchisee with any applicable law, rule or regulation. Franchisee agrees to comply with all applicable laws pertaining to the privacy of customer, employee, and transactional information ("**Privacy Laws**"). Franchisee also agrees to comply with our standards and policies pertaining to Privacy Laws. If there is a conflict between our standards and policies pertaining to Privacy Laws and actual applicable law, Franchisee will: (a) comply with the requirements of applicable law; (b) immediately give KKF written notice of said conflict; and (c) promptly and fully cooperate with KKF and its counsel in determining the most effective way, if any, to meet the standards and policies pertaining to Privacy Laws within the bounds of applicable law. Franchisee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without KKF's prior written consent as to said policy. Franchisee shall be solely responsible for any penalties or fines assessed for failure to abide by such laws, regulations and ordinances.

c. Capacity of Operations. Franchisee shall throughout the term of this Agreement maintain business hours at the Center as may from time to time be prescribed by KKF and shall maintain sufficient supplies of products and shall employ adequate personnel at all times so as to operate the Center at its maximum capacity and efficiency.

d. Employees. Franchisee shall be exclusively responsible for the conduct and control of its employees and employment practices, including hiring, firing, training, compensation, benefits, taxes, work schedules, work conditions, record keeping, supervision, and discipline of its employees. Franchisee agrees to inform each of its employees that it alone is the employer, and KKF is not. Franchisee is responsible for complying with all applicable employment laws. Upon KKF's request, Franchisee and each employee of Franchisee will sign

an employment relationship acknowledgement form within seven (7) days acknowledging that franchisee alone is the employer and operates the Kwik Kar Center. KKF will have no obligation to direct Franchisee's employees or to operate the Kwik Kar Center. Franchisee will post a conspicuous back of house notice informing employees that employees are employed by the Franchisee and not KKF. Franchisee will use its legal name on all documents for use with employees and contractors, including but not limited to, employment applications, timecards, pay checks, and employment and independent contractor agreements and will not use the Marks on these documents. Franchisee shall cause all employees of Franchisee, while working in the Center, to present a professional appearance, as described in the Brand Standards Manual, and to render competent and courteous service to Center customers. Franchisee is required, at Franchisee's expense, to purchase or rent specified wearing apparel described in the Brand Standards Manual from suppliers approved by KKF. All Managers, employees of Franchisee, Franchisee and its owner, shall wear the specified wearing apparel at all times while working at the Kwik Kar Center. Nothing in this Agreement shall be deemed to make Franchisee's employees, representatives or agents (i) subject to the control of KKF or (ii) employees of KKF.

e. Approved Services and Products. Franchisee shall offer only those products and services at the Kwik Kar Center which meet or exceed the standards and specifications established by KKF and shall offer all products and services which are a part of KKF's Licensed Methods. Standards and specifications may be given to Franchisee in writing and may be changed by KKF at any time. Franchisee shall offer for sale at the Center only those products and services now or hereafter designated by KKF and shall at all times refrain from offering any other products or services from or through the Center, without KKF's prior written consent. Franchisee must purchase 90% of all products from approved vendors. Approved vendors and suppliers may change from time to time based on availability and pricing.

f. Payment of Obligations. Franchisee will pay on a timely basis all amounts due and owing to KKF and its affiliates pursuant to any separate agreements between Franchisee and KKF and its affiliates and all amounts due and owing by Franchisee to all third parties with whom Franchisee does business at or through the Center. In connection with any amounts due and owing by Franchisee to third parties, including affiliates of KKF, Franchisee acknowledges that a default by Franchisee with respect to such indebtedness may be considered a default hereunder and KKF may avail itself of all remedies provided for herein in the event of default.

g. Other Agreements. Franchisee shall comply with all agreements with third parties which relate to or affect the Center, including, in particular, all provisions of any premises lease, equipment lease or supply agreement.

h. Management of Center. Franchisee acknowledges that proper management of the Kwik Kar Center is critical to the successful operations of a Kwik Kar Center and shall ensure that Franchisee, individually, or if applicable, the Principal Owner who has completed the Kwik Kar initial training program, will be responsible for the management of the Kwik Kar Center.

i. Ownership of Center. Franchisee shall at all times during the term of this Agreement own and control the Kwik Kar Center. Upon request by KKF, Franchisee shall promptly provide satisfactory proof of such ownership to KKF. Franchisee represents that the Statement of Ownership, attached hereto as Attachment II and by this reference incorporated herein, is true, complete, accurate and not misleading and, in accordance with the information contained in the Statement of Ownership, the controlling ownership of the Kwik Kar Center is held by Franchisee. Franchisee acknowledges that each officer, director, partner, principal or other person who, directly or indirectly, owns 5% or more of the interest in Franchisee, and each

such person's spouse (if any), will be required to guarantee the performance of Franchisee hereunder and sign the Owners' Agreement which is attached to this Agreement as Attachment III. Franchisee shall promptly provide KKF with a written notification if the information contained in the Statement of Ownership changes at any time during the term of this Agreement and shall in such circumstances comply with the applicable transfer provisions contained in Section 15 herein.

j. National Fleets. Franchisee shall service all "**National Fleet Accounts**" defined below, in accordance with any of KKF's policies and procedures concerning National Fleet Accounts as may then be in effect and Franchisee shall comply with the agreements with any National Fleet Account vendor, which policies and procedures and agreements may change from time to time upon notice to Franchisee. For the purposes of this Agreement, a "**National Fleet Account**" shall refer to: any business entity which, in the course of conducting day-to-day activities, operates vehicles in more than one state.

k. Training of Employees. Franchisee shall be fully responsible for all Center employees' compliance with the operational standards which are part of the Licensed Methods and for compliance with all laws and regulations affecting Center operations. Franchisee must conduct its employee training in a manner which ensures that Franchisee's employees comply with such operational standards and all laws and regulations affecting Center operations. Franchisee shall ensure that its employees take the minimum number of courses that KKF prescribes through Fullspeed University.

l. Remodeling and Upgrading. Franchisee agrees to renovate, refurbish or replace, at its own expense, the décor, personal property, equipment, computer hardware, software and point-of-sale system used in the operation of the Kwik Kar Center, when reasonably required by KKF in order to comply with the image, standards of operation and performance capability established by KKF from time to time. If KKF changes its image or standards of operation, it shall give Franchisee a reasonable period of time within which to comply with such changes. KKF agrees that it will not require Franchisee to complete a remodel or upgrade, as described in this subsection, which affects the overall Center and costs in excess of \$10,000 ("**Remodel/Upgrade Limit**") during the first five years of the term of this Agreement or more than one time in each five year period thereafter. The amount of the Remodel/Upgrade Limit is subject to increase based on changes in the "Price Index," defined below, for the year in which Franchisee is required to remodel or upgrade the Center pursuant to this Section as compared to the Price Index for the year this Agreement was fully executed. The adjustment will be the difference between the Price Index for the month which immediately precedes the date Franchisee is required to remodel or upgrade the Center pursuant to this Section and the average monthly Price Index during the calendar year when this Agreement was fully executed. "**Price Index**" means the Consumer Price Index published by the Bureau of Labor Statistics of the United States Department of Labor, U.S. City Average, All Items, and Major Group Figures for all Urban Consumers (CPI-U 1982 - 84 = 100). Notwithstanding any statement herein to the contrary, the Remodel/Upgrade Limit shall not decrease below \$10,000.

9.2. Noncompliance Service Charge. In the event Franchisee fails to comply with any obligation set forth in this Agreement or any mandatory standard or specification in the Brand Standards Manual or otherwise established by KKF, KKF shall have the right upon written notice to Franchisee to impose a noncompliance service charge ("**Noncompliance Service Charge**") of \$1,000.00 for each event of noncompliance by Franchisee. The Noncompliance Service Charge is intended to compensate KKF for the administrative costs that it incurs in monitoring, notifying, and following up with Franchisee in the event of noncompliance, including the costs of KKF's personnel. The imposition of the Noncompliance

Service Charge is in addition to any other rights or remedies that KKF may have in the event of noncompliance by Franchisee including, without limitation, any right to declare a default or terminate this Agreement.

10. QUALITY CONTROL

10.1 Standards and Specifications. KKF will make available to Franchisee, through the Brand Standards Manual or otherwise, standards and specifications for services and related products offered at or through the Center and for the premises, premises lease, decor, displays, furniture, equipment, computer hardware and software, point-of-sale system, materials, forms, items, uniforms, promotional and advertising materials, supplies and services (“**Items**”) used in connection with the Center. KKF reserves the right to change standards and specifications for these services and products offered at or through the Center and for the Items used in connection with the Center, upon 30 days prior written notice to Franchisee. Franchisee shall, at Franchisee’s expense and throughout the term of this Agreement, remain in compliance with this Agreement and strictly adhere to all of KKF’s current standards and specifications for the Center as prescribed from time to time.

10.2 Inspections. KKF and its designees, including affiliates, shall have the right to examine the Franchised Location, including the furniture, equipment, signage, materials, supplies or services used or sold there, to ensure compliance with all standards and specifications set by KKF. KKF shall conduct such inspections during regular business hours and Franchisee may be present at such inspections. KKF, however, reserves the right to conduct the inspections without prior notice to Franchisee. Franchisee shall furnish promptly, upon KKF’s request, information regarding its supplies, equipment, services and methods used in conducting business at the Center. During the inspections conducted by KKF, KKF shall have the right to: (i) videotape or take pictures of Franchised Location; (ii) interview employees and customers of the Center; (iii) take samples of products and items used or sold at the Center for testing and analysis; (iv) make copies of books and records; and (v) require Franchisee to immediately remove any unauthorized products or items from the Franchised Location. KKF shall have the right to use such photographs and videotaped material in such a manner as it reasonably deems appropriate.

10.3 Restrictions on Services and Products. Franchisee is prohibited from offering or selling any services or products not authorized by KKF as being a part of the Licensed Methods. However, if Franchisee proposes to offer, conduct or utilize any services, products, materials, forms, items, supplies or services for use in connection with or sale through the Center which are not previously approved by KKF as meeting its specifications, Franchisee shall first notify KKF in writing requesting approval. KKF may, in its sole discretion, for any reason whatsoever, elect to withhold such approval; however, in order to make such determination, KKF may require submission of specifications, information or samples of such products, services, materials, forms, items or supplies. KKF will advise Franchisee within a reasonable time whether such products, services, materials, forms, items or supplies meet its specifications. KKF reserves the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions.

10.4 Approved Suppliers. Franchisee shall purchase all services and related products offered at or through the Center and all Items required for the operation of the Center from KKF, from KKF’s affiliates, from suppliers designated or approved by KKF or, if there is no designated or approved supplier for particular services, products or Items, from suppliers approved in advance by KKF who meet all of KKF’s specifications and standards as to quality, composition, finish, appearance and service, and who shall adequately demonstrate their capacity and facilities to supply Franchisee’s needs in the quantities, at the times, and with the reliability requisite to an efficient operation of the Center. KKF reserves the right to designate from time to time, a single supplier for any Items and to require Franchisee to use such designated supplier exclusively, which exclusive designated supplier may be KKF or its affiliates. KKF and its affiliates may receive payments from suppliers on account of such suppliers’ dealings with

Franchisee and other franchisees and may use all such amounts without restriction and for any purpose KKF and its affiliates deem appropriate (unless KKF and its affiliates agree otherwise with the supplier).

10.5 Request to Approve Supplier. In the event Franchisee desires to offer a service or product or use an Item in connection with a Center obtained from suppliers other than those previously approved by KKF, Franchisee shall, prior to purchasing from or otherwise utilizing any supplier, give KKF a written request to approve the supplier. KKF and its designees may continue from time to time to inspect any suppliers' facilities and products to assure compliance with KKF's standards and specifications. Permission for such inspection shall be a condition of the continued approval of such supplier. KKF may at its sole discretion, for any reason whatsoever, elect to withhold approval of the supplier; however, in order to make such determination, KKF may require that samples from a proposed new supplier be delivered to KKF for testing prior to approval and use. A charge not to exceed the actual cost of the test may be made by KKF and shall be paid by Franchisee.

11. ROYALTIES

11.1 Royalty. Franchisee shall pay to KKF on a monthly basis a nonrefundable fee (“**Royalty**”) of 6% of Franchisee's total monthly “Gross Revenues,” defined below. The Royalty is an ongoing payment that allows Franchisee to use the Marks and the other intellectual property of the Kwik Kar system and that pays for KKF's ongoing support and assistance.

11.2 Gross Revenues. “Gross Revenues” shall mean and include the aggregate amount received from all sales of services, products or merchandise of every kind or nature (including, without limitation, any services or products that have not been approved or authorized by KKF), performed or sold from, at or in connection with the operation of the Kwik Kar Center or arising out of the operation or conduct of the Kwik Kar Center or, if Franchisee is an entity, arising out of the operation or conduct of any business by such entity, whether for cash or credit, but excluding (i) the amount of the discount given off the regular retail price of such services or products in connection with the use of coupons or other discount promotions; and (ii) federal, state or municipal sales or services taxes collected from customers and paid to the appropriate taxing authority. Additionally, if the taxing authority described in subsection (ii) of the preceding sentence offers a discount to taxpayers for the timely payment and/or processing of sales taxes, the amount of such discount provided to the Franchisee with respect to Franchisee's Kwik Kar Center shall also be excluded from Gross Revenues.

11.3 Payment Schedule. All Royalties, Advertising Contributions (defined in Section 12.4 below) and any other fees to be paid to KKF by Franchisee pursuant to this Agreement shall be made by the 10th day of each month, based on the amount of Gross Revenues of the previous month, and shall be paid by electronic transfer of funds. This payment shall be submitted on a computer generated transmittal record in a form approved by KKF, who may also request certain additional information it determines useful in the overall management and marketing of KKF's franchise system. In the event that Franchisee fails to provide KKF with the reports referenced in the previous sentence by the 10th day of each month or the reports and records described in Section 14, Franchisee shall owe a \$25 late fee for each month such reports are late to be automatically assessed and debited or paid along with the payment of Royalties. KKF shall have the right to verify such Royalty payments from time to time as it deems necessary, in any reasonable manner. In the event that Franchisee fails to have sufficient funds in the account or otherwise fails to pay any Royalties by the 10th day of each month, Franchisee shall, in addition to such Royalties, owe a \$25 late fee to be automatically assessed and debited or paid along with the late debit or payment of Royalties. Franchisee acknowledges that this Section 11.3 shall not constitute KKF's or its affiliates' agreement to accept such payments after they are due or a commitment to extend credit to or otherwise finance operation of the Center. In no event shall Franchisee be required to pay a late payment at a rate greater than the maximum interest rate permitted by applicable law. In addition, if Franchisee fails to pay

any Royalties by the 10th day of the month, KKF reserves the right to require Royalty payments on a weekly basis.

11.4 Late Charges. Delinquent Royalties, Advertising Contributions and other amounts as may be due from Franchisee to KKF or its affiliates hereunder, shall bear interest at 1.5% per month; provided, however, in no event shall Franchisee be required to pay interest at a rate greater than the maximum interest rate permitted by applicable law. Interest shall begin to accrue the day after payments are due.

11.5 Electronic Funds Transfer. Franchisee shall execute an authorization agreement for preauthorized payment of Royalties, Advertising Contributions and any other amounts owed pursuant to this Agreement by electronic transfer of funds from Franchisee's bank account to KKF's bank account, in the form attached to the Franchise Disclosure Document. Franchisee authorizes KKF and its affiliates to initiate debt entries and credit correction entries to Franchisee's checking, savings or other account for the payment of Royalties, Advertising Contributions, interest, late charges, the purchase of equipment and inventory and any other amounts due from Franchisee under this Agreement or otherwise. Within five days of receipt of a written request from KKF, Franchisee shall execute and return to KKF an additional authorization agreement for prearranged payments from with new account and other information to ensure the authorization form is current and valid. KKF may require Franchisee to pay Royalties, Advertising Contributions and other amounts due under this Agreement or otherwise by means in addition to or other than electronic funds transfer and Franchisee agrees to comply with KKF's payment instructions.

12. ADVERTISING

12.1 Approval of Advertising. Franchisee shall obtain KKF's or its designee's prior written approval of all written advertising or other marketing or promotional programs regarding the Center, including, without limitation, telephone directory advertising, newspaper ads, flyers, brochures, direct mail pieces, specialty and novelty items and advertising on the radio, television and Internet and other Electronic Advertising. Franchisee shall also obtain KKF's prior written approval before using any promotional materials as may be provided by vendors. The proposed written advertising or a description of the marketing or promotional program shall be submitted to KKF at least 30 days prior to publication, broadcast or use. Franchisee acknowledges that advertising and promoting the Center in accordance with KKF's standards and specifications is an essential aspect of the Licensed Methods, and Franchisee must comply with all advertising standards and specifications. Franchisee shall display all required promotional materials, signs, point of purchase displays and other marketing materials in its Center and in the manner prescribed by KKF.

12.2 Initial Advertising and Promotion. Franchisee and KKF shall mutually agree upon the timing and manner of conducting a grand opening advertising and promotional campaign, to be conducted at or around the time the Center opens or within 30 days thereafter and lasting for a period of four to six months. KKF may, but is not required, to provide certain grand opening services to Franchisee. If KKF provides such grand opening services to Franchisee, Franchisee will pay KKF or a third-party designated by KKF the costs of the grand opening, which is typically \$10,000 ("**Grand Opening Costs**") to cover the cost. Franchisee shall pay the Grand Opening Costs at the time it secures the Franchised Location and is non-refundable once paid. Within 30 days of completion of the initial advertising and promotion campaign, Franchisee shall submit to KKF a written summary of campaign expenditures.

12.3 Local Advertising Commitment. Franchisee shall spend a minimum average of 4% of the total amount of monthly Gross Revenues on local advertising, in such manner and form and with such content that has been approved by KKF, to create and promote public awareness of Franchisee's Center. Franchisee shall submit to KKF an accounting of Franchisee's local advertising expenditures within 30

days after the end of each calendar year, which accounting shall show that Franchisee spent a minimum average of 4% of the total amount of its Gross Revenues for that year on local advertising expenditures; provided that KKF reserves the right, on 60 days' written notice to Franchisee, to require Franchisee to submit an accounting of local advertising expenditures on a more frequent basis, as determined by KKF.

12.4 Advertising Contribution. Franchisee shall contribute to an advertising fund established by KKF (“**National Materials Fund**”) up to 1% of the total amount of Franchisee’s Monthly Gross Revenues (“**Advertising Contribution**”). KKF has the right to change the amount of Advertising Contribution actually collected from time to time (not to exceed 1% of Monthly Gross Revenues), upon 30 days prior written notice to Franchisee. The Advertising Contribution shall be paid in addition to the amount which Franchisee shall expend for local advertising, as described in Section 12.3 above. The Advertising Contribution shall be paid to KKF or its designee in addition to Royalties and the following terms and conditions shall apply:

a. The Advertising Contribution shall be payable concurrently with the payment of the Royalties, remitted to KKF by electronic transfer of funds, no later than the 10th day of each month, for the Advertising Contribution based on the Gross Revenues of the immediately preceding month.

b. KKF shall have the right to verify Franchisee’s determination of Advertising Contribution payments from time to time as it deems necessary, in any reasonable manner.

c. The Advertising Contributions will be subject to the same interest and late charge as the Royalties, in the amount and manner set forth in Section 11.4 above.

d. Upon the request of Franchisee, KKF will make available to Franchisee, no later than 120 days after the end of a calendar year, an unaudited financial statement which indicates how the National Materials Fund has been spent.

e. KKF and its designees shall direct all advertising and marketing programs financed by the National Materials Fund, with sole discretion over the creative concepts, materials and endorsements used therein, geographic, market and media placement and allocation, and the administration thereof. The National Materials Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials, and Electronic Advertising (as defined in Section 12.6), as such advertising materials, methods and mediums evolve and develop in the future, including website design and maintenance (including linked webpages or microsites) and communication by social media and electronic mail; other commercial advertising; agency costs and commissions; training programs, including Fullspeed University; customer satisfaction programs and initiatives; resolving customer satisfaction issues; resolving warranty issues and concerns; administering multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising; implementing and administering gift card and other customer loyalty programs; employing advertising agencies and in-house staff assistance utilizing representatives, including affiliates, to support advertising and marketing programs; local promotions; and supporting public relations, market research, brand recognition and other advertising and marketing activities.

f. The National Materials Fund shall be accounted for separately from KKF’s other funds and shall not be used to defray any of KKF’s general operating expenses, except for such reasonable administrative costs, salaries and overhead as KKF and its designees, including its affiliates, may incur in activities related to the implementation and administration of the National Materials Fund and its marketing programs, including, without limitation, conducting market

research, incurring related accounting and legal expenses, preparing material and collecting and accounting for National Materials Fund contributions. KKF may spend in any fiscal year an amount greater or less than the aggregate contribution of all Kwik Kar Centers to the National Materials Fund in that year and the National Materials Fund may borrow from KKF or other lenders to cover deficits or cause the National Materials Fund to invest any surplus for future use. All interest earned on monies contributed to the National Materials Fund will be first used to pay costs. The National Materials Fund may be incorporated or operated through an entity separate from KKF at such time as KKF deems appropriate, and such successor entity shall have all rights and duties of KKF pursuant to this Section 12.4.

g. Franchisee acknowledges that the National Materials Fund is intended to maximize recognition of the Marks and patronage of Kwik Kar Centers. Although KKF will endeavor to utilize the National Materials Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all Kwik Kar Centers, KKF and its designees, undertakes no obligation to ensure that expenditures by the National Materials Fund in or affecting any geographic area are proportionate or equivalent to the contributions by Kwik Kar Centers operating in that geographic area or that any Kwik Kar Centers will benefit directly or in proportion to its contribution from the development of advertising and marketing materials or the placement of advertising. The National Materials Fund is not treated as a trust fund, and KKF and its designees, including its affiliates, do not owe Franchisee a fiduciary duty with respect to the maintenance, direction or administration of the National Materials Fund. Except as expressly provided in this Section 12.4, KKF and its designees, including its affiliates, assume no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the National Materials Fund.

h. KKF reserves the right to terminate the National Materials Fund, upon 30 days' written notice to Franchisee. All unspent monies on the date of termination shall be distributed to KKF's franchisees in proportion to their respective contributions to the National Materials Fund during the preceding 12-month period. KKF shall have the right to reinstate the National Materials Fund upon the same terms and conditions set forth herein upon 30 days' prior written notice to Franchisee.

12.5 Local or Regional Advertising Programs. KKF reserves the right, upon 30 days prior written notice to Franchisee, to create a local or regional advertising association (“**Co-op**”) for the benefit of Kwik Kar franchisees located within a particular geographic area. If a Co-op is established for the area where Franchisee is located, Franchisee will be required to participate in the Co-op for the purpose of selecting and participating in regional marketing and promotion programs for Kwik Kar Centers. KKF, in its sole discretion, may contribute back to the Co-op all or a portion of the National Materials Fund payments received by KKF from franchisees in the Co-op for such marketing and advertising programs. Franchisee will be required to remain a member of and be bound by the decisions of the majority of the members of the Co-op regarding expenditures, assessments and dues of the Co-op, to the extent that they are approved by KKF. Members of a Co-op are required to pay contributions to the Co-op in an amount that KKF determines, on a regular or intermittent basis, up to 4% of the monthly Gross Revenues of the Co-op Member's Center. Monies paid into the Co-op by Franchisee shall be credited towards Franchisee's local advertising commitment described in Section 12.3 above. The failure of Franchisee to participate in the Co-op or pay any dues or contributions required by the Co-op, may, at the option of KKF, be deemed to be a breach of this Agreement. KKF has the right, in its sole discretion, to determine the composition of all geographic territories and market areas for the implementation of such local or regional advertising and promotion campaigns and to require that Franchisee participate in such local or regional advertising programs as and when they may be established by KKF. If a local or regional advertising program is implemented on behalf of a particular region by KKF, KKF, to the extent

reasonably calculable, will only use contributions from Kwik Kar franchisees and company-owned Centers within such region for the particular local or regional advertising program. KKF reserves the right to seek reimbursement from the Co-op for reasonable administrative costs, salaries and overhead as KKF or its designees, including its affiliates, may incur in activities related to the implementation and administration of the Co-op and its marketing programs. KKF also reserves the right to establish an advertising cooperative for a particular region to enable the cooperative to self-administer the local or regional advertising program.

12.6 Electronic Advertising. Franchisee shall not develop, create, contribute to, distribute, disseminate or use any electronic or Internet communication including, without limitation, any website, blog, instant messaging services such as Twitter, social media sites (such as Facebook) or networking account or other electronic or other communication method now in existence or to be created, or any multimedia, telecommunication, mass electronic mail or audio/visual advertising or messaging, promotional or marketing materials (collectively “**Electronic Advertising**”) as described herein and in the Brand Standards Manual, directly or indirectly related to the Kwik Kar Centers, any other franchised Kwik Kar Centers, the Marks, the Licensed Methods and KKF and its affiliates, without KKF’s prior written consent, which consent may be withheld in KKF’s sole discretion. Franchisee acknowledges and agrees that it will not post a blog, create or contribute to a website, engage in any type of social networking or conduct any type of Internet communication that refers to the Marks, the Licensed Methods, KKF, its affiliates and employees, any Kwik Kar Centers, any other franchised Kwik Kar Centers or other franchisees without KKF’s prior written permission. KKF shall retain the exclusive right to develop, publish and control the content of all Electronic Advertising for the Kwik Kar Centers. Franchisee acknowledges that KKF shall own all Electronic Advertising related to or associated with the Marks and Licensed Methods including, without limitation, databases of customer contact information and other customer information. KKF hereby licenses use of such data back to Franchisee solely for the term of this Agreement and solely for Franchisee’s use in connection with the Kwik Kar Center. Upon request by KKF, Franchisee agrees to promptly provide the customer contact information and other customer information related to the Center to KKF. KKF reserves the right, upon 30 days’ prior written notice, to require Franchisee to: (a) participate in any Electronic Advertising of Kwik Kar Centers sponsored by KKF; and/or (b) create, customize, change, delete or provide access to any websites, any social media or networking account, telecommunications or audio/visual advertising, promotional or marketing material as part of the Electronic Advertising. Franchisee acknowledges that KKF shall own all Electronic Advertising related directly or indirectly to the Marks and Licensed Methods and the Kwik Kar Centers. KKF reserves the right to require Franchisee, to change, delete or provide access to KKF to any Electronic Advertising. If KKF permits or requires Franchisee to develop any Electronic Advertising, Franchisee shall do so in compliance with KKF’s policies and rules regarding the creation, maintenance, use, publication and content of such Electronic Advertising as set forth in this Agreement, the Brand Standards Manual or Electronic Advertising code of conduct, and any other policies or standards that KKF may develop, disseminate and modify from time to time, including but not limited to any social media policies. Franchisee shall not publish any of KKF’s confidential information on the Internet, and Franchisee shall not publish any of KKF’s copyrighted material or information containing the Marks or any of the Licensed Methods on the Internet without KKF’s prior written permission; nor shall the Franchisee assist any other party in doing so. Any amounts that Franchisee spends to participate in Electronic Advertising shall be credited toward Franchisee’s local advertising obligations.

13. PROPRIETARY MARKS AND INTERESTS

13.1 Marks. Franchisee acknowledges that KKF or its affiliates are the sole owner of the Marks and Licensed Methods and the Marks and Licensed Methods shall remain the sole and exclusive property of KKF or its affiliates. Franchisee shall display the Marks prominently at the Center premises and on service reminders and packaging materials and in connection with uniforms, forms, advertising,

marketing and other items, all in a manner as KKF shall reasonably prescribe. Franchisee acknowledges that it has not acquired any right, title or interest in the Marks and Licensed Methods except for the non-exclusive right to use the proprietary Marks and Licensed Methods in the operation of its Kwik Kar Center in accordance with this Agreement, and such rights are conditioned upon Franchisee's payment of all Royalties. No name or mark other than the Marks shall be used in the operation of the Kwik Kar Center nor shall any other name, symbols, logo or other identifying marks be used in connection with the Kwik Kar Center without the prior written approval of KKF. Except as permitted in the Brand Standards Manual, Franchisee shall not use any of the Marks as part of an electronic mail address, or on any sites on the Internet and Franchisee shall not use or register any of the Marks as a domain name on the Internet.

13.2 No Use of Other Marks. No service marks other than "Kwik Kar" or such other Marks as may be specified by KKF shall be used in the identification, marketing, promotion or operation of the Kwik Kar Center.

13.3 Licensed Methods. Franchisee acknowledges that KKF owns and controls the proprietary and distinctive plans and method for the establishment, operation and promotion of the Kwik Kar Center and all related licensed methods of doing business, previously defined as the "Licensed Methods," which include, but are not limited to, KKF's standards and specifications for the Franchised Location, premises, leasehold improvements, interior finish, interior décor, furnishings, equipment, products, product formulas, supplies, materials, mandatory and optional automotive maintenance and repair services; inventory type and control, technical equipment standards, order fulfillment methods, client relations, marketing techniques, written promotional materials, advertising, accounting systems, and service delivery methods, all of which constitute confidential trade secrets of KKF and all of which may be included in the Brand Standards Manual described in Section 7 above, in the sole discretion of KKF. Franchisee acknowledges that KKF has valuable rights in and to such trade secrets. Franchisee further acknowledges that it has not acquired any right, title or interest in the Licensed Methods except for the right to use the Licensed Methods in the operation of the Kwik Kar Center as it is governed by this Agreement and that it is obligated to maintain the confidentiality of the Licensed Methods in accordance with Section 18.4 below.

13.4 Change of Proprietary Marks. In the event that KKF or its affiliates, in their sole discretion, shall determine to modify or discontinue use of the Marks, or to develop additional or substitute proprietary marks, Franchisee shall, within a reasonable time after receipt of written notice from KKF, take such action, at Franchisee's sole expense, as may be necessary to comply with such modification, discontinuation, addition or substitution. KKF shall not be obligated to reimburse Franchisee for any loss of goodwill associated with any modifications or discontinuance of the Marks or for any expenditures made by Franchisee to promote a modified or substitute trademark or service mark. Franchisee's changes or improvements to the Licensed Methods, Franchisee's usage of the Marks and Licensed Methods and any goodwill established thereby will inure to KKF's exclusive benefit.

13.5 Trademark Infringement. Franchisee will notify KKF in writing of any possible infringement or illegal use by others of a trademark the same as or similar to the Marks which may come to its attention. Franchisee acknowledges that KKF or its affiliates shall have the right to determine whether action will be taken on account of any possible infringement or illegal use. KKF or its affiliates shall commence or prosecute such action in KKF's or its affiliates' own name and may join Franchisee as a party to the action if KKF or its affiliates determine it to be reasonably necessary for the continued protection and quality control of the Marks and Licensed Methods. KKF shall bear the reasonable cost of any such action, including its attorneys' fees. Franchisee will not institute any action on account of any possible infringement or illegal use without first obtaining KKF's prior written consent.

13.6 Franchisee's Business Name. Franchisee acknowledges that KKF or its affiliates have a prior and superior claim to the Kwik Kar trade name. Franchisee will not register or attempt to register the Kwik Kar trade name or any variation thereof in Franchisee's name or that of any other person or business entity without prior written consent of KKF. Franchisee shall not use any of the Marks or any part thereof in the legal name of its corporation, partnership or any other business entity used in conducting the Kwik Kar Center provided for in this Agreement. During the term of this Agreement, KKF may require that Franchisee post a sign at its Kwik Kar Center, and include a reference on its letterhead, contracts, invoices, business cards and/or other items, stating that it is an "authorized franchisee of KWIK KAR FRANCHISING, LLC," or other language specified by KKF. If local laws require that Franchisee file an affidavit or other registration indicating that it is conducting business under an assumed, fictitious or trade name, Franchisee shall state in such filing or affidavit that the same is made "as an authorized franchisee of KWIK KAR FRANCHISING, LLC."

13.7 Creative Ownership. All copyrightable works created by Franchisee or any of its owners, officers, managers or employees in connection with the Center shall be the sole property of KKF. Franchisee assigns all proprietary rights, including copyrights, in these works to KKF without additional consideration. Franchisee hereby assigns and will execute such additional assignments or documentation to effectuate the assignment of all intellectual property, inventions, copyrights, trademarks and trade secrets developed in part or in whole in relation to the Center, during the term of this Agreement, as KKF may deem necessary in order to enable it, at its expense, to apply for, prosecute and obtain copyrights, trademarks, patents or other proprietary rights in the United States and in foreign countries or in order to transfer to KKF all right, title, and interest in said intellectual property. Franchisee shall promptly disclose to KKF all inventions, discoveries, improvements, creations, patents, copyrights, trademarks and confidential information relating to the Center which it or any of its owners, officers, managers or employees has made or may make solely, jointly or commonly with others and shall promptly create a written record of the same. In addition to the foregoing, Franchisee acknowledges and agrees that any improvements or modifications, whether or not copyrightable or otherwise protectable as intellectual property, directly or indirectly related to the Center, shall be deemed to be a part of the Licensed Methods and shall inure to the benefit of KKF.

13.8 Ancillary Agreements. Any Manager and officer of Franchisee that does not own 5% or more of the equity in the Franchisee entity must sign KKF's form of System Protection Agreement. All of Franchisee's employees, independent contractors, agents, and representatives that may have access to KKF's confidential information must sign KKF's form of Confidentiality Agreement, unless such individual already signed a System Protection Agreement.

14. REPORTS, RECORDS AND FINANCIAL STATEMENTS

14.1 Reports. Franchisee shall establish and maintain, at its own expense, bookkeeping, accounting and data processing systems conforming to the specifications which KKF may prescribe from time to time (including, without limitation, requirements for timely entry of information into databases as may be prescribed by KKF, periodic printouts of reports generated and KKF's access to the data input by modem or other electronic means). KKF and its affiliates shall have the right of access to all data processed with respect to the Center. Franchisee shall provide access to KKF and its affiliates at any time by installing a modem or subscribing to a high speed electronic network connection service, as KKF shall designate, which meets KKF's standards and specifications. Franchisee shall supply KKF or its designee with reports in such manner and form as KKF may from time to time reasonably require, including:

- a. Within 10 days after the end of each calendar month, a report on the Center's Gross Revenues, car counts, average ticket and other information designated by KKF (if Franchisee is an entity, a report on such entity's Gross Revenues, car counts, average ticket, and

other information designated by KKF) for such calendar month, in a form as may be reasonably prescribed by KKF;

b. Within 30 days after the end of each calendar year, a report on Franchisee's local advertising expenditures, as further described in Section 12.3 of this Agreement and in KKF's recommended format; provided, however, that KKF has the right, upon 60 days' written notice to Franchisee, to require Franchisee to provide reports on local advertising expenditures on a more frequent basis, as determined by KKF in its sole discretion;

c. Within 10 days after the end of each calendar month and within 90 days after the end of Franchisee's fiscal year, a balance sheet and profit and loss statement for the Center which shall include, if Franchisee is an entity, a balance sheet and profit and loss statement for such entity, for such period (the monthly statements shall also reflect year-to-date information), prepared in KKF's recommended format, including utilizing the chart of accounts prescribed by KKF, and in accordance with generally accepted accounting principles ("GAAP"). If requested by KKF, Franchisee shall have the profit and loss statement and the balance sheet shall be certified by a certified public accountant;

d. Copies of Franchisee's federal income tax reports relating to the Kwik Kar Center for the preceding year shall be submitted to KKF by May 1st of each year; and

e. Any other data, information and supporting records reasonably requested by KKF from time to time, including without limitation, daily, weekly or monthly reports of services and products provided to customers, by category and specifically formatted financial information relating to revenues and expenses for the Center.

KKF reserves the right to disclose data derived from such reports, without identifying Franchisee, except to the extent identification of Franchisee is required by law. KKF reserves the right to require Franchisee to participate in its financial management programs and to charge a reasonable fee based on the actual cost for such programs. Franchisee consents to KKF and its designees obtaining financial and account information regarding the Center and its operations from third parties with whom Franchisee does business as and when deemed necessary by KKF.

14.2 Books and Records. Franchisee shall maintain all books and records for the Kwik Kar Center in accordance with: (i) generally accepted accounting principles, consistently applied, (ii) the chart of accounts designated by KKF, and (iii) the standards and specifications of KKF as set forth in the Brand Standards Manual, and preserve these records for at least three years after the fiscal year to which they relate.

14.3 Failure to Submit Reports. If Franchisee fails to timely submit the reports and financial statements required in Section 14.1 of this Agreement, then KKF, at its option, has the right to audit the books and records of the Kwik Kar Center, at Franchisee's expense. If such audit discloses an understatement of Franchisee's Gross Revenues of the Kwik Kar Center, Franchisee shall immediately pay all deficiencies which may be due and owing to KKF, including interest at 18% per annum. The failure of Franchisee to timely submit the required reports and financial statements may be considered by KKF to be a material default under this Agreement.

14.4 Audit. From the date Franchisee and KKF sign this Agreement until three years after the expiration or termination of this Agreement, including any renewal period, KKF or KKF's authorized agent shall have the right to request, receive, inspect and audit any of the business records, financial or otherwise, of Franchisee or any party affiliated with Franchisee, including but not limited to Franchisee's

Principal Owners, Managers, other owners, guarantors, officers, directors, employees, or representatives, any immediate family members of Franchisee or of such affiliated parties, or any companies or entities associated with Franchisee or such affiliated parties, that KKF in its sole discretion determines may be relevant in determining the business results of Franchisee's Kwik Kar Center; such as verifying that Franchisee has paid all fees and other amounts owed to KKF based on the revenues of Franchisee or otherwise. Inspections and audits conducted at the Kwik Kar Center may take place without prior notice. KKF may also require at any time the records from Franchisee or its affiliated parties be sent to KKF's offices or another location to permit the inspection or audit of such records to be conducted at KKF's place of business or the other location. If KKF notifies Franchisee that documents are to be sent to a location other than the Kwik Kar Center for the purpose of conducting an inspection or audit at that location, Franchisee shall provide the requested documents to KKF within the time period set forth in KKF's notice. Franchisee will be responsible for any expenses associated with collecting and delivering any documents requested by KKF for its inspection or audit. Franchisee agrees that KKF will have the right to inspect and audit any records of Franchisee or any affiliated party that KKF determines to be relevant in its sole discretion, which records may include, in addition to those referred to above, (i) any books and records of the Kwik Kar Center; (ii) point-of-sale and cash register tapes; (iii) sales slips; (iv) computer hard drives (v) tax returns; (vi) quarterly and/or annual financial statements, including profit and loss statements and balance sheets; (vii) copies of checks, check ledgers and bank statements for checking and savings accounts; (viii) all contracts or agreements entered into by Franchisee and any third parties related to its Kwik Kar Center, including but not limited to contracts with customers; and (ix) any other documents requested by KKF. KKF may inspect and audit documents covering a period beginning with the date on which Franchisee first acquired its Kwik Kar Center and ending on the date such audit is concluded. All documents provided for KKF's inspection or audit must be certified by Franchisee and the appropriate affiliated party, if applicable, as true, complete and correct. Should any inspection or audit disclose a deficiency in the payment of any amounts required to be paid or spent under this Agreement, Franchisee shall pay the deficiency to KKF immediately, without prejudice to any other remedy of KKF under this Agreement, including interest at 18% per annum. In addition, if (i) such deficiency for any audit period equals or exceeds 2% of the correct amount of any amounts required to be paid or spent under this Agreement during that audit period, (ii) Franchisee fails to submit any statements or reports required hereunder to KKF, (iii) Franchisee fails to have the books, records and other requested items available for an audit after receiving reasonable, advance notice from KKF; or (iv) Franchisee otherwise fails to cooperate with KKF's request related to an audit; and KKF conducts an audit of Franchisee's books and records, then in any such case Franchisee will also pay to KKF the entire cost of the inspection or audit including travel, lodging, meals, salaries, the fees and expenses of attorneys and any independent accountants, and other expenses of the inspecting or auditing personnel immediately.

14.5 Financial Records Use and Access. KKF reserves the right to disclose data derived from all financial and accounting reports received from Franchisee to other franchisees and affiliates in the Kwik Kar system with information identifying Franchisee. KKF also reserves the right to disclose data derived from all financial and accounting reports received from Franchisee to parties outside the Kwik Kar system, without identifying Franchisee, except to the extent identification of Franchisee is required by law. Franchisee consents to KKF obtaining financial and account information regarding the Center and its operations from third parties with whom Franchisee does business, as and when deemed necessary by KKF.

14.6 Business Records. Franchisee acknowledges and agrees that KKF owns all records (“**Business Records**”) with respect to customers of, and/or related to, Franchisee's Kwik Kar Center; including, without limitation, all databases (whether in print, electronic or other form) with customer and potential customers, names, addresses, phone numbers, e-mail addresses, and customer purchase records, and all other records contained in the database, and all financial records of the type described in Section 14.5. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration

or cancellation of this Agreement, KKF may access such Business Records, and may utilize, transfer, or analyze such Business Records as KKF determines to be in the best interest of the Kwik Kar system, in KKF's sole discretion.

15. TRANSFER

15.1 Transfer by Franchisee. The franchise rights granted herein are personal to Franchisee and, except as stated below, KKF shall not allow or permit any transfer, assignment, subfranchise or conveyance of this Agreement or any interest hereunder. The Franchisee acknowledges that prior to approving any transfer, KKF may impose reasonable conditions on the Franchisee and its purported transferee including, but not limited to, those conditions listed in Section 15.2. As used in this Agreement, the term “**transfer**” shall mean and include the voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition by Franchisee (or any of its owners) of any interest in: (1) this Agreement; (2) the ownership of the Franchisee entity; (3) the Center or any assets of the Center, or (4) any leasehold, ownership, or other interest in the Franchised Location real estate. A transfer shall also include an assignment, sale, gift or other disposition resulting from a divorce, insolvency, corporate, limited liability company or partnership dissolution proceeding or by other operation of law or, in the event of the death of Franchisee, or an owner of Franchisee, transfer by will, declaration of or transfer in trust or under the laws of intestate succession. A transfer of ownership in the Kwik Kar Center and its assets may only be made in conjunction with a transfer of this Agreement.

15.2 Pre-Conditions to Franchisee's Assignment. Franchisee shall not transfer its rights under this Agreement, or any interest in it, or any part or portion of the business entity that owns it, or a substantial portion of the assets used in connection therewith, unless Franchisee and the transferee obtain KKF's prior written consent and comply with the following:

a. Franchises purchased at a discounted fee as offered by KKF (as described in KKF's FDD) may not be transferred or offered for resale by Franchisee prior to Franchisee opening such Kwik Kar Center.

b. Franchisee shall pay all amounts due and owing to KKF or its affiliates.

c. The proposed transferee must be qualified to become a franchisee and shall be evaluated for approval by KKF, based on the same criteria as is currently being used to assess new franchisees of KKF.

d. The proposed transferee shall execute a franchise agreement (with a new term of Agreement) and related agreements, including but not limited an owners' agreement or other guaranty, in a form then currently offered by KKF, which shall supersede this Agreement and related agreements, in all respects. The terms of the new franchise agreement and related agreements may differ substantially from the terms of this Agreement. The transferee will not be required to pay any additional initial franchise fee.

e. The proposed transferee shall satisfactorily complete the initial training program described in this Agreement before the transfer of Franchisee's rights under this Agreement. Franchisee or the transferee shall pay KKF a training fee of \$2,500.00 per trainer for up to five days of on-site training, which shall be due prior to the closing of the transfer. KKF shall, in its sole discretion, determine the number of days of training and the number of trainers required based on the transferee's experience in the industry.

f. If required by KKF, the Kwik Kar Center and its equipment and systems shall be upgraded and remodeled, at Franchisee's and/or the proposed transferee's expense, or Franchisee

and/or the proposed transferee shall enter into a Deferred Maintenance Agreement, to conform to the then current design and performance specifications, as reasonably determined necessary in the sole discretion of KKF. The limitation on upgrades and remodeling in Section 9.1.1 above does not apply to this subsection.

g. Franchisee must execute a general release, in a form satisfactory to KKF, of any and all claims against KKF and affiliated companies and their respective officers, directors, employees and agents arising up to the effective date of the transfer.

h. Franchisee, the proposed transferee or both parties together shall pay to KKF a transfer fee in the amount of \$5,000, including a \$1,000 non-refundable deposit at the time of notice of transfer and the balance at the time of and in the event of approved transfer. The amount of the transfer fee is subject to increase based on changes in the Price Index for the year in which Franchisee transfers the Center as compared to the Price Index for the year this Agreement was fully executed. The adjustment will be the difference between the Price Index for the month which immediately precedes the date Franchisee intends to transfer this Agreement and the average monthly Price Index during the calendar year when this Agreement was fully executed. Notwithstanding any statement herein to the contrary, the transfer fee shall not decrease below \$5,000.

i. Franchisee shall give written notice to KKF of the proposed transfer 90 days prior to the proposed transfer date. The notice shall include disclosure of all material terms and conditions of the proposed transaction and an executed agreement with the proposed transferee, together with such information about the proposed transferee as shall be necessary for KKF to assess the qualifications of the proposed transferee to become a Kwik Kar franchisee. Any purchase agreement or other agreement entered into by Franchisee for the sale or transfer of the Kwik Kar Center or other interest in the Franchise shall include in its terms that the sale or transfer is conditional upon and subject to KKF's right of first refusal, described in Section 15.4 below, and KKF's right to approve the sale or transfer in accordance with this Agreement.

j. Written evidence shall be submitted from Franchisee's landlord, if applicable, that the landlord will consent to assign the lease or sublease for the Kwik Kar Center to the transferee, or other evidence shall be submitted to KKF showing that the transferee will have a right to possession of the Franchised Location.

k. Franchisee shall reimburse KKF upon receipt of KKF's invoice for any broker commissions, finder's fees, placement fees or similar charges KKF incurs as a result of the transfer.

l. Franchisee must continue to abide by the restrictive covenants contained in Section 18 below.

15.3 KKF's Approval of Transfer. KKF has 30 days from the date of notice from Franchisee to approve or disapprove of Franchisee's proposed transfer. Franchisee acknowledges the proposed transferee shall be evaluated for approval by KKF based on the same criteria as is currently being used to assess new franchisees of KKF and that such proposed transferee shall be provided with such disclosures as may be required by state or federal law. KKF will not unreasonably withhold its consent to any proposed transfer. Franchisee acknowledges that KKF shall have the right to approve the material terms and conditions of the transfer, including, without limitation, the right to confirm that the price and terms of payment are not so burdensome as to adversely affect the transferee's operation of the Center. If Franchisee or the transferring owners of Franchisee finance any part of the sale price of the transferred

interest, unless waived in writing by KKF, Franchisee or its transferring owners must agree that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved by Franchisee or its transferring owners in the assets of the Center or the Franchised Location shall be subordinate to the transferee's obligation to pay Royalties, Advertising Contributions and other amounts due to KKF and its affiliates and to otherwise comply with this Agreement or the then current form of franchise agreement. Additionally, KKF shall have the right to interview the proposed transferee as part of KKF's approval process and Franchisee agrees that KKF shall have the right to discuss matters related to the performance of the Franchised Location with such proposed transferee. If Franchisee so requests, KKF may, but is not obligated to, assist Franchisee in the resale of the Center to another party, in which case Franchisee must pay KKF a resale assistance fee of \$3,600. This fee is in addition to any fees or commissions due to any brokers that are employed by either Franchisee or KKF in connection with a proposed transfer.

15.4 Right of First Refusal. In the event Franchisee desires to sell or otherwise transfer its rights under this Agreement or any interest in it, or a part or portion of any business entity that owns it, or all or a substantial portion of the assets of the Kwik Kar Center to a third party, Franchisee shall grant to KKF or its designee a 30 day right of first refusal to purchase such rights or assets proposed to be transferred on the same terms and conditions as are contained in the written agreement signed by Franchisee and the proposed transferee and the following additional terms and conditions shall apply:

a. The 30-day period within which KKF or its designee may exercise its right of first refusal shall run concurrently with the period within which KKF has to approve or disapprove of Franchisee's proposed transfer or sale. The time within which KKF or its designee may exercise its right of first refusal shall commence as of the date of the notice provided by Franchisee to KKF containing all information described in Section 15.2.h above and receipt by KKF of the written agreement of transfer signed by Franchisee and the proposed transferee containing all of the terms and conditions of the transfer.

b. KKF's right of first refusal arises with respect to each proposed transfer. Any material change in the terms or conditions of the proposed transfer shall be deemed a separate transfer for which a new 30-day period for the right of first refusal shall be given and new documents shall be submitted to KKF.

c. If the consideration or the manner of payment offered by a third party is such that KKF may not reasonably be required to furnish the same, then KKF may purchase the interest which is proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the amount of the cash equivalent, an independent appraiser shall be designated by KKF, whose determination will be binding upon the parties. All expenses of the appraiser shall be paid for equally between KKF and Franchisee. In the event that the terms of the proposed transfer include an offer on the part of Franchisee to finance a portion of the purchase price on behalf of the proposed transferee, then the same terms shall be made available to KKF.

d. The closing between KKF or its designee and Franchisee shall occur upon the later of the date of closing set forth in the written agreement of transfer signed by Franchisee and the proposed transferee, or 60 days from the date of KKF's notice of exercise of its right of first refusal.

e. If KKF chooses not to exercise its right of first refusal, Franchisee shall be free to complete the transfer, to the proposed transferee, subject to compliance with Sections 15.2 and 15.3 above.

f. KKF's right of first refusal shall be waived by KKF and shall not apply if the proposed transfer is to an immediate family member of Franchisee, is a transfer governed by Section 15.7 below or is any one of the specific types of transfers described in Section 15.5 below.

g. KKF shall have the right to assign its right of first refusal to another party including, but not limited to, any affiliate or other franchisee of KKF.

15.5 Specific Types of Transfers. Franchisee acknowledges that KKF's right to approve or disapprove of a proposed transfer and all other requirements and rights related to such a transfer as provided in this Section 15 shall apply: (a) if Franchisee is a partnership, limited liability company or other business association, to the proposed addition or deletion of a partner or members of the company or association or the transfer of any partnership or membership among existing partners or members; (b) if Franchisee is a corporation, to any proposed issuance of securities or transfer of outstanding securities of a corporate Franchisee, which issuance or transfer would involve 40% or more of the outstanding equity securities of the corporate Franchisee, whether such issuance or transfer occurs in a single transaction or several transactions; and (c) if Franchisee is an individual, to the proposed transfer from such individual or individuals to a corporation or limited liability company controlled by them, in which case, KKF's approval will be conditioned upon: (i) the continuing personal guarantee of the individual (or individuals) for the performance of obligations under the Agreement; (ii) the issuance or transfer of shares or membership interests which would affect the controlling interest in the corporation or limited liability company being conditioned on KKF's prior written approval; (iii) a limitation on the corporation's or company's business activity to that of owning the Kwik Kar Center and related activities; and (iv) other reasonable conditions. With respect to a proposed transfer as described in Sections 15.5(a) and (c) above, KKF shall waive any transfer fee chargeable to Franchisee for a transfer.

15.6 Assignment by KKF. This Agreement is fully assignable by KKF and shall inure to the benefit of any assignee or other legal successor in interest, and KKF shall in such event be fully released from the same.

15.7 Death or Disability of Franchisee. Upon the death or permanent disability of Franchisee, or a guarantor of Franchisee's obligations under this Agreement or an owner of 40% or more of the ownership in the Franchisee's entity ("**Owner**"), the executor, administrator, conservator, guardian or other personal representative of the deceased or disabled Franchisee, guarantor or Owner shall transfer his or her interest in this Agreement or such interest in Franchisee to a third party who has been approved by KKF. The transfer of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed six months from the date of death or permanent disability, and shall be subject to all the terms and conditions applicable to transfers contained in Section 15 of this Agreement, except as otherwise stated. Failure to transfer the interest in this Agreement or such interest in Franchisee within said period of time shall constitute a breach of this Agreement. For purposes hereof, the term "**permanent disability**" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Franchisee, guarantor or Owner from supervising the management and operation of the Kwik Kar Center for a period of six months from the onset of such disability, impairment or condition.

16. TERM AND EXPIRATION

16.1 Term. The term of this Agreement is from the date of this Agreement until 15 years from the date of the opening of the Kwik Kar Center, unless sooner terminated as provided herein. The parties will execute the Opening Date Rider attached as Attachment I-2 to specify the date of the opening of the Center.

16.2 Continuation. If for any reason, Franchisee continues to operate the Center beyond the term of this Agreement or any subsequent renewal period, it shall be deemed to be on a month-to-month basis under the terms of this Agreement and subject to termination upon 30 days' notice by KKF or as required by law. If said hold-over period exceeds 90 days, this Agreement is subject to immediate termination by KKF unless applicable law requires a longer period. Upon termination after any hold-over period, Franchisee and those in active concert with Franchisee, including family members, officers, directors, partners, managers, members and managing agents, are subject to the terms of Sections 17.4, 17.5, 17.6, 18.2, 18.3 and 18.4 of this Agreement and all other applicable post-termination obligations contained in this Agreement.

16.3 Rights Upon Expiration. Franchisee shall have the option to renew the Franchise for either (i) an additional 15 year term, or (ii) an additional five year term with an automatic extension for a subsequent five year term (Franchisee can void the automatic extension for the subsequent five year term by providing written notice to KKF at least six months before the expiration of the first additional five year term), by acquiring successor franchise rights, if KKF does not exercise its right not to offer a successor franchise in accordance with Section 16.5 below and if Franchisee fulfills the following conditions precedent:

a. Franchisee shall have performed all obligations under this Agreement and shall have not received a written notification of breach of this Agreement more than four times during the term of this Agreement;

b. Franchisee is not, at the time of renewal, in default or under notification of breach of this Agreement;

c. Franchisee executes the then current form of franchise agreement being offered to new Kwik Kar franchisees (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal franchise) within 30 days after the new form of agreement is submitted to Franchisee for execution, which agreement may contain terms materially different than those in this Agreement. KKF shall not charge any additional initial franchise fee, but as to Royalties, Advertising Contributions and other fees, Franchisee shall be subject to any changes in such fees or other material provisions of this Agreement;

d. Franchisee pays a Renewal Fee (as defined below) to KKF concurrently with the execution of the successor franchise agreement (for purposes of this Agreement, the "**Renewal Fee**" shall mean: (i) \$0 if Franchisee provides at least six months' notice, chooses to enter into the then-current Franchise Agreement that provides for a term of 15 years, and the renewal franchise agreement is signed at least six months in advance of the expiration of this Agreement, (ii) \$2,500 if a franchisee provides at least six months' notice, chooses to enter into the then-current Franchise Agreement that provides for a term of five years with an automatic extension for a subsequent five year term, and the renewal franchise agreement is signed at least six months in advance of the expiration of this Agreement, and (iii) \$5,000 in all other circumstances;

e. Franchisee upgrades and remodels the Kwik Kar Center and its equipment and systems, at Franchisee's expense, to conform to the then current design and performance specifications, as reasonably determined necessary, in the sole discretion of KKF; and

f. Franchisee executes a general release, in form satisfactory to KKF, of any and all claims against KKF and its affiliated companies and their respective officers, directors, members, managers, employees and agents arising out of or relating to this Agreement during the initial term hereof.

16.4 Exercise of Option for Successor Franchise. Franchisee shall exercise its option for a successor franchise by giving written notice of such exercise to KKF not earlier than 12 months nor later than 180 days prior to the expiration of this Agreement. Franchisee's successor franchise rights shall become effective by signing the Franchise Agreement then currently being offered to new franchisees of KKF and by paying the Renewal Fee.

16.5 Conditions of Refusal. KKF shall not be obligated to offer Franchisee a successor franchise upon expiration of this Agreement if Franchisee fails to comply with any of the above conditions of renewal. In such event (except for failure to execute the then current Franchise Agreement and pay the Renewal Fee), KKF shall give notice of expiration at least 180 days prior to the expiration of the term (unless such refusal is due to Franchisee's failure to comply with Section 16.3, subsections a., b., c., d., e. or f. thereof, later than that time), and such notice shall set forth the reasons for KKF's refusal to offer successor franchise rights. Upon expiration of this Agreement, Franchisee shall comply with the provisions of Section 17.4 below.

17. DEFAULT AND TERMINATION

17.1 Termination by KKF - Effective Upon Notice. KKF shall have the right, at its option, to terminate this Agreement and all rights granted to Franchisee hereunder, without affording Franchisee any opportunity to cure any default (subject to any state laws to the contrary, where state law shall prevail), effective upon receipt of notice by Franchisee, addressed as provided in Section 22.6, upon the occurrence of any of the following events:

a. **Abandonment.** If Franchisee ceases to operate the Center or otherwise abandons the Center for a period of three consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue operation of the Center, unless and only to the extent that full operation of the Center is suspended or terminated due to fire, flood, earthquake or other similar causes beyond Franchisee's control and not related to the availability of funds to Franchisee;

b. **Insolvency; Assignments.** If Franchisee becomes insolvent or is adjudicated a bankrupt; or any action is taken by Franchisee, or by others against Franchisee under any insolvency, bankruptcy or reorganization act, (this provision may not be enforceable under federal bankruptcy law, 11 U.S.C. §§ 101 et seq.), or if Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed by Franchisee;

c. **Unsatisfied Judgments; Levy; Foreclosure.** If any material judgment (or several judgments which in the aggregate are material) is obtained against Franchisee and remains unsatisfied or of record for 30 days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against Franchisee's business or any of the property used in the operation of the Center and is not discharged within five days; or if the real or personal property of Franchisee's business shall be sold after levy thereupon by any sheriff, marshal or constable;

d. **Criminal Conviction.** If Franchisee is convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of KKF, to materially and unfavorably affect the Licensed Methods, Marks and goodwill and reputation thereof;

e. **Failure to Make Payments.** If Franchisee fails to pay any amounts due KKF or its affiliates, including the second installment of the initial franchise fee and any amounts which

may be due as a result of any subleases or lease assignments between Franchisee and KKF and its affiliates, within 10 days after notice that such fees or amounts are overdue;

f. **Misuse of Marks.** If Franchisee misuses or fails to follow KKF's directions and guidelines concerning use of KKF's Marks and fails to correct the misuse or failure within ten days after notification from KKF;

g. **Unauthorized Disclosure.** If Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of KKF's Brand Standards Manual or any other trade secrets or confidential information of KKF;

h. **Repeated Noncompliance.** If Franchisee has received two previous notices of default from KKF and is again in default of this Agreement within a 12-month period, regardless of whether the previous defaults were cured by Franchisee;

i. **Unauthorized Transfer.** If Franchisee sells, transfers or otherwise assigns the Franchise, an interest in the Franchise or Franchisee entity, this Agreement, the Center or a substantial portion of the assets of the Center owned by Franchisee without complying with the provisions of Section 15 above;

j. **Breach of Related Agreement.** Franchisee defaults under any term of the sublease or lease assignment for the Franchised Location, any other agreement material to the Center or any other Franchise Agreement between KKF and Franchisee and such default is not cured within the time specified in such sublease, other agreement or other Franchise Agreement; or

k. **Filing Non-Compliant Legal Action.** If Franchisee or any of the Franchisee Affiliates (as defined in Section 21.3) files or otherwise commences litigation, arbitration, or any other legal action against KKF or any of the KKF Affiliates (as defined in Section 21.3), that is not in compliance with the dispute resolution terms agreed upon in Article 21 as may be modified by any applicable rider in Attachment IV, and fails to dismiss such action within seven days after notification from KKF.

17.2 Termination by KKF - Thirty Days' Notice. KKF shall have the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon 30 days written notice to Franchisee, if Franchisee breaches any other provision of this Agreement and fails to cure the default during such 30 day period. In that event, this Agreement will terminate without further notice to Franchisee, effective upon expiration of the 30 day period. Defaults shall include, but not be limited to, the following:

a. **Failure to Maintain Standards.** Franchisee fails to maintain the then current operating procedures and adhere to the specifications and standards established by KKF as set forth herein or in the Brand Standards Manual or otherwise communicated to Franchisee;

b. **Deceptive Practices.** Franchisee engages in any unauthorized business or practice or sells any unauthorized product or service under KKF's Marks or under a name or mark which is confusingly similar to KKF's Marks;

c. **Failure to Obtain Consent.** Franchisee fails, refuses or neglects to obtain KKF's prior written approval or consent as required by this Agreement; or

d. **Failure to Comply with Manual.** Franchisee fails or refuses to comply with the then-current requirements of the Brand Standards Manual.

Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within such 30 day period and Franchisee has commenced and is continuing to make good faith efforts to cure the breach during such 30 day period and has provided KKF written notice of the same prior to the expiration of the 30 day period, Franchisee shall be given an additional reasonable period of time, but not more than 90 days, to cure the same, and this Agreement shall not automatically terminate. In the event of a default by Franchisee, all of KKF's costs and expenses arising from such default, including reasonable legal fees and reasonable hourly charges of KKF's administrative employees shall be paid to KKF within five days after cure or upon demand by KKF if such default is not cured.

17.3 Cross Default and Cross Termination.

a. Any default by Franchisee under this Agreement will be deemed a default of all agreements between Franchisee, an Owner, and/or any Franchisee Affiliates (as defined in Section 21.3 below), on the one hand, and KKF and/or any KKF Affiliate (as defined in Section 21.3 below), on the other hand (the "**Other Agreements**"). A default by Franchisee, an Owner, and/or any Franchisee Affiliate under any of the Other Agreements will be deemed a default under this Agreement. A default by any guarantor(s) of this Agreement or of any of the Other Agreements will be deemed a default of this Agreement.

b. If this Agreement is terminated as a result of a default hereunder, KKF may, at its option, elect to terminate any or all of the Other Agreements. If any of the Other Agreements is terminated as a result of a default by Franchisee, an Owner, and/or any Franchisee Affiliate, KKF may, at its option, elect to terminate this Agreement. It is agreed that an incurable or uncured default under this Agreement or any of the Other Agreements will be grounds for termination of this Agreement and/or any and all of the Other Agreements without additional notice or opportunity to cure.

17.4 Rights and Obligations Upon Termination or Expiration. Upon termination or expiration of this Agreement, Franchisee shall immediately take the following actions and provide written assurances to KKF, including any additional evidence that KKF requests, that such actions have been completed:

a. Pay Royalties, Advertising Contributions and other amounts owed to KKF or its affiliates within 10 days of the effective date of termination or expiration;

b. Cease, directly or indirectly, to represent to the public that the former Kwik Kar Center is or was operated or in any way connected with the Kwik Kar system or hold itself out as a present or former Franchisee of KKF, and cease use of the Marks, processes, materials, methods or promotional materials provided by KKF and take all necessary steps to disassociate itself from KKF, including without limitation, the removal of signs, destroying letterhead, advertising materials, invoices or other items containing the Marks;

c. Immediately deliver to KKF the Brand Standards Manual and all other information, software, documents and copies thereof which are proprietary to KKF or its affiliates, including, without limitation, all client lists and related client information contained in computer databases or otherwise;

d. Relinquish all interest of any kind in the franchise and, in the event KKF or its designee does not exercise its right to acquire Franchisee's interest in the Kwik Kar Center and

the Franchised Location described in Section 17.5 below, immediately take steps to de-identify the Franchised Location so as to distinguish it from a Kwik Kar Center, including removal of signage, alteration of distinctive coloring, interior and exterior design and modification of other aspects of the premises closely identified with the Kwik Kar name and Marks;

e. Promptly take such action as may be required to cancel all assumed or trade names or equivalent registrations relating to the use of the Kwik Kar name or, at the option of KKF, assign the same to KKF or its affiliates;

f. Notify the telephone company, all telephone directory publishers, Internet service providers, and social media website operators of the termination or expiration of Franchisee's right to use any telephone number, any regular, classified or other telephone directory listings, domain names, or social media websites or accounts associated with the Marks and to authorize transfer thereof to KKF or its designee. Franchisee acknowledges that KKF or its affiliates have the right to take assignment of all telephone, telecopy and facsimile machine numbers, directory listings, web addresses, domain names, and social media websites and accounts associated with any Mark. Franchisee authorizes KKF, and hereby appoints KKF and its officers as Franchisee's attorney-in-fact, to direct the telephone company, all telephone directory publishers, Internet service providers, and social media website operators to transfer any telephone, telecopy and facsimile machine numbers, directory listings, web addresses, domain names, and social media websites and accounts relating to the Kwik Kar Center to KKF or its designee. If Franchisee fails or refuses to do so, the telephone company, telephone directory publishers, Internet service providers, and social media website operators may accept this directive, as stated, as conclusive evidence of KKF's rights to such telephone numbers, directory listings, web addresses, domain names, and social media websites and accounts and, in the alternative, KKF's authority to direct their transfer;

g. If applicable, take such action as may be required to remove from the Internet all sites referring to Franchisee's former Kwik Kar Center or any of the Marks and to cancel or assign to KKF, in KKF's sole discretion, all rights to any domain names for any sites on the Internet that refer to Franchisee's former Kwik Kar Center or any of the Marks;

h. Comply with all applicable provisions of any conditional or collateral assignment of the lease for the Franchised Location premises, or Option and Center Lease, as may be in effect;

i. Abide by the covenants not to compete and confidentiality provisions set forth in Section 18 of this Agreement; and

j. Follow any procedures established by KKF to ensure the expiration of this Agreement creates the least disruption possible to the Kwik Kar system, including those procedures set forth in the Brand Standards Manual.

17.5 Option to Purchase. Upon termination or expiration of this Agreement for any reason, KKF or its designee shall have the option to purchase the Center or a portion of the assets of the Center (including Franchisee's leasehold or ownership interest, as applicable, in and to the real estate upon which the Center is located, unless otherwise agreed upon) at fair market value, less any amount apportioned to the goodwill of the Center which is attributable to the Marks and Licensed Methods, and less any amounts owed to KKF by Franchisee. The following additional terms shall apply to KKF's exercise of this option:

a. KKF's option hereunder shall be exercisable by providing Franchisee with written notice of its intention to exercise the option given to Franchisee no later than the effective date of termination, in the case of termination, or at least 90 days prior to the expiration of the term of the franchise, in the case of non-renewal.

b. The terms and conditions of this right and option to purchase may be recorded, if deemed appropriate by KKF, in the real property records and KKF or its designee and Franchisee shall execute such additional documentation as may be necessary and appropriate to effectuate such recording.

c. KKF or its designee shall set the closing for the purchase to take place no later than 60 days after the termination or nonrenewal date. At KKF's option Franchisee shall continue the Center operations by extension of this Agreement, through the closing date. KKF shall pay the purchase price in full at the closing, in a manner as otherwise agreed upon by KKF and Franchisee or, at KKF's option, in twenty-four (24) equal monthly installments, with interest at a rate equal to the prime rate published by the Wall Street Journal on the date of closing. Franchisee shall sign all documents of assignment and transfer as are reasonably necessary for purchase of the Center or its assets by KKF or its designee.

d. If KKF and Franchisee cannot agree on the fair market value of the Center or the assets being purchased by KKF, then the fair market value shall be determined by an independent third-party appraisal. KKF and Franchisee shall each select one independent appraiser, and the two so selected shall select a third appraiser, all three to determine fair market value. The fair market value shall be the arithmetic mean of the values determined by the three appraisers and such determination will be binding upon the parties. KKF and Franchisee will each bear the expenses of their chosen appraiser. All expenses of the third appraiser shall be paid for equally between KKF and Franchisee. In the event that KKF does not exercise KKF's right to purchase Franchisee's Center as set forth above, Franchisee will be free to keep or to sell, after such termination or expiration, to any third party, all of the physical assets of its Center; provided, however, that all appearances of the Marks are first removed in a manner approved in writing by KKF.

17.6 Continuing Obligations. The foregoing rights of KKF upon termination for any reason shall not be exclusive, but shall be in addition to and not in lieu of any other rights available to KKF under the terms hereof or at law or in equity. Termination of this Agreement under any circumstances shall not abrogate, impair, release, or extinguish the debt, obligation or liability of Franchisee that may have accrued hereunder, including without limitation, any debt, obligation or liability which was the cause of termination. All covenants and agreements of Franchisee that by their terms or by reasonable implication are to be performed, in whole or in part, after the termination of this Agreement, including without limitation, Franchisee's obligations of nondisclosure and confidentiality, shall survive any termination of this Agreement.

17.7 Acknowledgement. In the event this Agreement is terminated by KKF prior to its expiration as set forth in Sections 17.1, 17.2 and 17.3 above, Franchisee acknowledges that, in addition to all available remedies, KKF shall have the right to recover lost future royalties during any period in which Franchisee fails to pay such royalties through and including the remainder of the then current term of this Agreement. Such lost future royalties shall be calculated based on the average of Franchisee's monthly Gross Revenues over the three years preceding the date of termination or the date that Franchisee failed to pay such royalties (or such shorter period if the termination or payment failure occurred prior to the third anniversary of this Agreement), multiplied by the number of full months from the date Franchisee has failed to pay such royalties and for the remainder of the then current term had this Agreement not been

terminated. Notwithstanding the foregoing, if Franchisee never opened its Center and/or never generated any Gross Revenues, then such lost future royalties shall instead be calculated based on the average monthly Gross Revenues of all Centers in the Kwik Kar system during the three years preceding the date of termination or the date that Franchisee failed to pay such royalties, as determined by KKF in its reasonable discretion, multiplied by the number of months in which Franchisee has failed to pay such royalties and in the remainder of the then current term had this Agreement not been terminated.

17.8 State and Federal Law. THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THAT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW SHALL GOVERN THE FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

18. RESTRICTIVE COVENANTS

18.1 Noncompetition During Term. Franchisee acknowledges that, in addition to the license of the Marks hereunder, KKF has also licensed commercially valuable information which comprises and is a part of the Licensed Methods, including without limitation, operations, marketing, advertising and related information and materials and that the value of this information derives not only from the time, effort and money which went into its compilation, but from the usage of the same by all franchisees of Kwik Kar using the Marks and Licensed Methods. Therefore, other than the Kwik Kar Center licensed herein, any other Kwik Kar Centers licensed under other franchise agreements with KKF or its affiliates, and any Grease Monkey or SpeeDee oil change and auto service businesses licensed under a franchise agreement with KKF's affiliates, Grease Monkey Franchising, LLC or SpeeDee Worldwide, LLC, respectively, neither Franchisee nor any of Franchisee's officers, directors and Owners of five percent or more of the equity securities of a corporate franchisee, nor any member of his or their immediate families, shall during the term of this Agreement:

- a. Have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business; or
- b. Perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business; or
- c. Own any assets used to operate a Competitive Business; or
- d. Receive any portion of the sales proceeds or net income or any other benefit from a Competitive Business.

The term "**Competitive Business**" as used in this Agreement shall mean any business operating, or any business granting franchises or licenses to others to operate, a business providing automotive lubrication, maintenance or repair services. Notwithstanding the foregoing, Franchisee shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent five percent or less of that class of securities issued and outstanding.

18.2 Post-Termination Covenant Not to Compete. Franchisee acknowledges that, pursuant to the franchise relationship established in this Agreement, Franchisee has acquired from KKF confidential information regarding Kwik Kar's Marks and Licensed Methods and that, in the event this Agreement is terminated, Franchisee could injure KKF or its affiliates, not only because it is no longer a Franchisee but, in addition, because Franchisee would be able to take those customers it has acquired over a period of

time in the event Franchisee were to start another automotive lubrication, maintenance and repair business. Therefore, in the event the franchise rights granted pursuant to this Agreement are ever terminated, expire or Franchisee otherwise relinquishes all rights to the franchise through assignment or otherwise, for whatever reason, neither Franchisee nor its officers, directors and owners of five percent or more of the equity securities of a corporate franchisee, for a period of three years, commencing on the effective date of termination or expiration of this Agreement, or the date on which Franchisee ceases to conduct business, whichever is later, unless authorized under another franchise agreement with KKF or its affiliates, shall (a) have any direct or indirect interest (through a member of any immediate family of Franchisee, its officers, directors and Owners of five percent or more of the stock of a corporate franchisee or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, member, manager, employee, consultant, representative or agent in, or (b) in any other capacity (i) engage in, (ii) own any assets used in, or (iii) receive any portion of the sales proceeds or net income or any other benefit from, a Competitive Business within a radius of 25 miles of the location of Franchisee's former Kwik Kar Center, or within a radius of 5 miles of any other Kwik Kar Center operating as of the date of termination or expiration of this Agreement or assignment by Franchisee. This covenant not to compete is intended to be a reasonable restriction on Franchisee. For purposes of interpreting this covenant not to compete, every month of time and mile of distance shall be considered severable. In the event a court of competent jurisdiction interprets either the spatial or temporal limitations of this Agreement to be overly broad, then the court shall adjust the offending limitation, either by months of time or miles of distance, so as to fashion a reasonably enforceable covenant.

18.3 No Interference With Business. During the term of this Agreement and for three years thereafter, Franchisee and its officers, directors and owners of 5% or more of the equity securities of a corporate franchisee, and his, her or their immediate families, shall not divert or attempt to divert any business related to, or any customer or prospective customer of the Kwik Kar Center, by direct inducement or otherwise, or diverting or attempting to divert the employment of any employee or independent contractor of Kwik Kar, to any Competitive Business by any direct inducement or otherwise.

18.4 Confidentiality of Proprietary Information. Franchisee acknowledges that after execution of this Agreement, Franchisee will have access to confidential information and trade secrets which are proprietary to KKF and its affiliates, through participation in KKF's training programs, receipt of the Brand Standards Manual and otherwise. Franchisee acknowledges that the unauthorized use of such information (including, without limitation, failing to promptly return the Brand Standards Manual and other proprietary information, as required under Section 17.4, upon the expiration or termination of this Agreement) or the disclosure of such information, or any part thereof, to unauthorized third parties will be injurious to KKF. Franchisee, and all of Franchisee's employees who have attended KKF's training programs or had access to the Brand Standards Manual or are otherwise privy to such information, shall not make unauthorized use of, or disclose to any unauthorized third party, the systems, techniques, operating procedures, marketing systems or other trade secrets or confidential information relating to the establishment and operation of a Kwik Kar franchise.

18.5 Confidentiality Agreements. KKF reserves the right to require that Franchisee have its officers, directors, managers, owners of 5% or more of a Franchisee which is an entity, or members of Franchisee's or Principal Owner's immediate family, and its Manager or any other person who has attended KKF's training programs execute a nondisclosure and noncompetition agreement containing the provisions set forth in this Section 18, and further, Franchisee shall notify KKF of the identity of each and every above-described person and provide KKF with an originally executed copy of each such nondisclosure and noncompetition agreement.

18.6 Beginning of Three Year Period. If Franchisee commits a breach of Section 18.2 or Section 18.3 above, the three-year period shall start on the date Franchisee is enjoined from competing or interfering, or stops competing or interfering with the business of Kwik Kar, whichever is later.

18.7 Additional Remedies for Breach. Franchisee acknowledges that, if there is any act in violation of Sections 18.1, 18.2, 18.3 or 18.4 of this Agreement, it will be impossible to determine with specificity the damage to KKF. Therefore, in addition to any other remedies or damages, within 30 days of any act in violation of Sections 18.1, 18.2, 18.3 or 18.4 of this Agreement, Franchisee shall pay to KKF the sum of \$20,000 plus 6% of the average of Franchisee's monthly Gross Revenues over the three years prior to the violation, or such shorter period if the violation occurred prior to the third anniversary of this Agreement, multiplied by the number of full months from the date of the violation until the end of the term of this Agreement or, if the violation is subsequent to the expiration or termination of this Agreement, multiplied by the number of months until expiration of the noncompetition or no interference period.

18.8 Interpretation. All parties to this Agreement acknowledge that this Section has been fully negotiated and has been entered into freely. This Section shall not be interpreted against either party as drafter.

19. INSURANCE

19.1 Insurance Coverage. Franchisee shall procure and maintain during the term of this Agreement, with an insurer or insurers rated "A" or better by A.M. Best & Company, Inc. and reasonably acceptable to KKF, a policy or policies of the following insurance: (a) commercial general liability insurance with a limit of not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate, including, without limitation, blanket business interruption coverage; (b) replacement cost property insurance in an amount equal to at least 80% of the highest coverage permitted by law or the replacement cost of the building and contents comprising the Kwik Kar Center as provided in a lease; (c) garage-keepers liability insurance for damage to vehicles that are in Franchisee's care, custody and control with a limit of not less than \$30,000 for the Kwik Kar Center; (d) unemployment and workmen's compensation insurance with a broad form all-states endorsement coverage sufficient to meet the requirements of applicable state law and employer's liability insurance with a limit of not less than \$100,000 for each accident for bodily injury by accident; and (e) automobile liability coverage with a limit not less than \$1,000,000 per accident for bodily injury and property damage, such coverage shall include all owned, non-owned and hired autos. All policies of insurance shall contain endorsements requiring at least 30 days advance written notice to KKF of any cancellation, termination or reduction of coverage therein. Notice of the renewal of any policy shall be made at least 10 days prior to the scheduled date of such renewal, and shall be in the form of endorsement to the policy. Notice to KKF of any replacement of any policy shall be made at least 10 days prior to such replacement, and shall be in the form of a copy of the replacement policy, or by certificate of insurance detailing the policy terms and conditions noted above.

19.2 Proof of Insurance. Prior to commencement of operations at its Kwik Kar Center, Franchisee shall provide KKF with proof of insurance that includes endorsements adding KKF, its subsidiaries and affiliates, including, without limitation, Kwik Kar International, Inc., and their respective stockholders, officers, directors, employees, agents and assignees as additional insureds under the commercial general liability insurance and garage-keepers liability insurance. This proof will show that the insurer has been authorized to inform KKF in the event any policies lapse or are cancelled. Franchisee's insurance shall be primary and noncontributory for the additional insureds and shall include a blanket waiver of subrogation. KKF has the right to change the type of insurance Franchisee is required to maintain and the coverage limits of the required insurance by giving Franchisee 60 days prior notice. Noncompliance with the insurance provisions set forth herein shall be deemed a material breach of this Agreement; in the event of

any lapse in insurance coverage, in addition to all other remedies, KKF shall have the right to demand that Franchisee cease operations of the Kwik Kar Center until coverage is reinstated, or, in the alternative, KKF may purchase insurance for Franchisee and pay any delinquencies in premium payments and charge the same back to Franchisee, plus 20% of the premium for KKF's costs and expenses in obtaining the insurance.

20. BUSINESS RELATIONSHIP

20.1 Independent Businesspersons. During the term of this Agreement, Franchisee shall be an independent contractor and shall in no way be considered as an agent, servant or employee of KKF. It is understood and agreed that no agency, partnership or fiduciary relationship is created by this Agreement. As such, Franchisee has no authority of any nature whatsoever to bind KKF or incur any liability for or on behalf of KKF or to represent itself as anything other than an independent contractor. Franchisee shall exercise full and complete control over and have full responsibility for any and all labor relations, including the hiring, firing, disciplining, compensation and work schedule of their employees. In all public records, and on letterhead and business forms, Franchisee shall indicate its independent ownership of the Kwik Kar Center and that it is a franchisee of KKF. Franchisee acknowledges that KKF has no responsibility to ensure that the Kwik Kar Center is developed and operated in compliance with all applicable laws, ordinances and regulations and that KKF shall have no liability in the event the development or operation of the Kwik Kar Center violates any law, ordinance or regulation.

20.2 Payment of Third Party Obligations. KKF shall have no liability for Franchisee's obligations to pay any third parties, including without limitation, any sales, use, service, occupation, excise, gross receipts, income, property or other tax levied upon Franchisee, Franchisee's Kwik Kar Center, Franchisee's property or upon KKF in connection with the sales made or business conducted by Franchisee (except any taxes KKF is required by law to collect from Franchisee with respect to purchases from KKF).

20.3 Indemnification. Franchisee shall indemnify, defend and hold harmless KKF, its subsidiaries and affiliates, and their shareholders, directors, officers, members, managers, employees, agents, successors and assignees, (the "**Indemnified Parties**") against, and to reimburse them for all claims, obligations and damages described in this Section 20.3, any and all third party obligations described in Section 20.2 and any and all claims and liabilities directly or indirectly arising out of: the operation of the Kwik Kar Center; Franchisee's employment or other contractual relationship with its employees or independent contractors, including any claim or allegation that KKF is an employer or joint employer of the employee; any loss of data, including but not limited to customer information, resulting from a breach of such data caused, in whole or in part, by Franchisee; the relationship of the parties under this Agreement; or the use of the Marks and Licensed Methods in any manner not in accordance with this Agreement. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. KKF shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

21. ARBITRATION

21.1 Arbitration. All controversies, disputes or claims between KKF, its subsidiaries and affiliated companies and their shareholders, officers, directors, members, managers, agents, employees and attorneys (in their representative capacity) and Franchisee (and its employees, officers, directors, managers, owners and guarantors, if applicable) arising out of or related to: (1) this Agreement or any

other agreement between the parties or any provision of such agreements; (2) the relationship of the parties hereto; (3) the validity of this Agreement or any other agreement between the parties or any provision of such agreements; or (4) any system standard shall be submitted for binding arbitration to the American Arbitration Association; except for controversies, disputes or claims related to enforcement by KKF or its affiliates of their rights in the Marks, the enforcement of the covenants not to compete and not to solicit, or any lease of real estate, which actions KKF, at its option, may bring either in a court of competent jurisdiction or in arbitration. Such arbitration proceedings shall be conducted in Denver, Colorado and shall be heard by one arbitrator in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association, except as such rules are modified by this Agreement. The arbitrator shall be a resident of the State of Colorado, knowledgeable of Colorado law. If the American Arbitration Association or any successor is no longer in existence at the time arbitration is commenced, KKF and Franchisee will agree on another arbitration organization to conduct the arbitration proceeding. The decision as to whether a claim is subject to mandatory arbitration shall be made by an arbitrator, not a court, except that the decision whether the arbitration may proceed as a class action shall be made by a court.

Each party shall bear its own costs in arbitration prior to a ruling. However, the arbitrator shall have the right to award or include in the award any relief available and appropriate under the applicable law (as set forth in Section 21.3) and this Agreement, provided that the arbitrator shall not award exemplary or punitive damages. The award and decision of the arbitrator shall be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction. The parties shall be bound by the provisions of any applicable limitation on the period of time by which claims must be brought under applicable law or this Agreement, whichever is less. In connection with any such arbitration proceeding, each party shall file any compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within 30 days after the date of the filing of the claim to which it relates. This provision shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Franchisee and KKF agree that arbitration shall be conducted on an individual, not a class-wide, basis, that Franchisee and the Franchisee Affiliates shall not institute a proceeding with other Franchisees or their officers, directors, managers, partners or owners, and that an arbitration proceeding between KKF and Franchisee shall not be consolidated with any other arbitration proceeding involving KKF and any other person, corporation, limited liability company or partnership.

21.2 Injunctive Relief. Notwithstanding anything to the contrary contained in Section 21.1 of this Agreement, KKF and Franchisee shall each have the right in a proper case to obtain temporary or preliminary injunctive relief from a court of competent jurisdiction. KKF shall have the right to obtain such temporary or preliminary injunctive relief, without posting a bond or bonds totaling more than \$1,000, but upon due notice, and Franchisee's sole remedy in the event of the entry of such injunctive relief shall be the dissolution of such injunctive relief, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of such injunction being expressly waived hereby). Any such action shall be brought as provided in Section 21.3 below.

21.3 Governing Law/Consent to Jurisdiction/Waiver of Jury Trial. All disputes to be arbitrated by KKF, its affiliates and Franchisee shall be governed by the Federal Arbitration Act and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. Notwithstanding the foregoing, the parties agree that the Colorado Consumer Protection Act (COLO. REV. STAT. ANN. Section 6-1-101, et seq.) shall not apply to this Agreement or any disputes between the

parties. Franchisee and KKF have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any arbitration or legal proceeding involving Franchisee, its owners, guarantors, employees, officers, directors or managers (collectively, “**Franchisee Affiliates**”) and KKF and its affiliates and their respective employees, officers, directors or managers (collectively, “**KKF Affiliates**”) the exclusive venue for disputes between them shall be in the state court or federal court in the City and County of Denver, Colorado, or in arbitration in Denver, Colorado, and each party shall waive any objection either may have to the personal jurisdiction of or venue in such state and federal courts of Denver, Colorado or arbitration in Denver, Colorado. Notwithstanding the foregoing, any legal proceeding by KKF or any KKF Affiliate not subject to mandatory arbitration may be brought in any court of competent jurisdiction in the country, state, province, or other geographic area in which the Center is located or in which Franchisee or any Franchisee Affiliate resides or owns assets. **KKF, KKF AFFILIATES, FRANCHISEE AND FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

21.4 Covenant of Good Faith. If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, Franchisee agrees that: (i) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants KKF the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with KKF’s explicit rights and obligations under this Agreement that may affect favorably or adversely Franchisee’s interests; (ii) KKF will use its judgment in exercising the discretion based on its assessment of its own interests and balancing those interests against the interests of Kwik Kar franchisees generally (including KKF and its affiliates if applicable), and specifically without considering Franchisee’s individual interests or the individual interests of any other particular franchisee; (iii) KKF will have no liability to you for the exercise of KKF’s discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for KKF’s judgment so exercised.

22. SECURITY INTEREST

22.1 Security Interest. To secure payment and performance of the Obligations, Franchisee grants to KKF a continuing security interest in the following “**Collateral**” which shall consist of all of the following properties, assets and rights of Franchisee: all goods (including inventory, equipment, vehicles and signs), accounts, fixtures and contract rights (including leases) of or relating to the Center, wherever located, now owned or hereafter acquired, and in all improvements, attachments, additions, accessions, replacements and substitutions thereto and proceeds and products therefrom.

22.2 Obligations. “**Obligations**” shall mean:

a. All obligations, including payments for equipment and supplies, obligations and payments under this Agreement and other agreements between KKF and its affiliates and Franchisee and its affiliates, including any Multi-Unit Agreement, and other amounts and obligations owed to KKF and its affiliates.

b. All expenditures of any kind or nature made by KKF or its affiliates to preserve the Collateral, including, but not limited to, all amounts paid to discharge taxes, liens, security interests, leases, and any other encumbrances against the Collateral, and to repair any damage to the Collateral or otherwise preserve or maintain the Collateral and all insurance thereon.

c. All expenditures, including reasonable attorneys' fees, which KKF or its affiliates make or incur in connection with collecting any and all obligations secured hereby or in enforcing or protecting its rights under this Agreement.

d. All other indebtedness, obligations and liabilities of Franchisee to KKF, its affiliates or other third parties, direct or indirect, absolute or contingent, due or to become due, whether now existing or hereafter arising.

22.3 Authorization to File Financing Statements. Franchisee hereby irrevocably authorizes KKF and its affiliates at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto and to furnish any information relating to such filings to KKF promptly upon KKF's request. Franchisee further agrees, at the request and option of KKF, to take any and all other actions KKF may determine to be necessary or useful for the attachment, perfection and first priority of, and the ability of KKF to enforce, KKF's security interest in any and all of the Collateral.

22.4 Possession of Collateral. Upon default and termination of Franchisee's rights under this Agreement, KKF shall have the immediate right to possession and use of the Collateral.

22.5 Remedies. Upon the occurrence of any event of default set forth above or upon the occurrence of any other default in payment or performance of any Obligations for which this security interest is granted, KKF shall have, in addition to all other rights and remedies, the remedies of a secured party under the Uniform Commercial Code as then in effect in the state in which the Center is located ("UCC"), regardless of whether the UCC applies to the security transactions covered by this Agreement, including without limitation the right to accelerate the maturity of the obligations, without notice or demand, and to take possession of the Collateral and any proceeds thereof wherever located. Franchisee shall assemble the Collateral and make the Collateral and all records relating thereto available to KKF at a place to be designated by KKF that is reasonably convenient for both parties. If notice is required, KKF shall give to Franchisee at least five business days prior written notice of the time and place of any public sale of the Collateral or of the time after which any private sale or any other intended disposition is to be made. Franchisee hereby acknowledges that five business days' prior written notice of such sale or sales shall be reasonable notice. During the time that KKF is in possession of the Collateral, and to the extent permitted by law, KKF shall have the right to hold, use, operate, manage and control all or any part of the Collateral; to make all such repairs, replacements, alterations, additions and improvements to the Collateral as it may deem proper; and to demand, collect and retain all earnings, proceeds from such use and all other costs, expenses, charges, damages or losses by reason of such use.

23. MISCELLANEOUS PROVISIONS

23.1 Entire Agreement. This Agreement (which includes the attachments and attachments expressly incorporated herein) contains the entire agreement between the parties and supersedes any and all prior agreements concerning the subject matter hereof. KKF will not be liable or obligated for any oral representations or commitments made prior to the execution hereof or for claims of negligent or fraudulent misrepresentation based on any such oral representations or commitments and that no modifications of this Agreement will be effective except those in writing and signed by both parties. KKF does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement or in any related agreement, but nothing in this Agreement or in any related agreement is intended to disclaim the representations made by KKF in the franchise disclosure document provided to the Franchisee by KKF in connection herewith. Franchisee acknowledges that no representations have been made to it by KKF or its affiliates regarding projected sales volumes, market

potential, revenues, profits of Franchisee's Kwik Kar Center, or operational assistance other than as stated in this Agreement or in any franchise disclosure document provided by KKF in connection herewith.

23.2 Effective Date. This Agreement shall not be effective until accepted by KKF as evidenced by dating and signing by an officer or other duly authorized representative of KKF.

23.3 Review of Agreement. Franchisee acknowledges that it had a copy of this Agreement in its possession for a period of time not less than 14 days or 10 business days, whichever is applicable, during which Franchisee has had the opportunity to submit same to an attorney or other advisor of Franchisee's choosing for professional review and advice prior to freely executing this Agreement.

23.4 Invalidity. In the event that any arbitrator or court of competent jurisdiction determines that any provision of this Agreement, including but not limited to any of the restrictive covenants contained in Section 18 hereof, are unenforceable as written for any reason, including for purposes of the restrictive covenants, reasons that the areas of restriction exceed the reasonable maximum time period, geographic area or scope, then the parties hereby request and authorize the arbitrator or court to "blue pencil" such provision so as to make it enforceable and to best carry out the intent of the parties, or to deem such provision severed from this Agreement if it cannot be so modified. The holding, declaration or pronouncement shall not adversely affect any other provisions of this Agreement, which shall otherwise remain in full force and effect.

23.5 Waiver. No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by KKF or Franchisee shall be considered to imply or constitute a further waiver by KKF or Franchisee of the same or any other condition, covenant, right or remedy.

23.6 Notice. All notices or demands required hereunder shall be made in writing and shall be deemed to be fully given when deposited in the U.S. certified mail, postage prepaid, return receipt requested or when sent Federal Express or similar overnight courier to Kwik Kar Franchising, LLC, 5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111, or to its then current address, and to Franchisee to the address given in this Agreement. Mailing any notice hereunder sent by U.S. certified mail, postage prepaid or when sent Federal Express or similar overnight courier shall be presumptive evidence of delivery of the notice. Either party may change its address hereunder by notice to the other party, sent by U.S. certified mail postage prepaid, return receipt requested or when sent Federal Express or similar overnight courier.

23.7 Attorneys' Fees. In the event of any dispute between the parties to this Agreement, in addition to all other remedies, the non-prevailing party will pay the prevailing party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in any legal action, arbitration or other proceeding as a result of such dispute.

23.8 Modification. KKF and Franchisee may modify this Agreement only upon execution of a written agreement between the parties. Franchisee acknowledges that KKF may modify its standards and specifications set forth in the Brand Standards Manual unilaterally under any conditions and to the extent in which KKF, in its sole discretion, deems necessary to protect, promote, or improve the Marks and the quality of the Licensed Methods, but under no circumstances will such modifications be made without good cause therefor. Franchisee shall, at Franchisee's expense, accept and utilize any such changes or modifications which are reasonably requested as if they were a part of this Agreement.

23.9 Set Off. Franchisee shall not be allowed to set off amounts owed to KKF for Royalties, Advertising Contributions, fees or other amounts due hereunder, against any monies owed to Franchisee, nor shall Franchisee in any event withhold such amounts due to any alleged nonperformance by KKF

hereunder, which right of set off is hereby expressly waived by Franchisee. KKF shall be allowed to set off amounts owed to Franchisee against monies owed to KKF by Franchisee.

23.10 Delegation by KKF. From time to time, KKF shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents or affiliates of KKF or independent contractors which KKF has contracted with to provide such services. Franchisee agrees in advance to any such delegation by KKF of any portion or all of its obligations and duties hereunder.

23.11 Payment of Taxes. Franchisee shall reimburse KKF, or its affiliates and designees, promptly and when due, the amount of all sales taxes, use taxes, personal property taxes and similar taxes imposed upon, required to be collected or paid by KKF, or its affiliates or designees, on account of services or goods furnished by KKF, its affiliates or designees, to Franchisee through sale, lease or otherwise (except for any taxes KKF or its affiliates are required by law to collect from Franchisee with respect to the sale of products to Franchisee by KKF and its affiliates), or on account of collection by KKF of the initial franchise fee, Royalties, Advertising Contributions or any other payments made by Franchisee to KKF required under the terms of this Agreement.

23.12 Cumulative Rights. The rights and remedies of KKF and Franchisee hereunder are cumulative and no exercise or enforcement by KKF or Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by KKF or Franchisee of any other right or remedy hereunder which KKF or Franchisee is entitled by law to enforce.

23.13 Survival of Provisions. Any provisions that by their terms extend beyond termination or expiration of this Agreement shall continue in full force and effect subsequent to and notwithstanding the termination or expiration of this Agreement.

23.14 Incorporation of Riders. To the extent that any of the Riders to Franchise Agreement for Specific States attached as Attachment IV is applicable, such rider is incorporated herein and this Agreement is modified accordingly. The provisions in any applicable rider are included as a condition to registration or use in certain jurisdictions, and KKF is not precluded from contesting the validity, enforceability, or applicability of such provisions in any action relating to this Agreement or its rescission or termination.

23.15 Acknowledgement. BEFORE SIGNING THIS AGREEMENT, FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. FRANCHISEE ACKNOWLEDGES THAT:

A. THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON FRANCHISEE'S ABILITY AS AN INDEPENDENT BUSINESSPERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS, AND

B. NO ASSURANCE OR WARRANTY, EXPRESSED OR IMPLIED, HAS BEEN GIVEN AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED, AND

C. NO STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT, AND IN ANY DISCLOSURE DOCUMENT SUPPLIED TO FRANCHISEE IS BINDING ON KKF IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT.

23.16 Financial Statements. Franchisee understands that the audited financial statements (“**Financial Statements**”) attached to the Franchise Disclosure Document have been prepared by a licensed certified public accountant in accordance with Generally Accepted Accounting Principles (“**GAAP**”) in the United States governing the preparation of Financial Statements as of the effective date of the Franchise Disclosure Document. Franchisee further acknowledges that GAAP accounting rules and standards may change over time, and that Financial Statements prepared under different new GAAP accounting rules or standards could result in Financial Statements that report results that appear different in the future or change the Financial Statements previously used in a Franchise Disclosure Document. Franchisee represents and warrants to KKF that Franchisee reviewed the Financial Statements of KKF attached the Franchise Disclosure Document and that to the extent that Franchisee is relying on the Financial Statements as they are currently prepared as the basis for making Franchisee’s decision to purchase the Franchised Business, future changes in those Financial Statements due to changes in GAAP will not affect the Franchisee’s decision.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

(Signature page to Franchise Agreement)

IN WITNESS WHEREOF, the parties hereto set their hands and seals the day and year as set forth above.

KKF:

KWIK KAR FRANCHISING, LLC

By: _____
Ron Stilwell, President

FRANCHISEE:

By: _____

**ATTACHMENT I TO
FRANCHISE AGREEMENT**

1. **Initial Franchise Fee.** The Initial Franchise Fee, referenced in Section 2.2 of the Agreement, shall be \$ _____. The initial franchise fee shall be payable in full concurrently with the execution of this Agreement.

2. **Franchised Location.** The Franchised Location, referenced in Section 3.1 of the Agreement shall be _____.

OR

2. **Designated Area.** The “**Designated Area**” referenced in Section 3.1 of the Agreement shall be: _____.

3. **Notices.** The business address for any notices mailed pursuant to Section 23.6 of the Agreement shall be as follows: _____.

4. **Acknowledgement.** By execution hereof or Attachment I-1, KKF hereby accepts the above-stated Franchised Location and Franchisee acknowledges that (1) KKF’s acceptance of the Franchised Location does not constitute a guarantee, recommendation or endorsement of the Franchised Location and the success of the Kwik Kar Center to be operated at such Franchised Location is dependent upon Franchisee’s abilities as an independent business person; and (2) that KKF has complied with its obligations under the Agreement to assist Franchisee by provision of criteria for the Franchised Location and determination of fulfillment of the requisite criteria for the Franchised Location.

(Signatures on Following Page)

(Signature page to Attachment I to Franchise Agreement)

Fully executed this _____ day of _____, 202__.

KKF:

KWIK KAR FRANCHISING, LLC

By: _____
Ron Stilwell, President

FRANCHISEE:

By: _____

**ATTACHMENT I-1
TO FRANCHISE AGREEMENT**

FRANCHISED LOCATION RIDER

1. **Franchised Location.** The Franchised Location, set forth in Section 3.1 of the Agreement shall be _____.

2. **Legal Address.** The business address for any notices mailed pursuant to Section 23.6 of the Agreement shall be changed to read as follows: _____.

3. **Acknowledgement.** By execution hereof, KKF hereby accepts the above-stated Franchised Location and Franchisee acknowledges that (1) KKF's acceptance of the Franchised Location does not constitute a guarantee, recommendation or endorsement of the Franchised Location and the success of the Kwik Kar Center to be operated at such Franchised Location is dependent upon Franchisee's abilities as an independent business person; and (2) KKF has complied with its obligations under the Agreement to assist Franchisee by provision of criteria for the Franchised Location and determination of fulfillment of the requisite criteria for the Franchised Location.

Fully executed this _____ day of _____, 202__.

KKF:

KWIK KAR FRANCHISING, LLC

By: _____
Ron Stilwell, President

FRANCHISEE:

By: _____

**ATTACHMENT I-2
TO FRANCHISE AGREEMENT**

OPENING DATE RIDER

1. **Opening Date.** It is agreed that the date of the opening of Franchisee's Kwik Kar Center is _____.

2. **Acknowledgement.** By execution hereof, the parties hereby accept the above-stated opening date and Franchisee acknowledges that KKF has complied with its obligations under the Agreement to provide opening assistance to Franchisee.

Fully executed this _____ day of _____, 202__.

KKF:

KWIK KAR FRANCHISING, LLC

By: _____
Ron Stilwell, President

FRANCHISEE:

By: _____

**ATTACHMENT II
TO FRANCHISE AGREEMENT
STATEMENT OF OWNERSHIP**

Franchisee: _____

Trade name (if different from above): _____

Form of Ownership
(Check One)

_____ Individual _____ Partnership _____ Corporation _____ Limited Liability Co.

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name and address of the manager(s) and list the names and addresses of each member and the percentage of membership interest held by each member.

Franchisee acknowledges that this Statement of Ownership applies to the Kwik Kar Center authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to KKF in writing.

FRANCHISEE:

By: _____

**ATTACHMENT III
TO FRANCHISE AGREEMENT**

OWNERS' AGREEMENT

As a condition to the granting by Kwik Kar Franchising, LLC (“we” or “us”), of a Franchise Agreement with _____ (“Franchisee”), each of the undersigned individuals (“Owners”), who constitute all of the owners of a beneficial interest in Franchisee, as well as their respective spouses (“Spouses”), covenant and agree to be bound by this Owners’ Agreement (“Owners’ Agreement”).

1. Acknowledgments.

1.1 Franchise Agreement. Franchisee entered into a franchise agreement with us effective as of this _____ day of _____, 202__ (“Franchise Agreement”). Capitalized words not defined in this Owners’ Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2 Owners’ Role. Owners are the beneficial owners of all of the equity interest in Franchisee and acknowledge there are benefits received and to be received by each Owner, jointly and severally, and for themselves, their heirs, legal representatives and assigns. Franchisee’s obligations under the Franchise Agreement, including the confidentiality and non-compete and non-solicitation obligations, would be of little value to us if Franchisee’s owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Owners’ Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Owners’ Agreement.

2. Non-Disclosure and Protection of Confidential Information.

Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of a franchised business. The provisions of the Franchise Agreement governing Franchisee’s non-disclosure obligations relating to our Confidential Information are hereby incorporated into this Owners’ Agreement by reference, and Owners agree to comply with each obligation as though fully set forth in this Owners’ Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners’ Agreement as we may seek against Franchisee under the Franchise Agreement. Any and all information, knowledge, know-how, techniques, and other data, which we designate as confidential, will also be deemed Confidential Information for purposes of this Owners’ Agreement.

3. Covenant Not To Compete and Not to Solicit.

3.1 Non-Competition and Non-Solicitation During and After the Term of the Franchise Agreement. Owners acknowledge that as a participant in our system, they will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which we have developed. The provisions of the Franchise Agreement governing Franchisee’s restrictions on competition and solicitation both during the term of the Franchise Agreement and following the expiration or termination of the Franchise Agreement are hereby incorporated into this Owners’ Agreement by reference, and Owners agree to comply with and perform each such covenants as though fully set forth in this Owners’ Agreement as a direct and primary obligation of Owners. Further, we may

seek the same remedies against Owners under this Owners' Agreement as we may seek against Franchisee under the Franchise Agreement.

3.2 Construction of Covenants. The parties agree that each such covenant related to non-competition and non-solicitation will be construed as independent of any other covenant or provision of this Owners' Agreement. If all or any portion of a covenant referenced in this Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 3.

3.3 Our Right to Reduce Scope of Covenants. Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any covenant referenced in this Section 3 of this Owners' Agreement, without Owners' consent (before or after any dispute arises), effective when we give Owners written notice of this reduction. Owners agree to comply with any covenant as so modified.

4. Guarantee.

4.1 Payment. Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement on the dates and in the manner required for payment in the relevant agreement.

4.2 Performance. Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement on the date and times and in the manner required in the relevant agreement.

4.3 Indemnification. Owners will indemnify, defend and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for by reason of: (a) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (b) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

4.4 No Exhaustion of Remedies. Owners acknowledge and agree that we will not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Owners' Agreement, and the enforcement of such obligations can take place before, after, or contemporaneously with, enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.

4.5 Waiver of Notice. Without affecting Owners' obligations under this Section 4, we can extend, modify, or release any of Franchisee's indebtedness or obligation, or settle, adjust, or compromise any claims against Franchisee, all without notice to the Owners. Owners waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

4.6 Effect of Owner's Death. Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Section 4, but only for defaults and obligations hereunder existing at the time of death; and the obligations of any other Owners will continue in full force and effect.

5. Audit.

Owners acknowledge and agree that they are individually bound to the audit provisions in the Franchise Agreement.

6. Transfers.

Owners acknowledge and agree that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources and personal character. Accordingly, Owners agree not to sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding Transfers. Owners acknowledge and agree that any attempted Transfer of an interest in Franchisee requiring our consent under the Franchise Agreement for which our express written consent is not first obtained will be a material breach of this Owners' Agreement and the Franchise Agreement.

7. Notices.

7.1 Method of Notice. Any notices given under this Owners' Agreement shall be in writing and delivered in accordance with the provisions of the Franchise Agreement.

7.2 Notice Addresses. Our current address for all communications under this Owners' Agreement is:

Kwik Kar Franchising, LLC
5575 DTC Parkway, Suite 100
Greenwood Village, Colorado 80111

The current address of each Owner for all communications under this Owners' Agreement is designated on the signature page of this Owners' Agreement. Any party may designate a new address for notices by giving written notice to the other parties of the new address according to the method set forth in the Franchise Agreement.

8. Enforcement of This Owners' Agreement.

8.1 Dispute Resolution. Any claim or dispute arising out of or relating to this Owners' Agreement shall be subject to the dispute resolution provisions of the Franchise Agreement. This agreement to engage in such dispute resolution process shall survive the termination or expiration of this Owners' Agreement.

8.2 Choice of Law; Jurisdiction and Venue. This Owners' Agreement and any claim or controversy arising out of, or relating to, any of the rights or obligations under this Owners' Agreement, and any other claim or controversy between the parties, will be governed by the choice of law and jurisdiction and venue provisions of the Franchise Agreement.

8.3 Provisional Remedies. We have the right to seek from an appropriate court any provisional remedies, including temporary restraining orders or preliminary injunctions to enforce Owners' obligations under this Owners' Agreement. Owners acknowledge and agree that there is no adequate remedy at law for Owners' failure to fully comply with the requirements of this Owners' Agreement. Owners further acknowledge and agree that, in the event of any noncompliance, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. If injunctive relief is granted, Owners' only remedy will be the

court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Owners expressly waive all claims for damages they incurred as a result of the wrongful issuance.

9. Miscellaneous.

9.1 No Other Agreements. This Owners' Agreement constitutes the entire, full and complete agreement between the parties, and supersedes any earlier or contemporaneous negotiations, discussions, understandings or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Owners' Agreement, other than those in this Owners' Agreement. No other obligations, restrictions or duties that contradict or are inconsistent with the express terms of this Owners' Agreement may be implied into this Owners' Agreement. Except for unilateral reduction of the scope of the covenants permitted in Section 3.3 (or as otherwise expressly provided in this Owners' Agreement), no amendment, change or variance from this Owners' Agreement will be binding on either party unless it is mutually agreed to by the parties and executed in writing. Time is of the essence.

9.2 Severability. Each provision of this Owners' Agreement, and any portions thereof, will be considered severable. If any provision of this Owners' Agreement or the application of any provision to any person, property or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Owners' Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties (i.e. to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement), and the parties agree to be bound by the modified provisions.

9.3 No Third-Party Beneficiaries. Nothing in this Owners' Agreement is intended to confer upon any person or entity (other than the parties and their heirs, successors and assigns) any rights or remedies under or by reason of this Owners' Agreement.

9.4 Construction. Any term defined in the Franchise Agreement which is not defined in this Owners' Agreement will be ascribed the meaning given to it in the Franchise Agreement. The language of this Owners' Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Owners' Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation

9.5 Binding Effect. This Owners' Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Owners' Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors and (permitted) assigns.

9.6 Successors. References to "we," "us," "the undersigned," or "you" include the respective parties' heirs, successors, assigns or transferees.

9.7 Nonwaiver. Our failure to insist upon strict compliance with any provision of this Owners' Agreement shall not be a waiver of our right to do so. Delay or omission by us respecting any breach or default shall not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Owners' Agreement shall be cumulative.

9.8 No Personal Liability. You agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Owners' Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

9.9 Owners' Agreement Controls. In the event of any discrepancy between this Owners' Agreement and the Franchise Agreement, this Owners' Agreement shall control.

IN WITNESS WHEREOF, the parties have entered into this Owners' Agreement as of the effective date of the Franchise Agreement.

OWNERS:

Fully executed this _____ day of _____, 202__.

KKF:

KWIK KAR FRANCHISING, LLC

By: _____
Ron Stilwell, President

FRANCHISEE:

By: _____

OWNERS:

**ATTACHMENT IV TO
FRANCHISE AGREEMENT**

RIDERS TO FRANCHISE AGREEMENT FOR SPECIFIC STATES

If any one of the following Riders to the Franchise Agreement for Specific States (“Riders”) is checked as an “Applicable Rider” below, then that Rider shall be incorporated into the Franchise Agreement entered into by Kwik Kar Franchising, LLC and the undersigned Franchisee. To the extent any terms of an Applicable Rider conflict with the terms of the Franchise Agreement, the terms of the Applicable Rider shall supersede the terms of the Franchise Agreement.

Applicable Rider:

- California
- Illinois
- Indiana
- Maryland
- Minnesota
- New York
- North Dakota
- Rhode Island
- Virginia
- Wisconsin

KWIK KAR FRANCHISING, LLC

FRANCHISEE (Print Name)

By: _____

By: _____

Title: _____

Title: _____

CALIFORNIA RIDER TO THE FRANCHISE AGREEMENT

1. Section 21.3 is deleted and replaced with the following language:

All disputes to be arbitrated by KKF, its affiliates and Franchisee shall be governed by the Federal Arbitration Act and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. Notwithstanding the foregoing, the parties agree that the Colorado Consumer Protection Act (Colo. Rev. Stat. Ann. Section 6-1-101, et seq.) shall not apply to this Agreement or any disputes between the parties. Franchisee and KKF have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any arbitration or legal proceeding involving Franchisee, its owners, guarantors, employees, officers, directors or managers (collectively, “**Franchisee Affiliates**”) and KKF and its affiliates and their respective employees, officers, directors or managers (collectively, “**KKF Affiliates**”) consent to jurisdiction and venue for disputes between them in the state court or federal court in the City and County of Denver, Colorado, or in arbitration in Denver, Colorado, and each party shall waive any objection either may have to the personal jurisdiction of or venue in such state and federal courts of Colorado or arbitration in Denver, Colorado. Notwithstanding the foregoing, any legal proceeding by KKF or any KKF Affiliate not subject to mandatory arbitration may be brought in any court of competent jurisdiction in the country, state, province, or other geographic area in which the Center is located or in which Franchisee or any Franchisee Affiliate resides or owns assets. **KKF, KKF AFFILIATES, FRANCHISEE AND FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

2. 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.

ILLINOIS RIDER TO THE FRANCHISE AGREEMENT

1. Illinois law governs this Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisee’s rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

5. 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.

INDIANA RIDER TO THE FRANCHISE AGREEMENT

The following modifications are made to the Franchise Agreement only to the extent required by the Indiana Franchises Act, IND. CODE § 23-2-2.5, and the Indiana Deceptive Franchise Practices Act, IND. CODE § 23-2-2.7:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Colorado state law, if such provisions are in conflict with Indiana law.

2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.

3. Any provision in the Franchise Agreement that would require Franchisee to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.

4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is modified to the geographic area of the Designated Area (if one is designated) or a reasonable area surrounding the Franchised Location (if no Designated Area is designated).

5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in this Agreement which limits in any manner whatsoever litigation brought for breach of this Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

MARYLAND RIDER TO THE FRANCHISE AGREEMENT

1. The following language is added at the end of Section 5.1:

KKF has posted a surety bond with the Maryland Securities Division to assure the performance of our initial obligations to Franchisee.
2. The following language is added at the end of Sections 15.2.g and 16.3.f:

Any release executed in connection herewith will not apply to any claims that may arise under the Maryland Franchise Registration and Disclosure Law.
3. The following language is added at the end of Article 21:

Franchisee may commence any cause of action arising under the Maryland Franchise Registration and Disclosure Law against KKF in any court of competent jurisdiction, including the state or federal courts of Maryland, unless otherwise governed by the arbitration provisions of this Agreement. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.
4. The following sentence is added to the end of Sections 23.1 and 23.15:

Provided, however, that this provision is not limited to, nor shall it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Laws.
5. Section 23.15.A is deleted.
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.

MINNESOTA RIDER TO THE FRANCHISE AGREEMENT

1. Any provision in the Franchise Agreement which would require Franchisee to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum, or remedies provided for by the laws of Minnesota.

3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving its rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require Franchisee to waive its rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.
4. With respect to franchises governed by Minnesota law, KKF will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.
5. KKF will protect Franchisee's rights under the Franchise Agreement to use the Marks, or indemnify Franchisee from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding Franchisee's use of the Marks, if Franchisee's use of the Marks is in compliance with the provisions of the Franchise Agreement and KKF's System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the terms of the Franchise Agreement which require Franchisee to sign a general release prior to renewing or transferring Franchisee's franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.
7. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80.C.
8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.

NEW YORK RIDER TO THE FRANCHISE AGREEMENT

1. The following is added at the end of Sections 15.2.g and 16.3.f:

Provided however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law, Section 687.4 and 687.5 be satisfied.

2. The following sentence is added to Section 7.2:

Any new or different requirements set forth in the Brand Standards Manual shall not unreasonably increase Franchisee's obligations or place an excessive burden on Franchisee's operation of its Kwik Kar Center.

3. The following sentence is added to Section 15.6:

However, no assignment shall be made except to an assignee who, in the good faith judgment of KKF, is willing and able to assume KKF's obligations under this Agreement.

4. The following is added to Article 16:

Franchisee may terminate this Agreement upon any grounds available by law.

5. The following is added to Section 20.3:

However, Franchisee shall not be required to indemnify KKF for any liabilities which arose as a result of KKF's breach of this Agreement or other civil wrongs committed by KKF.

6. The following sentence is added to Section 21.3:

The foregoing choice of law should not be considered a waiver of any right conferred upon either KKF or Franchisee by the General Business Law of the State of New York, Article 33. This language has been included in this Agreement as a condition to registration. KKF and Franchisee do not agree with the above language and believe that each of the provisions of this Agreement, including all choice-of-law provisions, are fully enforceable. KKF and Franchisee intend to fully enforce all of the provisions of this Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

NORTH DAKOTA RIDER TO THE FRANCHISE AGREEMENT

1. The North Dakota Securities Commissioner has held the following to be unfair, unjust or inequitable to North Dakota franchisees:

A. Restrictive Covenants: Franchise Disclosure Documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.

C. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Franchise agreements which specify that they are to be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary & Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Franchise agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.

I. Limitation of Claims: Franchise agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

RHODE ISLAND RIDER TO THE FRANCHISE AGREEMENT

1. The following paragraph is added at the end of Section 21.1:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

The above language has been included in this Agreement as a condition to registration. KKF and Franchisee do not agree with the above language and believe that each of the provisions of this Agreement, including all choice of law provisions, are fully enforceable. KKF and Franchisee intend to fully enforce all of the provisions of this Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

VIRGINIA RIDER TO THE FRANCHISE AGREEMENT

1. The following is added to the end of Section 17.2.e:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in this Agreement does not constitute “reasonable cause,” as that term is defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. 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.

WISCONSIN RIDER TO THE FRANCHISE AGREEMENT

1. The following paragraph is added to the end of Article 17:

The conditions under which this Agreement can be terminated or not renewed may be effected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.

EXHIBIT B

MULTI-UNIT AGREEMENT



KWIK KAR FRANCHISING, LLC
MULTI-UNIT AGREEMENT

Multi-Unit Franchisee: _____

Date: _____

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ATTACHMENTS:

- 1 Addendum to Franchise Agreement
- 2 Guaranty and Assumption of Multi-Unit Franchisee’s Obligations

MULTI-UNIT AGREEMENT

THIS MULTI-UNIT AGREEMENT (the “**MU Agreement**”) is made this _____ day of _____, 202__, by and between **KWIK KAR FRANCHISING, LLC**, a Delaware limited liability company, located at 5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111 (“**KKF**”) and _____, located at _____ (the “**Multi-Unit Franchisee**”).

RECITALS

A. KKF and its affiliates have developed a system for establishing and operating businesses that provide automotive lubrication and other approved automotive maintenance and repair services (“**Kwik Kar Centers**” or “**Centers**”), associated with the service mark “**KWIK KAR**” and design, and other trademarks, service marks, logos and identifying features (“**Marks**”) and KKF’s distinctive methods (“**Licensed Methods**”) for establishing and operating Kwik Kar Centers.

B. KKF grants the right to others to develop and operate Kwik Kar Centers under the Marks and pursuant to the Licensed Methods.

C. In addition to this MU Agreement, KKF and Multi-Unit Franchisee have entered into a Kwik Kar franchise agreement (the “**Initial Franchise Agreement**”) for the right to establish and operate a single Kwik Kar franchised business (the “**Initial Business**”). Multi-Unit Franchisee would like to use the Marks and Licensed Methods in connection with opening multiple Centers.

D. KKF desires to license Multi-Unit Franchisee to establish and operate such Centers under the Kwik Kar name and Marks, and under the terms and conditions which are contained in this MU Agreement and in the then-current Kwik Kar franchise agreements which will be executed between KKF and Multi-Unit Franchisee for each of such Centers (“**Franchise Agreements**”).

NOW, THEREFORE, in consideration of the fees and other sums payable hereunder by Multi-Unit Franchisee to KKF and the mutual covenants herein, the parties agree as follows:

1. GRANT OF DEVELOPMENT RIGHTS

1.1. In reliance on the application and information furnished by Multi-Unit Franchisee, and subject to the terms, provisions and conditions contained herein, KKF grants to Multi-Unit Franchisee the right to develop and establish the number of Kwik Kar Centers set forth in Attachment 1, attached hereto and incorporated herein by this reference.

1.2. Notwithstanding the above, KKF and its affiliates and successors, reserve the right, for themselves and their franchisees, without compensation to Multi-Unit Franchisee: (1) to use, and to license others to use, the Marks and Licensed Methods for the operation of Kwik Kar Centers at any location; (2) to use the Marks and Licensed Methods to identify services and products which Multi-Unit Franchisee sells and other than those which Multi-Unit Franchisee sells, promotional and marketing efforts or related items, and to identify products and services the same as or similar to those which Multi-Unit Franchisee will sell, which are made available through alternative channels of distribution including, without limitation, the Internet, social media marketing, catalog sales, telemarketing, or other direct marketing sales, at any location; (3) to use and license the use of other proprietary marks or methods in connection with the sale of products and services similar to or the same as those which Multi-Unit Franchisee will sell, whether in alternative channels of distribution including, without limitation, the Internet, social media marketing,



catalog sales, telemarketing, or other direct marketing sales, or in connection with the operation of businesses, at any location, which businesses are the same as, or similar to, or different from Kwik Kar Centers, on any terms and conditions as KKF deems advisable; and (4) to engage in any other activities not expressly prohibited in this MU Agreement.

1.3. Multi-Unit Franchisee acknowledges and agrees that it shall not establish any Kwik Kar Centers without the prior approval and consent of KKF.

1.4. Multi-Unit Franchisee agrees that if Multi-Unit Franchisee is an entity, all of the owners of Multi-Unit Franchisee shall sign the Guaranty and Assumption of Multi-Unit Franchisee's Obligations attached hereto as Attachment 2 and incorporated herein by reference.

2. INITIAL FRANCHISE FEES

2.1. Concurrently with the execution of this MU Agreement, KKF acknowledges that the Multi-Unit Franchisee has paid the applicable initial franchise fee for the Initial Business to be developed hereunder. In addition, Multi-Unit Franchisee shall pay a \$20,000 initial franchise fee for the second Center to be developed hereunder and a \$15,000 initial franchise fee for every additional Center to be developed hereunder (collectively, the "**Multi-Unit Fee**"), which fee is set forth in Attachment I herein. The fees described in this Section 2.1 represent payment in full of the initial franchise fees for the Centers to be developed under this MU Agreement. All fees, or any part thereof, are nonrefundable under all circumstances once paid.

3. DEVELOPMENT OBLIGATIONS

3.1. Multi-Unit Franchisee agrees to develop the number of Kwik Kar Centers, in accordance with the schedule set forth in Attachment 1 hereto.

3.2. The parties agree that a separate Franchise Agreement shall be executed by KKF and Multi-Unit Franchisee for each Kwik Kar Center to be developed under this MU Agreement. The Franchise Agreements for the second and subsequent Kwik Kar Centers to be developed hereunder will be executed within 10 days after KKF's approval of a location for the Kwik Kar Center to be operated thereunder, but in no event later than the date for executing the Franchise Agreement for each such Center set forth in Attachment I hereto. Notwithstanding the foregoing, the second and subsequent Franchise Agreements may be executed by an Authorized Entity, as that term is defined below, of Multi-Unit Franchisee provided that at all times Multi-Unit Franchisee must own and operate at least one Center. Multi-Unit Franchisee's, or an Authorized Entity's, failure to execute any additional Franchise Agreements or the default in any term of such Franchise Agreements may, at the option of KKF, be deemed a default under this MU Agreement and shall entitle KKF to terminate this MU Agreement as further provided in Section 4 below.

3.3. "**Authorized Entity**" shall mean a legal entity that is controlled by Multi-Unit Franchisee and meets KKF's then current standards and requirements for franchise owners, including without limitation financial requirements and limits on the total number of holders of equity interests and requirements for owners of non-controlling ownership interest. For the purposes of this definition, an entity shall be deemed to be controlled by Multi-Unit Franchisee if and only during such times as:

- (a) Multi-Unit Franchisee owns not less than 51% of all the ownership interests in such entity;



(b) Multi-Unit Franchisee has at least the percentage of voting power required under applicable law to authorize a merger, liquidation or transfer of substantially all of the assets of the entity;

(c) If the entity is a partnership, Multi-Unit Franchisee is the sole general partner of a limited partnership or managing partner of a general partnership; and

(d) Multi-Unit Franchisee establishes to the satisfaction of KKF that Multi-Unit Franchisee has, and, during the term of the Franchise Agreement for the Kwik Kar Center to be owned and operated by such entity, will have, the right and power to direct the management policies and operation of such entity and the sale or other disposition of such Center.

3.4. Multi-Unit Franchisee shall not, without the prior written approval of KKF, enter into any contract for the purchase or lease of any premises for use as a Kwik Kar Center. KKF's approval of a location for a Kwik Kar Center shall be evidenced by execution of the Franchise Agreement governing the location or by execution of an Addendum to Franchise Agreement identifying a location which is attached to the Franchise Agreement. KKF will provide written specifications for the location of each Kwik Kar Center, although Multi-Unit Franchisee acknowledges that KKF has no obligation to select or acquire a location on behalf of Multi-Unit Franchisee. Assistance by KKF will consist of the provision of criteria for a satisfactory location and, subsequently, a determination whether the location fulfills the requisite criteria for a Kwik Kar Center, based upon information submitted to KKF by Multi-Unit Franchisee in a form sufficient to assess the location.

3.5. All subsequent Kwik Kar Centers developed under this MU Agreement shall be established and operated pursuant to the form of Franchise Agreement, and related documents, then being used by KKF for a Kwik Kar Center. Multi-Unit Franchisee acknowledges that the then current form of Franchise Agreement and related documents may differ substantially from the Initial Franchise Agreement.

3.6. In addition to the assistance provided by KKF as set forth in Section 3.4 above, Multi-Unit Franchisee may request additional assistance from KKF in connection with site selection, site feasibility studies, lease negotiations and other issues related to development of its Kwik Kar Centers in connection with this MU Agreement. If KKF agrees to provide such assistance, Multi-Unit Franchisee agrees to pay all travel, lodging, living expenses and other identifiable expenses incurred in connection with such assistance.

3.7. Multi-Unit Franchisee shall not offer for sale, negotiate the sale of or sell any Kwik Kar Centers to be developed hereunder or any Franchise Agreement to be executed between Multi-Unit Franchisee and KKF for a Kwik Kar Center to be developed hereunder, to any third party, either in Multi-Unit Franchisee's own name or in the name and on behalf of KKF. Nothing herein constitutes Multi-Unit Franchisee as a subfranchisor, master franchisee or franchise broker of KKF and Multi-Unit Franchisee shall not in any manner subfranchise, share, divide or partition this MU Agreement or any rights granted hereunder, notwithstanding any other section or portion of this MU Agreement.

4. TERM AND TERMINATION

4.1. This MU Agreement shall commence as of the date of execution hereof and shall end on the date set forth on Attachment 1 hereto for the last Kwik Kar Center to be developed hereunder.

4.2. This MU Agreement may be terminated by Multi-Unit Franchisee upon 60 days prior written notice for any reason.



4.3. This MU Agreement may be terminated by KKF on 60 days prior written notice, such notice containing a right to cure such default, in the event of any of the following:

(a) If Multi-Unit Franchisee defaults on any term or condition of this MU Agreement; including without limitation, failure to develop in accordance with the schedule set forth in Section 3.1 above; or

(b) In the event of any occurrence which would entitle KKF to terminate any individual Franchise Agreement executed in furtherance of this MU Agreement.

This MU Agreement shall automatically terminate at the end of such 60 day notice period, unless Multi-Unit Franchisee cures the default set forth in such notice within said 60 day period.

4.4. In the event of termination of this MU Agreement for any reason, Multi-Unit Franchisee shall remain subject to the provisions of Section 6 of this MU Agreement regarding non-disclosure and covenants not to compete and not to solicit, in addition to the terms and conditions of any and all Franchise Agreements executed in furtherance of this MU Agreement which have not also been terminated.

5. ASSIGNMENT

5.1. KKF may transfer or assign its rights under this MU Agreement at any time upon notice to Multi-Unit Franchisee, provided that KKF has fulfilled its obligations hereunder or has made adequate provisions therefor.

5.2. Multi-Unit Franchisee understands and agrees that the rights granted to Multi-Unit Franchisee hereunder are personal to Multi-Unit Franchisee. As such, Multi-Unit Franchisee may not, for any reason or under any circumstances, sell, transfer or assign its rights under this MU Agreement or any interest in it and the owners of the Multi-Unit Franchisee entity may not sell, transfer or assign all or any part of the Multi-Unit Franchisee entity, without obtaining KKF's prior written consent, which consent may be conditioned on Multi-Unit Franchisee also transferring some or all of its operating Centers or the Franchise Agreements associated with such operating Centers. Multi-Unit Franchisee is prohibited from granting a sub-franchise hereunder. As used in this MU Agreement, the term "**transfer**" shall mean and include the voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition by Multi-Unit Franchisee (or any of its owners) of any interest in: (1) this MU Agreement; (2) the ownership of Multi-Unit Franchisee; or (3) all or any part of the franchise development rights, or assets directly or indirectly related to the franchise development rights, described herein. An assignment, sale, gift or other disposition shall include a transfer resulting from a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law or, in the event of the death of Multi-Unit Franchisee or an owner of Multi-Unit Franchisee, by will, declaration or transfer in trust or under the laws of intestate succession. Any transfer approved by KKF shall be effective only upon express written assumption by the transferee of the interest, rights and obligations being transferred. In addition to any conditions contained in this MU Agreement and except as may be modified by this MU Agreement, the conditions for KKF's approval of any transfer shall be the same as the conditions contained in the Franchise Agreement most recently executed by KKF and Multi-Unit Franchisee, which provisions shall be deemed to be incorporated herein by reference.

5.3. In the event of any proposed sale, transfer or assignment by Multi-Unit Franchisee as described herein, Multi-Unit Franchisee and/or the proposed transferee shall pay to KKF the standard transfer fee for each Franchise Agreement to be transferred, as governed by such Franchise Agreement executed pursuant to this MU Agreement, plus \$2,000 for every undeveloped franchise right for which no Franchise Agreement has been executed. This sum shall be payable in a lump sum to KKF as one of the



pre-conditions to obtaining KKF's written consent to any proposed transfer. The amount of the transfer fee described in this Section 5.3 for undeveloped franchise rights is subject to increase based on changes in the "Price Index," defined below, for the year in which Multi-Unit Franchisee closes on the sale, transfer or assignment described in this Section as compared to the Price Index for the year this MU Agreement was fully executed. The adjustment will be the difference between the Price Index for the month which immediately precedes the date Multi-Unit Franchisee closes on the sale, transfer or assignment pursuant to this Section and the average monthly Price Index during the calendar year when this MU Agreement was fully executed. "**Price Index**" means the Consumer Price Index published by the Bureau of Labor Statistics of the United States Department of Labor, U.S. City Average, All Items, and Major Group Figures for all Urban Consumers (CPI-U 1982 - 84 = 100). Notwithstanding any statement herein to the contrary, the transfer fee for every undeveloped franchise right that is transferred shall not decrease below \$2,000.

5.4. In the event of any proposed sale, transfer or assignment of its rights under this MU Agreement or any interest in it or all or any part of the franchise development rights, or assets directly or indirectly related to the franchise development rights, Multi-Unit Franchisee agrees to grant KKF a 30-day right of first refusal to purchase such rights or assets on the same terms and conditions as are contained in the Franchise Agreement executed concurrently with this MU Agreement.

5.5. Upon the death or permanent disability of Multi-Unit Franchisee (or a guarantor of Multi-Unit Franchisee's obligations under this MU Agreement or an owner of 40% or more of the equity securities of a corporate Multi-Unit Franchisee), the executor, administrator, conservator, guardian or other personal representative of such person shall transfer his or her interest in this MU Agreement or such interest in Multi-Unit Franchisee to an approved third party. Such disposition of this MU Agreement or such interest (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed six months from the date of death or permanent disability, and shall be subject to all the terms and conditions applicable to transfers contained in the Franchise Agreement executed concurrently herewith. Failure to transfer the interest in this MU Agreement or such interest in Multi-Unit Franchisee within said period of time shall constitute a breach of this MU Agreement. For purposes hereof, the term "**permanent disability**" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Multi-Unit Franchisee, Guarantor or an owner of 40% or more of the equity securities of a corporate Multi-Unit Franchisee from performing the services hereunder for a period of six months from the onset of such disability, impairment or condition.

6. RESTRICTIVE COVENANTS

6.1. During the term and after the termination of this MU Agreement or any Franchise Agreement signed in furtherance of this MU Agreement, Multi-Unit Franchisee and its officers, partners, directors, managers, agents or employees who have completed KKF's training programs or had access to KKF's brand standards manual, as described in the Franchise Agreement executed concurrently herewith, and/or the beneficial owners of a five percent (5%) or greater interest in Multi-Unit Franchisee, shall be subject to all restrictive covenants as set forth in Section 18 of the Franchise Agreement executed concurrently herewith, which covenants by this reference are incorporated herein.

6.2. Multi-Unit Franchisee covenants and agrees that the Marks will be displayed only in the manner and at such locations as are authorized by KKF. Multi-Unit Franchisee further covenants that at no time shall it maintain on display signs or posters in any manner or in any place not conforming to the then current image of KKF and the Kwik Kar Center concept, as determined by KKF in its sole discretion.



7. BUSINESS RELATIONSHIPS

7.1. During the term of this MU Agreement, Multi-Unit Franchisee shall be an independent contractor and shall in no way be considered as an agent, partner or employee of KKF. It is understood and agreed that no agency or partnership is created by this MU Agreement. As such, Multi-Unit Franchisee has no authority of any nature whatsoever to bind KKF or incur any liability for or on behalf of KKF or to represent itself as anything other than an independent contractor.

7.2. Multi-Unit Franchisee shall indemnify and hold harmless KKF and its officers, directors, members, managers, agents and representatives (“**Indemnified Parties**”) from all fines, suits, proceedings, claims, demands or actions of any kind or nature, including reasonable attorneys’ fees, from anyone whomsoever, directly or indirectly arising or growing out of, or otherwise connected with Multi-Unit Franchisee’s activities, actions or failure to act, under this MU Agreement, or Multi-Unit Franchisee’s operation of its Center(s) developed under this MU Agreement. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants’, attorneys’ and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. KKF shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this MU Agreement.

8. MISCELLANEOUS

8.1. This MU Agreement shall be binding upon and inure to the benefit of each of the parties’ respective heirs, successors, assigns and personal representatives.

8.2. KKF and Multi-Unit Franchisee agree that any dispute between the parties arising out of the terms of this MU Agreement shall be settled by arbitration, governed in accordance with the terms and conditions set forth in Section 21 of the Initial Franchise Agreement, which terms and conditions are by this reference incorporated herein.

8.3. Multi-Unit Franchisee acknowledges that it has had a copy of this MU Agreement in its possession for a period of time not less than fourteen (14) days or ten (10) business days, if applicable, during which time Multi-Unit Franchisee has had the opportunities to submit the same for professional review and advice of Multi-Unit Franchisee’s choosing prior to freely executing this MU Agreement.

8.4. No waiver of any condition or covenant contained in this MU Agreement or failure to exercise a right or remedy by either party shall be considered to imply or constitute a further waiver of the same or any other condition, covenant, right or remedy.

8.5. In the event that any arbitrator or court of competent jurisdiction determines that any provision of this MU Agreement is unenforceable as written for any reason, then the parties hereby request and authorize the arbitrator or court to “blue pencil” such provision so as to make it enforceable and to best carry out the intent of the parties, or to deem such provision severed from this MU Agreement if it cannot be so modified. The holding, declaration or pronouncement shall not adversely affect any other provisions of this MU Agreement, which shall otherwise remain in full force and effect.

8.6. All notices required to be given under this MU Agreement shall be given in writing, by certified mail, return receipt request, or by an overnight delivery service providing documentation of receipt, at the addresses first set forth above, or at such other address as either party may designate from



time to time by written notice as set forth herein. Notice shall be deemed effective when deposited in the United States Mail postage prepaid or when received by overnight delivery, as may be applicable.

8.7. All disputes relating to Section 8.2 of this MU Agreement and all issues relating to arbitration by KKF and Multi-Unit Franchisee shall be governed by the Federal Arbitration Act (the “FAA”). Except to the extent governed by the FAA and the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this MU Agreement, the franchise and the relationship between KKF and Multi-Unit Franchisee shall be governed by the laws of the State of Colorado. Multi-Unit Franchisee agrees that KKF may institute any action against Multi-Unit Franchisee (which is not required to be arbitrated hereunder) in the state court or federal court in the City and County of Denver, Colorado and Multi-Unit Franchisee irrevocably submits to the jurisdiction of such courts and waives any objection he may have to either the jurisdiction of or venue in such courts. Notwithstanding the foregoing, the parties agree that the Colorado Consumer Protection Act (COLO. REV. STAT. ANN. Section 6-1-101, et seq.) shall not apply to this Agreement or any disputes between the parties.

8.8. This MU Agreement contains the entire agreement between the parties and supersedes any and all prior agreements concerning the subject matter hereof. KKF does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement or in any related agreement, but nothing in this Agreement or in any related agreement is intended to disclaim the representations made by KKF in the franchise disclosure document provided to the Franchisee by KKF in connection herewith. Multi-Unit Franchisee agrees and understands that KKF shall not be liable or obligated for any oral commitments made and that no modifications of this MU Agreement shall be effective except those in writing and signed by both parties. KKF does not authorize and will not be bound by any representation of any nature other than those expressed in this MU Agreement and the franchise disclosure document provided by KKF in connection herewith.

8.9. From time to time, KKF shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents or affiliates of KKF or independent contractors which KKF has contracted with to provide such services. Multi-Unit Franchisee agrees in advance to any such delegation by KKF of any portion or all of its obligations and duties hereunder.

8.10. In the event of any conflict between the terms of this MU Agreement and the terms of the Franchise Agreement, the terms of this MU Agreement shall control.

8.11. In the event of any dispute between the parties the losing party in any legal action, arbitration or other proceeding will pay the prevailing party all amounts due and all damages, costs and expenses, including costs and reasonable attorneys’ fees, plus interest at the highest rate allowable by law.

8.12. Nothing herein shall prevent KKF or Multi-Unit Franchisee from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies.

SIGNATURES ON FOLLOWING PAGE



IN WITNESS WHEREOF, the parties hereto have caused this MU Agreement to be executed effective as of the date first above written.

KKF:

KWIK KAR FRANCHISING, LLC

By: _____
Name: Ron Stilwell
Title: President

MULTI-UNIT FRANCHISEE:

By: _____
Name: _____
Title: _____



**ATTACHMENT 1 TO
MULTI-UNIT AGREEMENT**

1. **Number of Centers.** The number of Kwik Kar Centers Multi-Unit Franchisee has the right to develop and establish in accordance with Section 1.1 of the Agreement shall be: _____ (_____).

2. **Multi-Unit Fee.** In addition to the applicable initial franchise fee for the first Kwik Kar Center to be opened by Multi-Unit Franchisee, upon execution of this MU Agreement, Multi-Unit Franchisee shall pay to KKF a Multi-Unit Fee in the amount of \$_____, representing a \$20,000 initial franchise fee for the second Kwik Kar Center and a \$15,000 initial franchise fee for every additional Kwik Kar Center to be developed hereunder. The Multi-Unit Fee represents the payment in full of the initial franchise fees for the Centers to be developed under this MU Agreement.

3. **Center Development and Opening Schedule.** Multi-Unit Franchisee agrees to develop and open the number of Kwik Kar Centers set forth in Section 1 above in the Number of Centers, in accordance with the following schedule:

Number of Months After Date of this MU Agreement to Open Center	Minimum Number of Kwik Kar Centers to be Opened for Business	Franchise Agreement Execution Schedule
18	1 of ____	Upon Execution of MU Agreement
36	2 of ____	
54	3 of ____	

Fully executed this _____ day of _____, 202__.

KKF:

MULTI-UNIT FRANCHISEE:

KWIK KAR FRANCHISING, LLC

By: _____
Name: Ron Stilwell
Title: President

By: _____
Name: _____
Title: _____



**ATTACHMENT 2 TO
MULTI-UNIT AGREEMENT**

GUARANTY AND ASSUMPTION OF MULTI-UNIT FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the above Multi-Unit Agreement (the “**Agreement**”) by Kwik Kar Franchising, LLC (“**KKF**”), each of the undersigned hereby personally and unconditionally:

1. Guarantees to KKF and its successors and assigns, for the term of the Agreement, including renewals thereof, that the Multi-Unit Franchisee as that term is defined in the Agreement (“**Multi-Unit Franchisee**”) shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement.

2. Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

3. Waives the following: (a) acceptance and notice of acceptance by KKF of the foregoing undertaking; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right he or she may have to require that any action be brought against Multi-Unit Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which he or she may be entitled.

4. Consents and agrees that: (a) his or her direct and immediate liability under this guaranty shall be joint and several; (b) he or she shall render any payment or performance required under the Agreement upon demand if Multi-Unit Franchisee fails or refuses punctually to do so; (c) such liability shall not be contingent or conditioned upon pursuit by KKF of any remedies against Multi-Unit Franchisee or any other person; and (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which KKF may from time to time grant to Multi-Unit Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement, including renewals thereof.

5. Agrees to be bound by the restrictive covenants and confidentiality provisions contained in Section 6.1 of the Agreement and the indemnification provision contained in Section 7.2 of the Agreement.

6. Agrees that the governing law, consent to jurisdiction, arbitration, injunctive relief and related provisions and the costs and attorneys’ fees provisions contained in Sections 8.2, 8.7, 8.11 and 8.12 of the Agreement shall govern this Guaranty and such provisions are incorporated into this Guaranty by this reference.

7. **EACH OF THE UNDERSIGNED WAIVE THEIR RIGHT TO TRIAL BY JURY.**

(Signatures on following page)



IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was executed.

WITNESS(ES):

GUARANTOR(S):

Signature

Signature

Print Name: _____

Print Name: _____

Signature

Signature

Print Name: _____

Print Name: _____



EXHIBIT C-1

SYSTEM PROTECTION AGREEMENT

SYSTEM PROTECTION AGREEMENT

This System Protection Agreement (this “Agreement”) is entered into by the undersigned (“you” or “your”) in favor of Kwik Kar Franchising, LLC, a Delaware limited liability company, and its successors and assigns (“us”, “we” or “our”), upon the terms and conditions set forth in this Agreement.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any business that: (i) sells or offers to sell products the same as or similar to the type of products sold by you in and/or from the Franchisee Territory (including, but not limited to, the products we authorize); or (ii) provides or offers to provide services the same as or similar to the type of services sold by you in and/or from the Franchisee Territory (including, but not limited to, the services we authorize), but excludes a Kwik Kar center operating pursuant to a franchise agreement with us, a Grease Monkey oil change and auto service business that is operated pursuant to a franchise agreement with our affiliate, Grease Monkey Franchising, LLC and a Speedee oil change and auto service business that is operated pursuant to a franchise agreement with our affiliate, Speedee Worldwide, LLC.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell, or display in connection with the marketing and/or operation of a Kwik Kar center or the solicitation or offer of a Kwik Kar franchise, whether now in existence or created in the future.

“*Franchisee*” means the Kwik Kar franchisee for which you are a manager or officer.

“*Franchisee Territory*” means any territory or designated area granted to you pursuant to a franchise agreement with us.

“*Intellectual Property*” means, collectively or individually, the Marks, Copyrights, Know-how, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Kwik Kar center, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential brand standards manual for the operation of a Kwik Kar center, which may be periodically modified by us.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Kwik Kar center, including “KWIK KAR,” and any other trademarks, service marks, or trade names that we designate for use by a Kwik Kar center. The term “Marks” also includes any distinctive trade dress used to identify a Kwik Kar center, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly-traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing: (a) any of our employees or managers (or those of our affiliates or franchisees) to leave their position; or (b) any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

“*Restricted Period*” means the three (3)-year period after you cease to be a manager or officer or officer of Franchisee’s Kwik Kar center; provided, however, that if a court of competent jurisdiction

determines that this period of time is too long to be enforceable, then the “Restricted Period” means the nine (9) month period after you cease to be a manager or officer of Franchisee’s Kwik Kar center.

“*Restricted Territory*” means the geographic area within: (i) a 25-mile radius from Franchisee’s Kwik Kar center (and including the premises of the Center); and (ii) a 25-mile radius from all other Kwik Kar centers that are operating or under construction as of the beginning of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “Restricted Territory” means the geographic area within a 20-mile radius from Franchisee’s Kwik Kar center (and including the premises of the Center).

“*System*” means our system for the establishment, development, operation, and management of a Kwik Kar center, including Know-how, proprietary programs and products, confidential standards manuals, and operating system.

2. Background. You are an officer, director, or manager of Franchisee. As a result of this relationship, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire Franchise System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. Intellectual Property. You agree: (i) you will not use the Know-how in any business or capacity other than the Kwik Kar center operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager of Franchisee’s Kwik Kar center. You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

4. Unfair Competition During Relationship. You agree not to unfairly compete with us at any time while you are a manager of Franchisee’s Kwik Kar center by engaging in any Prohibited Activities.

5. Unfair Competition After Relationship. You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

6. Immediate Family Members. You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities; or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

7. Covenants Reasonable. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this

Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

8. Audit of Business Records. We or our authorized agents may request, receive, inspect, and audit any business records, financial or otherwise, of you, your immediate family members, or any party affiliated with you or your immediate family members, including any companies or entities associated with you or your immediate family members, that we in our sole discretion determine may be relevant in determining your compliance with the terms of this Agreement or Franchisee's business results in its Kwik Kar center. The records subject to this audit include (i) any books and records of the Kwik Kar center; (ii) point-of-sale and cash register tapes; (iii) sales slips; (iv) computer hard drives (v) tax returns; (vi) quarterly and/or annual financial statements, including profit and loss statements and balance sheets; (vii) copies of checks, check ledgers and bank statements for checking and savings accounts; (viii) all contracts or agreements entered into related to the Kwik Kar center, including but not limited to contracts with customers; and (ix) any other documents we request. Any such inspection or audit shall be conducted in accordance with the audit provisions set forth in Franchisee's franchise agreement, which are deemed incorporated herein. Inspections and audits conducted at your business location or other location where the records are held may take place without prior notice. We may also require at any time the records from you or your affiliated parties be sent to our offices or another location to permit the inspection or audit of such records to be conducted at our place of business or the other location. If we notify you that documents are to be sent to a location other than your business location for the purpose of conducting an inspection or audit at that location, you must provide the requested documents to us within the time period set forth in our notice. We may audit and inspect documents covering a period beginning with the date on which your affiliation with the Kwik Kar center commenced and ending on the date such audit is concluded. All documents provided for our inspection or audit must be certified by you or the appropriate affiliated party, if applicable, as true, complete and correct. Inspections and audits may be conducted following the expiration or termination of your affiliation with the Kwik Kar center for any reason.

9. Breach. You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other Kwik Kar franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

10. Miscellaneous.

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

b. This Agreement will be governed by, construed, and enforced under the laws of Colorado, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.

d. You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration, and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory, and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

EXECUTED as of this ___ day of _____, 202__.

Signature

Typed or Printed Name

EXHIBIT C-2

CONFIDENTIALITY AGREEMENT

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (this “Agreement”) is entered into by the undersigned (“you”) in favor of Kwik Kar Franchising, LLC, a Delaware limited liability company, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow Kwik Kar franchisees to use, sell, or display in connection with the marketing and/or operation of a Kwik Kar center, whether now in existence or created in the future.

“*Franchisee*” means the Kwik Kar franchisee for whom you are an officer, director, employee, or independent contractor.

“*Kwik Kar Center*” means a business that provides automotive lubrication and other approved automotive maintenance and repair services to the general public and other related products and services using our Intellectual Property.

“*Intellectual Property*” means, collectively or individually, the Marks, Copyrights, Know-how, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Kwik Kar Center, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential brand standards manual for the operation of a Kwik Kar Center.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Kwik Kar Center, including “KWIK KAR” or “KWIK KAR OIL CHANGE & AUTO CARE” and any other trademarks, service marks, or trade names that we designate for use by a Kwik Kar Center. The term “Marks” also includes any distinctive trade dress used to identify a Kwik Kar Center, whether now in existence or hereafter created.

“*System*” means our system for the establishment, development, operation, and management of a Kwik Kar Center, including Know-how, proprietary programs and products, confidential standards manuals, and operating system.

2. Background. You are an employee, independent contractor, or supplier of Franchisee. Because of this relationship, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees, and that you could seriously jeopardize our entire Franchise System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with this Agreement.

3. Know-How and Intellectual Property. You agree: (i) you will not use the Know-how in any business or capacity other than the Kwik Kar Center operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer an officer, director, employee, or independent contractor of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performing your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

4. Immediate Family Members. You acknowledge you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Know-how to the family member.

5. Covenants Reasonable. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

6. Breach. You agree that failure to comply with this Agreement will cause substantial and irreparable damage to us and/or other Kwik Kar franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

7. Miscellaneous.

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

b. This Agreement will be governed by, construed, and enforced under the laws of Colorado, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

(Signatures on following page)

EXECUTED this ____ day of _____, 202__.

Date _____

Signature

Typed or Printed Name

EXHIBIT D-1

COLLATERAL ASSIGNMENT OF LEASE

COLLATERAL ASSIGNMENT OF LEASE

THIS COLLATERAL ASSIGNMENT OF LEASE (“Agreement”) is made as of this ____ day of _____, 202__ by and between _____, a _____ (“Assignor”), **KWIK KAR FRANCHISING, LLC**, a Colorado limited liability company (“Assignee”) and _____ (“Landlord”).

WHEREAS, Assignor is a tenant (“Tenant”) of certain property generally known as _____, located in the City of _____, State of _____ (“Property”), pursuant to a lease by and between Landlord and Assignor, dated _____, (the “Lease”);

WHEREAS, Assignor desires to construct, or have constructed by Landlord (whichever is applicable), and thereafter operate a Kwik Kar Center under a certain franchise agreement(s) between Assignor and Assignee (collectively, the “Franchise Agreement”); and

WHEREAS, as a condition to the grant of rights under the Franchise Agreement to Assignor, Assignee requires that Assignor enter into this Agreement.

NOW, THEREFORE, for and in consideration of the sum of Five Dollars and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Assignor hereby assigns all of its right, title and interest in and to the Lease and the Kwik Kar Center to Assignee, as security for the stated obligations of the Assignee pursuant to the Lease and Franchise Agreement.

2. The Collateral Assignment of Lease contemplated hereunder is expressly conditioned upon, and shall not be effective and Assignee shall have no right to pursue any remedy hereunder unless and until:

(a) Default by Assignor under the terms of the Lease, which default (i) is not cured by Assignor within the time limits provided therein or (ii) results in a demand for performance by Assignee under any guaranty of the Lease; or

(b) Default by Assignor under the terms of the Franchise Agreement or under any document or instrument securing the Franchise Agreement, which default is not cured by Assignor within the time limits provided therein; or

(c) Voluntary institution of any insolvency or bankruptcy proceedings as a debtor or insolvent on the part of Assignor or involuntary insolvency or bankruptcy proceedings brought against Assignor which are not dismissed within 60 days of the filing thereof;

(d) Discontinuation by the Assignor of operation of a KWIK KAR Center on the Property, whether voluntarily or involuntarily; or

(e) Nonrenewal by Assignor of the Franchise Agreement.

3. During the term of the Lease, Landlord agrees to give Assignee written notice of all defaults of Assignor concurrently with the giving of such notice to Assignor. Landlord further agrees to give

Assignee a 20 day period to cure any default, or the period provided to the Assignor in the Lease, whichever period shall be longer.

4. If Assignee expends sums to cure a default, Assignor shall promptly reimburse Assignee for the cost incurred by Assignee in connection with such performance, together with interest thereon at the rate of two percent per month, or the highest rate allowed by law. Nothing herein shall obligate Assignee to cure any such default, unless Assignee elects to assume the Lease pursuant to Section 5 below.

5. The date upon which the assignment shall be effective (the "Effective Date"), is the date that Landlord and Assignor receive written notice from Assignee that:

(a) Assignee will cure all prior defaults of Assignor in the Lease in which Landlord has given notice to Assignee pursuant to the provisions of Section 3 above, and that Assignee will assume the Lease; or

(b) The events described in either subsections 2(b), 2(c), 2(d) or 2(e) above have occurred and that Assignee will assume the Lease.

6. As of the Effective Date, Assignee will assume all rights, duties, responsibilities and obligations of Assignor arising on or after the Effective Date pursuant to the terms and provisions of the Lease.

7. Landlord hereby consents to the terms and provisions of this Agreement, and to the assignment of the Lease to Assignee. Landlord agrees that after the Effective Date, Assignee may (i) enter into a sublease or assignment with any franchisee of Assignee without Landlord's further consent, or (ii) further assign the Lease to a person, firm or corporation who shall agree to assume the Tenant's obligations under the Lease and who is reasonably acceptable to Landlord. Landlord further agrees that upon the happening of any such assignment, Assignee shall have no further liability or obligation under the Lease as Assignee, Tenant or otherwise, and that concurrent with such assignment, Landlord will enter into a replacement Collateral Assignment of Lease Agreement by and between Assignee and the new tenant.

8. Assignor agrees to indemnify and hold harmless Assignee from any loss, liability, cost or expense incurred or suffered by Assignee under this Agreement.

9. Assignor and Landlord agree not to allow any surrender, amendment, modification or termination of the Lease without the prior written consent of Assignee. Throughout the term of the Lease, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than 30 days prior to the last day said option must be exercised, unless Assignee otherwise agrees in writing. Assignor hereby grants to Assignee a power-of-attorney to exercise an extension or renewal option for the Lease if Assignor fails to elect to extend or renew as required under this Section and Landlord agrees to accept Assignee's exercise of such option by Assignee. The foregoing power-of-attorney is irrevocable and coupled with an interest.

10. Assignor represents and warrants to Assignee that it has the full power and authority to assign the Lease and its interests therein and that Assignor has not previously assigned, transferred or pledged, and is not otherwise obligated to assign, transfer or pledge, any of its interests in the Lease or the leasehold estate created thereby.

11. All notices or demands required hereunder shall be made in writing and shall be deemed to be fully given when deposited in the U.S. certified mail, postage prepaid, return receipt requested or when sent Federal Express or similar overnight courier to:

Assignee:

KWIK KAR FRANCHISING, LLC
5575 DTC Parkway, Suite 100
Greenwood Village, Colorado 80111

Assignor:

Landlord:

12. Should any one or more of the provisions hereof be determined to be illegal or unenforceable, all other provisions hereof shall be given effect separately therefrom and shall not be affected thereby.

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

WITNESS/ATTEST:

ASSIGNOR: _____

By: _____

Title: _____

Date: _____

WITNESS/ATTEST:

ASSIGNEE:

KWIK KAR FRANCHISING, LLC

By: _____

Title: _____

Date: _____

WITNESS/ATTEST:

LANDLORD: _____

By: _____

Title: _____

Date: _____

EXHIBIT D-2

OPTION AND CENTER LEASE

OPTION AND CENTER LEASE

This Option and Center Lease, dated _____, 202__, is by and between _____, with an office at _____ (“**Landlord**”), and Kwik Kar Franchising, LLC, with an office at 5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111 (“**Tenant**”).

WHEREAS, Landlord (or its owner(s)) is, owns or controls, in whole or in part, or is otherwise affiliated with or related to, the “Franchisee” under the Franchise Agreement (“**Franchise Agreement**”) with Tenant for the Kwik Kar Center at _____ (“**Center**”); and

WHEREAS, Tenant requires as a condition for the grant of the Franchise Agreement, that Tenant have the right to maintain control of the Center real estate in the event of the termination or expiration of the Franchise Agreement in order to ensure the continued presence of the Center; and

WHEREAS, Landlord and Tenant intend for this Option and Center Lease to establish the right and option of Tenant to lease the Center real estate in the event of the termination or expiration of the Franchise Agreement and to establish the terms and provisions of such lease.

NOW, THEREFORE, in consideration of the mutual promises and undertakings hereinafter set forth, the sufficiency of which are hereby acknowledged, the parties, intending to be fully and completely bound, hereby agree as follows:

A. **RIGHT TO LEASE.** Landlord hereby grants to Tenant the right and option to lease (“**Option**”), on the terms and conditions hereinafter set forth, the real estate commonly known as _____, including the automotive service center thereat and the easements, appurtenances, hereditaments, rights and privileges appurtenant thereto, which real estate is legally described on Exhibit A hereto (“**Premises**”). Tenant may exercise the Option by giving written exercise notice to Landlord (“**Exercise Notice**”) within 30 days following the termination or expiration of the Franchise Agreement. If Tenant does not give Landlord an Exercise Notice within such 30-day period, this Option and Center Lease shall automatically terminate. For purposes of this Option and Center Lease, (i) the termination of the Franchise Agreement shall include a termination for any reason or due to any cause or circumstance and shall mean the date the termination is effective as opposed to the date of the termination notice, and (ii) the expiration of the Franchise Agreement shall mean the expiration date of the term of the Franchise Agreement. In this Option and Center Lease, the term “**Franchise Agreement**” shall from time to time include, in Tenant’s sole discretion, an operating agreement or license under which the Center continues in operation following the termination or expiration of the Franchise Agreement. Notwithstanding anything to the contrary contained herein, the Option shall not apply when the Franchise Agreement is terminated in association with a transfer approved by Tenant and the transferee executes a new Franchise Agreement with Tenant.

B. **LEASE TERMS.** If Tenant exercises the Option, the terms and provisions of the lease (“**Lease**”) shall be those set forth in Sections 1 through 33 of this Option and Center Lease.

C. **LIMITATION OF LIABILITY.** Tenant shall have no obligations or liabilities with respect to the Premises until the Commencement Date (as hereinafter defined). Landlord shall defend, indemnify and hold Tenant harmless from and against all claims, demands, causes of action

and liabilities arising out of or resulting from the ownership, occupancy, use or maintenance of the Premises prior to the Commencement Date.

D. SUBORDINATION AND NON-DISTURBANCE. Any mortgage or trust deed encumbering title to the Premises at the time of execution of this Option and Center Lease at any time while this Option and Center Lease is in effect or during the Term (as hereinafter defined) of the Lease, herein called a “**Mortgage**” and the holder of, or the beneficiary under, the Mortgage is herein called a “**Mortgagee**”. Landlord shall use commercially reasonable efforts to cause each Mortgagee to execute and deliver to Tenant an agreement on a form provided by Tenant setting forth the following (“**Non-disturbance Agreement**”): (i) Mortgagee consents to this Option and Center Lease and the Lease and covenants and agrees that the exercise of any of the rights, options and remedies herein shall not constitute a default under the Mortgage; and (ii) Mortgagee agrees that so long as Tenant has not received written notice of a default in the performance of its obligations under the Lease: (1) Tenant shall not be named or joined as a party to an action to enforce or foreclose the Mortgage unless applicable law requires Tenant to be made a party thereto as a condition to proceeding against Landlord or prosecuting such rights and remedies, in which case Mortgagee may join Tenant as a defendant in such action only for such purpose and not to terminate the Lease or otherwise adversely affect Tenant's rights under such Lease; (2) Tenant's rights under this Option and Center Lease and the Lease, including the right to possession of the Premises if Tenant exercises the Option, shall not be disturbed, affected or impaired, nor will this Option and Center Lease or the Lease be terminated or otherwise affected by any default under the Mortgage or note secured thereby, any suit or action to enforce or foreclose the Mortgage or the note secured thereby, or any judicial sale or execution of the Premises; and (3) all condemnation awards and insurance proceeds paid or payable with respect to the Premises and received by Mortgagee shall be applied and paid for the restoration and/or repair of the Premises except in the case of a condemnation or casualty which results in a termination of the Lease; (iii) Tenant's rights under this Option and Center Lease and the Lease shall be subject and subordinate to the Mortgage without regard to the priority of recording, subject to the other provisions of the Non-disturbance Agreement; (iv) if Mortgagee or its successor becomes owner of the Premises by reason of foreclosure or otherwise, this Option and Center Lease and the Lease shall continue in full force and effect; and (v) Mortgagee or such new owner shall assume the terms, conditions, covenants, obligations and undertakings of the Landlord under this Option and Center Lease and (if applicable) the Lease. Provided Mortgagee executes and delivers a Non-disturbance Agreement to Tenant, Tenant agrees that if requested by Mortgagee or such new owner, Tenant will subordinate its interest under this Option and Center Lease and the Lease to the Mortgage and will attorn to Mortgagee or such new owner. If Mortgagee requires, as a condition of executing a Non-disturbance Agreement with respect to a Mortgage which encumbers title to the Premises at the time of execution of this Option and Center Lease, that a memorandum of this Option and Center Lease or the Lease be recorded, Tenant shall pay the recording fee. Notwithstanding the foregoing, the failure of Mortgagee to execute a Non-disturbance Agreement shall not constitute a default by Landlord hereunder provided that Landlord has used commercially reasonable efforts to get the Non-disturbance Agreement executed.

E. MEMORANDUM OF OPTION AND CENTER LEASE. The parties shall execute a recording memorandum contemporaneously with execution of this Option and Center Lease. Tenant may, at its sole option and cost, record such memorandum. Upon expiration of Tenant's rights under this Option and Center Lease or the expiration or termination of the Lease, Tenant shall provide Landlord with a release, in recordable form, of such memorandum.

F. EFFECTIVE PERIOD. This Option and Center Lease and the rights conferred hereunder shall remain valid and enforceable: (i) during the term of the Franchise Agreement, including any extensions thereof, and including any assignments thereof to successor franchisees; (ii) for the 30 days following the termination or expiration of the Franchise Agreement; (iii) for any extensions of the franchise relationship under the Franchise Agreement, i.e., during any renewal or successor Kwik Kar Franchise Agreement as referenced in Article 16 of the Franchise Agreement; and (iv) for the Term (as hereinafter defined).

G. CENTER SALE - LEASE TO BUYER. Subject to Tenant's continuing right and option to lease the Premises under this Option and Center Lease in the event of the termination or expiration of the Franchise Agreement (i.e., the Option), Landlord may lease the Premises directly to a buyer of the Center, provided Landlord has complied with all the following conditions: (i) the sale of the Center must be in conjunction with a transfer of the Franchise Agreement to which Tenant consents in writing; (ii) Landlord must provide Tenant with a copy of the fully-executed lease at the time of the closing; and (iii) Landlord and the transferee must execute a collateral assignment of lease with Tenant giving Tenant certain rights under that lease, in the form then in use by Tenant.

H. TENANT'S RIGHT OF FIRST REFUSAL. (a) Landlord hereby grants Tenant a right of first refusal to purchase the Premises upon the same terms, provisions and conditions as may be contained in any offer for the purchase thereof which Landlord shall be ready and willing to accept at any time prior to Tenant giving its Exercise Notice. Landlord shall give Tenant a full and complete copy of said offer including all terms, provisions and conditions, and Tenant shall have 30 days from and after the receipt of such offer to exercise this right of first refusal by giving written notice to Landlord of its intent to purchase. If Tenant does not so notify Landlord within said 30-day period, the sale of the Premises may be consummated but only on substantially the same terms, provisions and conditions of said offer and to the same party. A reduction of the actual selling price by up to 7.5% of the offer price submitted to Tenant shall be deemed substantially the same terms. If the sale is not so consummated within 120 days after receipt by Tenant of the terms of the offer, the proposed sale shall not thereafter be consummated without Landlord again submitting to Tenant the proposed sale as herein provided, as if such proposed sale had not been previously submitted. This Option and Center Lease shall continue in full force and effect following the consummation of such sale, unless agreed otherwise by Tenant.

(b) Tenant's right of first refusal shall not apply to sales or transfers to members of the immediate family of Landlord or Landlord's shareholders, to a different corporation owned or controlled by Landlord or Landlord's shareholders or members of their immediate family, to a partnership comprised of Landlord, Landlord's shareholders or members of their immediate family, or to a trust established by Landlord or Landlord's shareholders and under which members of their immediate family constitute a majority of the beneficiaries; provided that this right of first refusal shall remain in effect for any subsequent transfer by such parties.

I. NOTICES. All notices or demands required hereunder shall be made in writing and shall be deemed to be fully given when deposited in the U.S. certified mail, postage prepaid, return receipt requested or when sent Federal Express or similar overnight courier to Tenant at Kwik Kar Franchising, LLC, 5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111, or to its then current address, and to Landlord to the address given in the header paragraph of this Option

and Center Lease. Mailing any notice hereunder sent by U.S. certified mail, postage prepaid or when sent Federal Express or similar overnight courier shall be presumptive evidence of delivery of the notice. Either party may change its address hereunder by notice to the other party, sent by U.S. certified mail postage prepaid, return receipt requested or when sent Federal Express or similar overnight courier.

J. SUCCESSOR AND ASSIGNS. The covenants and conditions hereof shall be binding upon and/or inure to the benefit of the heirs, executors, administrators, successors, sublessees and assigns of the parties hereto, including but not limited to subsequent owners of fee title to the Premises, whether by purchase or otherwise, and shall be and remain covenants running with the land during the term of this Option and Center Lease and the Term which may result from the exercise of the rights herein granted to Tenant. Upon a conveyance of the Premises, Landlord shall be relieved of all further obligations under this Option and Center Lease except as to the obligations set forth in Section C hereof for the period prior to such conveyance by Landlord.

K. ENTIRE AGREEMENT. This Option and Center Lease constitutes the entire agreement between the parties regarding Tenant's right to lease the Premises (when triggered by the termination or expiration of the Franchise Agreement) and, excepting any obligations or liabilities that survived the termination or expiration of any prior lease, sublease, option or lease assignment (which obligations/liabilities shall continue to survive), supersedes any prior agreements or understandings relating thereto. Notwithstanding the foregoing, in the event that Landlord was disclosed with a Franchise Disclosure Document by Tenant in conjunction with executing this Option and Center Lease ("**FDD**"), then nothing in this Option and Center Lease is intended to disclaim any representations by Tenant in such FDD. This Option and Center Lease may be modified or amended by, and only by, a written instrument executed by Landlord and Tenant.

L. ENFORCEMENT. Landlord and Tenant agree that they shall pay the reasonable costs and expenses incurred by the prevailing party in any action or proceeding (not including any rent arbitration pursuant to Section 3 hereof) to enforce the provisions of this Option and Center Lease, including reasonable attorneys' fees.

M. TERMS OF LEASE. Upon Tenant's exercise of the Option, the following shall be the terms and provisions of the Lease:

1. DEMISE OF PREMISES. Landlord, in consideration of the rents and covenants contained herein, hereby leases to Tenant, on the following terms and conditions, the real estate commonly known as _____, including the automotive service center thereon and the easements, appurtenances, hereditaments, rights and privileges appurtenant thereto, which real estate is legally described on Exhibit A hereto ("**Premises**").

2. TERM. (a) The preliminary term of this Lease ("**Preliminary Term**") shall be 120 days and shall commence when Tenant gives the Exercise Notice ("**Commencement Date**"). Tenant shall have the right to terminate this Lease effective immediately upon notice of termination to Landlord at any time during the Preliminary Term.

(b) During the Preliminary Term, Tenant, its contractors and invitees, shall have the right of access to the Premises, upon reasonable advance notice to Landlord, for the purpose of

evaluating the Premises and conducting appraisals, inspections, surveys, engineering tests, environmental assessments and tests and for other reasonable purposes and activities (“**Tests**”). Tenant shall repair any damage to the Premises caused by carrying out the Tests. Upon the Commencement Date, Landlord shall provide Tenant with keys to the Premises. During the Preliminary Term, Landlord shall maintain in full force and effect, and pay for, all Utilities (as hereinafter defined).

(c) In the event Tenant exercises the Option and unless Tenant has terminated this Lease pursuant to Subsection 2(a) hereof during the Preliminary Term: (i) the primary term of this Lease (“**Primary Term**”) shall be five years and shall commence on the day following expiration of the Preliminary Term; and (ii) provided no default by Tenant remains uncured beyond any applicable cure period, Tenant is granted three options to renew this Lease for successive five-year terms upon the same terms and conditions herein, except as to rent, to be exercised by Tenant giving notice to Landlord not later than 90 days prior to expiration of the current term (said notice, hereinafter “**Renewal Notice**”).

(d) The Primary Term shall include any renewal terms or extensions of the Primary Term that are exercised. The Preliminary Term together with the Primary Term shall constitute the “**Term**”.

(e) Notwithstanding the foregoing, Tenant shall not be obligated to pay rent, nor shall it have any other obligations or liabilities (except as provided in Subsection 2(b) hereof) under this Lease, for the Primary Term until Landlord delivers (or causes to be delivered) to Tenant possession of the Premises unencumbered by any possessory rights of Landlord or other parties, without any of Landlord’s and any occupant’s personal property (unless otherwise directed by Tenant). If, upon commencement of the Primary Term, possession is not delivered to Tenant as required by this subsection, Tenant shall have the right to enter into, and take possession of, the Premises without process of law or to commence an action for entry on account of such wrongful withholding of possession or to pursue any other available legal or equitable remedies.

3. RENT. (a) During the Preliminary Term (and continuing until the rent for the Primary Term has been established), Tenant shall pay Landlord rent in the amount of the larger of: (i) \$3,500/month; or (ii) one-twelfth of 7% of the Center’s Gross Revenues (as hereinafter defined) for the previous 12 calendar months. The term “**Gross Revenues**” shall mean all sales of merchandise or products of any kind and all charges for service or labor done in, on and from the Premises for cash or credit regardless of the collection thereof, but excluding sales taxes, bona fide refunds, and discounts.

(b) Rent during the Primary Term and each renewal term shall be 100% of “**Fair Market Rent**”, which term shall be defined as the then-current fair market rent for the Premises. Fair Market Rent shall be determined as follows:

(i) upon serving an Exercise Notice or Renewal Notice, as the case may be, Tenant shall make, and submit to Landlord, a written Fair Market Rent proposal for the upcoming applicable term (“**Tenant’s Proposal**”);

(ii) Landlord and Tenant shall thereupon conduct good-faith negotiations to mutually agree on the Fair Market Rent. Landlord shall make, and submit to Tenant, a written Fair

Market Rent proposal for the upcoming term (“**Landlord’s Proposal**”) (i) for the initial Primary Term, within 15 days of receipt of the Exercise Notice, or (ii) for any renewal term, not later than 210 days prior to expiration of the current term. If Landlord and Tenant mutually agree on the Fair Market Rent, this Lease shall be renewed for the upcoming renewal term at the agreed Fair Market Rent. If Landlord and Tenant have not mutually agreed on the Fair Market Rent, Tenant shall have the right, to be exercised not later than 30 days after receipt of Landlord’s Proposal, to submit the determination of Fair Market Rent to arbitration to be conducted by the American Arbitration Association (“**AAA**”) in accordance with the process set forth in Subsection 3(b)(iii) hereof (“**Submission**”). If, in the case of a renewal, at the time that is 180 days prior to expiration of the current term, Landlord and Tenant have not agreed on the Fair Market Rent and Tenant has not made a Submission, this Lease shall not be renewed for the upcoming renewal term and shall terminate upon expiration of the current term;

(iii) if the Fair Market Rent is to be determined by arbitration, the arbitration shall be conducted:

(1) pursuant to the AAA’s “Arbitration Rules for the Real Estate Industry”, except as otherwise stated herein;

(2) by a single arbitrator appointed by the AAA; provided, however, either party shall have the right to require that the arbitration be conducted by three arbitrators provided that such right is exercised by Tenant together with the Submission or by Landlord no later than 15 days after the Submission, in which event each party shall select an arbitrator within 15 days following the exercise of such right and the two arbitrators shall appoint a third arbitrator;

(3) in the city of the AAA’s local or regional office nearest the Premises;

(4) under the AAA’s “Expedited Procedures” process;

(5) without depositions, but with document discovery;

(6) on documents submitted by each party and without a hearing;

(7) in the “baseball arbitration” style with the arbitrator(s) being limited to choosing either Tenant’s Proposal or Landlord’s Proposal;

(8) without a reasoned opinion;

(9) with the arbitrator(s) being required to issue his/her/their award within 45 days after Submission (or, in the case of a three arbitrator proceeding, within 45 days after Tenant and Landlord select their arbitrators), and, to that end, the arbitrator(s) shall have the right to schedule the arbitration process accordingly;

(10) with each party paying its own costs and expenses (including, but not limited to, appraiser and attorney fees). In a single arbitrator proceeding, Tenant shall pay the arbitrator’s fee, the AAA’s fee and the administrative costs of the arbitration. In a three arbitrator proceeding, each party shall pay its arbitrator’s fee, one-half of the AAA’s fee for a single arbitrator proceeding and one-half of the administrative costs of a single arbitrator proceeding, and the party

requesting the three arbitrator proceeding shall pay the third arbitrator's fee, any additional fee charged by the AAA for a three arbitrator proceeding and the administrative costs in excess of those for a single arbitrator proceeding; and

(11) with the award of the arbitrator(s) being binding on Landlord and Tenant.

(c) Commencing on the first day of the month following delivery of possession of the Premises to Tenant as required by Subsection 2(e) hereof, Tenant shall pay Landlord, without deduction or offset, monthly rent for the Leased Premises, as provided in Sections 3(a) and (b) herein. If any month during the Preliminary Term or Primary Term shall be less than a complete month, such rent shall be prorated on a 30-day month basis.

(d) Notwithstanding anything herein to the contrary, Tenant shall not be obligated to pay rent under this Lease until delivery of possession of the Premises to Tenant in the condition required by Subsection 2(e) hereof.

(e) In the event Landlord, any legal or beneficial owner, shareholder, member, partner or trustee of Landlord or any entity of which any of the foregoing is an owner, shareholder, member, partner or trustee (Landlord and any of the foregoing, individually and collectively, "**Landlord Party**") is in default (as determined by Tenant in its sole discretion) of a monetary obligation under the Franchise Agreement or under any other Kwik Kar Franchise Agreement or under any lease, sublease, promissory note or guaranty with Tenant or any of its subsidiaries or affiliates, Tenant (so long as Tenant is Kwik Kar Franchising, LLC or its parent or one of its subsidiaries or affiliates (each, a "**KKF Affiliated Tenant**")) shall have the right to deduct from the rent and Tenant's other monetary obligations under this Lease the amount of such monetary default (including interest).

4. USE. (a) The Premises may be used by Tenant, its assignees and sublessees for the operation of a business that provides quick service automotive oil and lubrication, car wash services, any other automotive maintenance or repair services, and/or sale of automotive products, operating under the Kwik Kar name ("**Automotive Use**").

(b) Landlord covenants that during the Preliminary Term and the first year of the Primary Term, Landlord shall not, directly or indirectly, individually or as a member of any business organization, engage, or have an interest as an employee, owner, operator, investor, partner (inactive or otherwise), agent, stockholder, member, manager, director or officer, or otherwise, in, any business, located within a one-mile radius of the Premises, engaged in the Automotive Use or any part thereof.

(c) Landlord agrees that it will not erect, or permit to remain, on any property owned or controlled by Landlord adjacent to the Premises any structure or improvements which would materially interfere with access to the Premises or obstruct the visibility of the Center or signs identifying the business at the Premises. Further, Landlord will not post, use or display, or permit the posting, use or display of, any signs, advertising or other material on or in the building or the area of which the Premises are a part which are the same or confusingly similar to any names, marks or designs used by Tenant or its franchisees.

(d) Notwithstanding the provisions of Subsection 4(a) hereof, Tenant may use or permit the Premises to be used for any lawful purpose, provided that in the event Tenant intends to use or permit the use of the Premises for other than Automotive Use, it shall first notify Landlord in writing. Landlord shall have the right, to be exercised within 30 days after receipt of Tenant's notice, to terminate this Lease by giving Tenant written notice. If Landlord does not terminate this Lease within said 30 days, Landlord shall have no further right to terminate this Lease pursuant to this Subsection 4(d).

5. MAINTENANCE. Except as provided in Sections 11 and 12 hereof, Tenant shall at all times during the Primary Term keep the Premises in a condition substantially equivalent to their condition on the Commencement Date, reasonable wear and use excepted.

6. TAXES AND UTILITIES. (a) Tenant shall pay prior to delinquency all real estate taxes and assessments which may be levied or assessed upon the Premises ("**Tax(es)**") during the Term to the end that Landlord shall not be required to pay any Taxes during the Term. Upon request, Tenant will exhibit receipts for Tax payments to Landlord promptly upon payment thereof. Tenant may at its expense contest all Taxes in the name of Landlord if necessary. In the event Landlord is joined in such a proceeding by Tenant, Tenant shall hold Landlord harmless from all costs, expenses and liabilities, including reasonable attorneys' fees associated with such a proceeding.

(b) During the Preliminary Term, Landlord shall maintain in full force and effect, and pay for, the water, gas, electricity, telephone and other utilities services for the Premises ("**Utilities**"). Tenant shall pay for the Utilities during the Primary Term.

7. LICENSES AND COMPLIANCE WITH LAWS. Tenant shall: (i) maintain and procure at Tenant's own expense and responsibility all licenses, permits, inspection certificates or change of occupancy certificates required by any governmental authority with respect to Tenant's use of the Premises; and (ii) comply with all applicable laws, ordinances and regulations and will not use or permit any use of the Premises in violation thereof (such items in (i) and (ii), collectively, "**Laws**"). Tenant may contest any Laws and may join Landlord in any such contest, provided that Tenant shall indemnify and hold Landlord harmless from all damages, costs (including reasonable attorney fees), expenses, liabilities, fines, penalties, liens or criminal sanctions against Landlord or the Premises resulting from Tenant's breach of Laws or actions or proceedings to contest them.

8. PUBLIC LIABILITY INSURANCE AND INDEMNITY. (a) Tenant shall during the Primary Term at its expense keep in force, or cause to be kept in force by its sublessee, public liability insurance on the Premises in an amount of not less than \$1,000,000 per occurrence, not less than \$2,000,000 in the aggregate. Said insurance coverage shall insure Tenant and Landlord, and (if requested by Landlord) Mortgagee, as additional insureds against any liability that may accrue against any of them on account of any occurrences in or about the Premises resulting in personal injury, death or property damage. Tenant or its sublessee shall furnish to Landlord certificates for all such insurance in a form commonly in use in the insurance industry within 30 days following the commencement of the Primary Term and not later than the expiration date of any policy period.

(b) Tenant agrees to indemnify and save Landlord, its subtenants and assignees, and its members, managers, officers, agents, employees, representatives, affiliates, subsidiaries, parents

and any and all persons acting by, through, under or in concert with them, or any of them, harmless from and against all claims of whatever nature arising from: (i) any act or omission of Tenant or its contractors, invitees or employees during the Term; or (ii) any accident, injury or damage whatsoever caused to any person, or to the property of any person occurring during the Term in or about the Premises, where such accident, damage or injury results or is claimed to have resulted from an act or omission on the part of Tenant or its contractors, invitees or employees; except to the extent such claim is caused in whole or in part (but subject to any comparative or contributory negligence claims proven in accordance with applicable law) by the negligent acts or omissions of the indemnified parties or their employees or contractors. Landlord agrees to indemnify and save Tenant, its subtenants and assignees, and its members, managers, officers, agents, employees, representatives, affiliates, subsidiaries, parents and any and all persons acting by, through, under or in concert with them, or any of them, harmless from and against all claims of whatever nature arising from the negligent acts or omissions of Landlord, or its contractors, invitees or employees. This indemnity and hold harmless agreement shall include indemnity against all costs, expenses and liabilities, including reasonable attorneys' fees, incurred in connection with any such claim or proceeding brought thereon and the defense thereof.

(c) Tenant or its sublessee may provide the aforesaid insurance under a "blanket" policy covering other locations.

9. FIRE AND EXTENDED COVERAGE INSURANCE. (a) During the Primary Term, Tenant shall keep, or cause to be kept by its sublessee, the building improvements on the Premises insured at full replacement cost against all damages caused by fire and against other risks covered by standard extended coverage endorsements. Such insurance coverage shall insure Tenant and Landlord, and (if requested by Landlord) Mortgagee, as additional insureds as their interests may appear. Tenant or its sublessees shall furnish to Landlord a certificate of insurance within 30 days following the Commencement Date and not later than the expiration date of any insurance policy.

(b) The proceeds of insurance shall be payable to Tenant and used to restore and/or repair in accordance with commercially reasonable procedures designed to ensure that the work is completed timely and without mechanic's liens for unpaid work or materials following final disbursement.

(c) Tenant or its sublessee may provide the aforesaid insurance under a "blanket" policy covering other locations.

10. WAIVER OF SUBROGATION RIGHTS. Neither Landlord nor Tenant shall be liable to the other for any loss or damage to the Premises from risks insured against under fire insurance policies with extended coverage endorsements irrespective of whether such loss or damage results from their negligence or that of any of their agents, employees, licensees, invitees or contractors.

11. DESTRUCTION OF PREMISES. In the event of damage to, or total destruction of, the Premises by fire, act of God or any other cause, this Lease shall remain in effect, and Tenant shall forthwith apply for all necessary permits, licenses and approvals and shall repair or restore same to substantially the same condition as they were in immediately prior to the casualty within 180 days following receipt of all necessary permits, licenses and approvals. Notwithstanding the foregoing, Tenant shall have the option to terminate the lease upon such damage or destruction by giving notice to Landlord within 180 days after such damage or destruction, provided that Tenant

shall assign to Landlord any insurance proceeds received for the damage or destruction of the Premises (but not any proceeds received related to Tenant's own personal property or Tenant's business interruption or losses) upon such termination, to the extent such proceeds have not yet been used to repair or restore the Premises.

12. CONDEMNATION. If all of the Premises shall be taken by public authorities by condemnation or otherwise for public or quasi-public purposes, or if such taking is of such part of the Premises that it is, in Tenant's reasonable judgment, impossible or impractical for Tenant to use the Premises efficiently and economically for the conduct of its business, this Lease shall terminate effective at such time as Tenant can no longer continue operations upon the Premises. However, if only a part of the Premises is taken so that the remaining portion does not materially affect the conduct of Tenant's business in Tenant's reasonable judgment, Landlord will, to the extent the taking authority provides or allocates funds or an award for restoration, on receipt of such award proceed promptly to restore the building to a complete architectural unit and this Lease shall cease only as to the part so taken and shall continue as to the part not taken. In that event, the rent shall be adjusted in the proportion that the value of the area taken bears to the value of the Premises. Landlord shall be entitled to the entire condemnation award, except that Tenant shall be entitled to any amounts specifically allocated, or awarded to Tenant, for the taking of Tenant's trade fixtures, business value or relocation.

13. ASSIGNMENT AND SUBLETTING. (a) A KKF Affiliated Tenant shall have the right, without the consent of Landlord, to assign this Lease, or to sublet all or any part of the Premises, to a Kwik Kar franchisee ("**New Franchisee**"). If this Lease is assigned to New Franchisee, the KKF Affiliated Tenant shall give Landlord: (i) notice of the assignment; (ii) the name of New Franchisee; (iii) if New Franchisee is not a person(s), the name of the person(s) holding the controlling interest in New Franchisee; (iv) the contact information of New Franchisee; and (v) a copy of a written agreement executed by the KKF Affiliated Tenant and New Franchisee in which New Franchisee assumes all of Tenant's obligations under this Lease from and after the date of the assignment for the express benefit of Landlord. Thereupon, the KKF Affiliated Tenant shall have no obligation or liability with respect to Tenant's obligations and liability under this Lease occurring from and after the date of the assignment.

(b) Landlord hereby consents to the assignment (following the assignment described in Section 13(a) above) by New Franchisee to a KKF Affiliated Tenant of all New Franchisee's right, title and interest, as Tenant, in and to this Lease via an outright assignment of this Lease or via a conditional assignment of this Lease (triggered by, among other things, the termination, expiration or assignment of the Kwik Kar franchise agreement for the Premises, New Franchisee's default or claimed default under this Lease or New Franchisee's failure to exercise an option to renew this Lease), the exercise of which may be at the KKF Affiliated Tenant's option ("**Reassignment**"). The Reassignment shall automatically apply to any extensions or renewals of the Term and any new lease for the Premises entered into by Landlord and New Franchisee (or by any person or entity owning an interest in, or affiliated with, New Franchisee). Any assignment of this Lease, or sublease of the Premises, by New Franchisee to a party other than a KKF Affiliated Tenant shall be subject and subordinate to the KKF Affiliated Tenants' rights under the Reassignment. Landlord agrees to give Tenant written notice of a default by New Franchisee under this Lease at the same time it gives such notice to New Franchisee and agrees that any KKF Affiliated Tenant shall have the same right and opportunity to cure such default as New Franchisee is given under this Lease.

No modification or amendment of this Lease by Landlord and New Franchisee shall be binding on any KKF Affiliated Tenant unless approved in writing by the KKF Affiliated Tenant.

(c) In the event: (i) the Reassignment is, in fact, triggered by New Franchisee's default or claimed default in the payment of rent under this Lease; and (ii) the KKF Affiliated Tenant, in fact, exercises its Reassignment under such circumstances; and (iii) Landlord had given the KKF Affiliated Tenant written notice of New Franchisee's default(s), together with the same right and opportunity to cure such default(s) as New Franchisee was entitled to under this Lease; then the KKF Affiliated Tenant shall be obligated to cure any rent payment default by New Franchisee after possession of the Premises is delivered to the KKF Affiliated Tenant, provided that the maximum amount which the KKF Affiliated Tenant shall be obligated to pay shall be six months' rent.

(d) In the event a KKF Affiliated Tenant exercises its Reassignment, Landlord shall cooperate with, and give reasonable assistance (by joinder in legal proceedings if necessary) to, the KKF Affiliated Tenant in obtaining possession of the Premises from New Franchisee; provided, that the KKF Affiliated Tenant shall be responsible for Landlord's reasonable attorney fees in any such legal proceedings.

(e) The KKF Affiliated Tenant shall have the right, without Landlord's consent but subject to the provisions of Subsection 4(d) hereof, to assign this Lease, or to sublease all or a portion of the Premises, to any person, firm or corporation other than New Franchisee for any use permitted pursuant to the terms of this Lease provided that the KKF Affiliated Tenant shall not be thereby released of its duties, obligations or liabilities hereunder.

14. TENANT'S RIGHT OF FIRST REFUSAL. (a) Landlord hereby grants the KKF Affiliated Tenant a right of first refusal to purchase the Premises upon the same terms, provisions and conditions as may be contained in any offer for the purchase thereof which Landlord shall be ready and willing to accept at any time during the Term. Landlord shall give the KKF Affiliated Tenant a full and complete copy of said offer, including all terms, provisions and conditions, and the KKF Affiliated Tenant shall have 30 days from and after the receipt of such offer to exercise this right of first refusal by giving Landlord written notice of its intent to purchase. If the KKF Affiliated Tenant does not so notify Landlord within said 30-day period, the sale of the Premises may be consummated, but only on substantially the same terms, provisions and conditions of said offer and to the same party, and subject to the continuation of this Lease. A reduction of the actual selling price by up to 7.5% of the offer price submitted to Tenant shall be deemed substantially the same terms. If such sale is not so consummated within 120 days after receipt by the KKF Affiliated Tenant of the terms of the offer, the proposed sale shall not be thereafter be consummated without Landlord again submitting to the KKF Affiliated Tenant the proposed sale as herein provided, as if the proposed sale had not been previously submitted.

(b) This Lease, and the KKF Affiliated Tenant's rights under this Lease, shall continue in full force and effect for the balance of the Term following the consummation of any such sale.

(c) The KKF Affiliated Tenant's right of first refusal shall survive, and continue in full force and effect following, an assignment of this Lease to New Franchisee. The KKF Affiliated Tenant shall have the right to assign its right of first refusal, before or after the KKF Affiliated Tenant's exercise thereof, to New Franchisee.

(d) The KKF Affiliated Tenant's right of first refusal shall not apply to sales or transfers to members of the immediate family of Landlord or Landlord's shareholders, to a different corporation owned or controlled by Landlord or Landlord's shareholders or members of their immediate family, to a partnership comprised of Landlord, Landlord's shareholders or members of their immediate family, or to a trust established by Landlord or Landlord's shareholders and under which members of their immediate family constitute a majority of the beneficiaries; provided that this right of first refusal shall remain in effect for any subsequent transfer by such parties.

15. SIGNS AND FIXTURES. (a) Subject to compliance with applicable laws and ordinances, Tenant shall have the right to erect, maintain and operate any type or size of sign or signs on the Premises.

(b) Tenant shall have the right to install any equipment or fixtures required or desirable in the operation of its business, including roof top antennas and other electronic transmittal and receiving devices, which shall always be deemed personal property subject to repossession for protection of the interests of any conditional sales vendor or equipment lessor or similar lien seller thereof.

(c) Upon the expiration of this Lease, Tenant shall have the right to remove from the Premises any and all signs, equipment, trade fixtures and other personal property which may have been installed or placed thereon, provided that any damage to the Premises caused by such removal will be repaired by Tenant.

16. LIENS. If any act or omission of Tenant or claim against Tenant results in a lien or claim of lien against Landlord's title, Tenant, within 30 days of receipt of notice thereof, shall arrange for removal of, or a bond over, such lien and shall indemnify and hold Landlord harmless with respect to any such claim. Tenant may contest any such lien at its sole cost and expense.

17. LANDLORD'S EXPENDITURES. Upon 15 days prior written notice to Tenant, Landlord may (but need not) in the event of Tenant's failure, omission or inadequate compliance with any of Tenant's undertakings hereunder, make all expenditures or do such acts and things necessary to fulfill and satisfy any such undertakings. Such expenditures and Landlord's costs in connection therewith shall be at Tenant's expense and shall be payable as additional rent upon the first of the month next following.

18. WAIVER AND CUMULATIVE RIGHTS. No waiver of any breach of this Lease by Landlord or Tenant shall be considered to be a waiver of any other or subsequent breach. All rights and remedies of Landlord and Tenant herein provided or allowed by law shall be cumulative.

19. QUIET ENJOYMENT. Landlord represents and warrants that it is the legal owner of the Premises, that it is legally empowered to execute this Lease, and that: (i) under the zoning laws and all other laws, covenants, restrictions, regulations, ordinances and environmental regulations pertaining to the Premises and the improvements thereon, Tenant may, upon the effective date of this Lease, conduct the Automotive Use on the Premises; and (ii) Tenant, on payment of the rent provided for herein and performance of the undertakings aforesaid, shall and may peacefully and quietly have, hold and enjoy the Premises for the Term with all the rights, privileges and for the uses herein provided.

20. REMEDIES OF LANDLORD. (a) If Tenant defaults in the payment of rent or any other financial obligation hereunder and such default continues for 20 days after Landlord's written notice thereto to Tenant, or if Tenant defaults in the prompt and full performance of any other provision of this Lease and such default by reason of Tenant's neglect or omission continues for 45 days after Landlord's written notice thereto to Tenant, Landlord may forthwith terminate this Lease and Tenant's right to possession of the Premises and pursue all remedies available pursuant to applicable law; provided, however, that if the default is of such a nature that it is not capable of being totally cured within 45 days, Tenant shall not be deemed to be in default if Tenant has commenced to exercise reasonable diligence to cure the default within 45 days, continues to pursue curing of the default and cures the default as soon thereafter as is reasonably practicable.

(b) If Tenant fails to pay rent or any other financial obligation within 10 days after it is due, Landlord may assess a late charge equal to 5 percent of the overdue amount.

21. MITIGATION OF DAMAGES. Landlord shall have the duty to mitigate damages in the event of Tenant's default by using reasonable efforts to relet the Premises. Subject to this standard, Landlord may relet the Premises for a term greater or less than the balance of the Term, for other uses, and for rentals greater or less than provided for herein, and may grant concessions. Rentals received by Landlord upon reletting shall first be applied to reasonable brokerage, advertising and legal fees, reasonable expenses incurred by Landlord for repairs and alterations, and other reasonable expenses of reletting incurred by Landlord, and then applied to the rent and other obligations under this Lease.

22. ALTERATIONS. Tenant shall have the right, at its sole cost and expense, to replace or rebuild the improvements on the Premises or to make any alterations, additions and modifications to the Premises (collectively "**Alterations**"), whether structural and non-structural; provided, however, that any Alterations: shall conform to applicable laws and codes; shall not reduce the size or cubic content of the building; shall comply with all restrictive covenants and other recorded documents; and shall be equivalent in quality to the existing Premises. Prior to commencement of any Alterations, Tenant shall, upon request, provide Landlord copies of all required permits and plans and specifications for the Alterations. The Alterations shall, upon installation, become Landlord's property and shall remain upon and be surrendered with the Premises. Nothing contained herein, however, shall be construed to give Landlord title to, or prevent the removal of, Tenant's signs, equipment, trade fixtures and other personal property (including hoists and racking).

23. CONSENT. Where consent is required hereunder, such consent shall not be unreasonably withheld or delayed.

24. MEMORANDUM OF LEASE. Upon the expiration or termination of this Lease, Tenant shall provide Landlord with a release, in recordable form, of any recorded memorandum of this Lease.

25. HAZARDOUS MATERIALS AND SUBSTANCES. (a) Landlord agrees to indemnify, defend and hold harmless Tenant, its subtenants and assignees, and its members, managers, officers, agents, employees, representatives, affiliates, subsidiaries, parents and any and all persons acting by, through, under or in concert with them, or any of them, from and against any and all debts, liens, claims, causes of action, administrative orders and notices, costs (including,

without limitation, response and/or remedial costs), personal injuries, losses, damages, liabilities, demands, interest, fines, penalties and expenses, including reasonable attorneys' fees and expenses, consultants' fees and expenses, court costs and all other out-of-pocket expenses, suffered or incurred by Tenant or the other indemnified parties as a result of any occurrence, matter, condition, presence, discharge, disposal, act or omission involving Environmental Laws (as hereinafter defined) or Hazardous Materials (as hereinafter defined) which arose, originated or occurred during the period Landlord (or any entity owned or controlled by Landlord or its owners) owned fee title to the Premises (up to the Commencement Date) or the period any Landlord Party operated a Kwik Kar Center on the Premises and which failed to comply with Environmental Laws or any common law theory.

(b) Tenant agrees to indemnify, defend and hold harmless Landlord, its shareholders, directors, officers, agents, employees, representatives, affiliates, subsidiaries, parents and any and all persons acting by, through, under or in concert with them, or any of them, from and against any and all debts, liens, claims, causes of action, administrative orders and notices, costs (including, without limitation, response and/or remedial costs), personal injuries, losses, damages, liabilities, demands, interest, fines, penalties and expenses, including reasonable attorneys' fees and expenses, consultants' fees and expenses, court costs and all other out-of-pocket expenses, suffered or incurred by Landlord or the other indemnified parties as a result of any occurrence, matter, condition, act or omission involving Environmental Laws or Hazardous Materials which are caused by Tenant, subsequent to the Commencement Date and which failed to comply with Environmental Laws or any common law theory.

(c) "**Hazardous Materials**" shall mean any substance, material, waste, gas or particulate matter which at the time of the execution of the Option and Center Lease or at any time thereafter is regulated by any local governmental authority, the State in which the Premises is located, or the United States Government, including but not limited to, any material or substance which is: (i) defined as a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," or "restricted hazardous waste" under any provision of State law; (ii) petroleum; (iii) asbestos; (iv) polychlorinated biphenyl; (v) radioactive material; (vi) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. Sec. 1251 *et seq.* (33 U.S.C. Sec. 1317); (vii) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Sec. 6901 *et seq.* (42 U.S.C. Sec. 6903); or (viii) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Sec. 9601 *et seq.* (42 U.S.C. Sec. 9601).

(d) "**Environmental Laws**" shall mean all statutes specifically described in the foregoing Subsection 25(c) and all federal, state and local environmental health and safety statutes, ordinances, codes, rules, regulations, orders and decrees regulating, relating to or imposing liability or standards concerning or in connection with Hazardous Materials.

(e) This Section 25, including both parties' indemnification obligations hereunder, shall survive the termination of this Lease, including any termination of this Lease pursuant to Section 20(a).

26. NOTICES: All notices or demands required hereunder shall be made in writing and shall be deemed to be fully given when deposited in the U.S. certified mail, postage prepaid, return

receipt requested or when sent Federal Express or similar overnight courier to Tenant at Kwik Kar Franchising, LLC, 5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111, or to its then current address, and to Landlord to the address given in the header paragraph of this Option and Center Lease. Mailing any notice hereunder sent by U.S. certified mail, postage prepaid or when sent Federal Express or similar overnight courier shall be presumptive evidence of delivery of the notice. Either party may change its address hereunder by notice to the other party, sent by U.S. certified mail postage prepaid, return receipt requested or when sent Federal Express or similar overnight courier.

27. SURRENDER OF PREMISES. Except as provided in Section 22 hereof, upon the expiration or termination of this Lease, Tenant shall peaceably quit and surrender the Premises to Landlord in a condition substantially equivalent to their condition at the Commencement Date, reasonable wear and use excepted.

28. SUCCESSOR AND ASSIGNS. The rights, obligations, covenants and conditions of and for Landlord and Tenant shall be binding upon and inure to the benefit of their heirs, executors, administrators, successors, sublessees and assigns, including but not limited to subsequent holder of fee title to the Premises. Upon a conveyance of the Premises by Landlord, Landlord shall be relieved of all further obligations under this Lease except with respect to the obligations set forth in Section 25 hereof for the period prior to such conveyance by Landlord.

29. ENTIRE AGREEMENT. This Lease constitutes the entire agreement between the parties regarding the leasing of the Premises and, excepting any obligations or liabilities that survived the termination or expiration of any prior lease, sublease, option or lease assignment (which obligations/liabilities shall continue to survive), supersedes any prior agreements or understandings relating thereto. Notwithstanding the foregoing, in the event that Landlord was disclosed with a Franchise Disclosure Document by Tenant in conjunction with executing the Option and Center Lease out of which this Lease arose (“**FDD**”), then nothing in this Lease is intended to disclaim any representations by Tenant in such FDD. This Lease may be modified or amended by, and only by, a written instrument executed by Landlord and Tenant.

30. FORCE MAJEURE. The period of time during which Landlord or Tenant is prevented from performing any act required to be performed under this Lease (other than all of Tenant’s monetary obligations) or by reason of fire, catastrophe, strikes, lockouts, civil commotion, acts of God, the public enemy, governmental prohibitions or preemptions, embargoes, inability to obtain material or labor by reason of governmental regulations or prohibitions, the act or default of the other party, delays occasioned by the adjustment of any casualty loss, epidemic, pandemic or other events beyond the reasonable control of Landlord or Tenant, as the case may be, shall be added to the time for performance of such act. Further, any party asserting any event of force majeure shall deliver to the other party a written notice of force majeure stating the reasons thereof within 30 calendar days of the first occurrence of force majeure or such party shall be deemed to have unconditionally waived and released any ability to assert a force majeure event in any manner.

31. ESTOPPEL CERTIFICATE. Upon request of either party, the other party shall, within 15 business days, deliver to the requesting party a written estoppel statement certifying and stating: that this Lease is in full force and effect; any amendments or modifications; the dates to which the rent and other payments due have been paid; whether or not either party is, to the knowledge of the certifying party, in default, or whether there have occurred events which with the passage of time

will constitute a default, and, if so, specifying such defaults and events. Each estoppel statement shall be directed to and state that it may be relied upon by whatever addressee the requesting party may designate.

32. ENFORCEMENT. Landlord and Tenant agree that they shall pay the reasonable costs and expenses, including reasonable attorneys' fees incurred by the prevailing party in any action or proceeding to enforce the provisions of this Lease.

33. SURVIVAL. The rights, remedies and obligations of Landlord and Tenant (including a KKF Affiliated Tenant, unless otherwise specifically excepted herein) in this Lease shall survive the termination and expiration of this Lease or a KKF Affiliated Tenant's assignment of this Lease (pursuant to Subsection 13(a)), except that the foregoing shall not be construed to have the effect of preventing Landlord from exercising, after the term of this Lease shall have terminated or expired, all rights available to Landlord as the fee simple titleholder of the Premises prior to execution of this Lease. Notwithstanding the above, Tenant's right of first refusal shall not survive the termination or expiration of this Lease.

IN WITNESS WHEREOF, the parties hereto have executed this instrument.

Landlord:

Tenant:

Kwik Kar Franchising, LLC

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

The undersigned Franchisee under the Franchisee Agreement hereby agrees to observe, perform, and be bound by Landlord's covenants, obligations and undertakings under the foregoing Option and Center Lease.

Franchisee:

By: _____
Name: _____
Title: _____

Exhibit A

Legal Description of Premises

EXHIBIT D-3

DEFERRED MAINTENANCE AGREEMENT

DEFERRED MAINTENANCE AGREEMENT

In conjunction with the proposed sale of the Kwik Kar Center at _____ (“Center”), from the undersigned Seller to the undersigned Buyer, Seller and Buyer acknowledge and hereby agree and confirm the following to Kwik Kar Franchising, LLC (“KKF”):

- KKF (or its contractor) inspected the Center on _____, 20____, to ascertain obvious deferred maintenance items under the Center lease or sublease and/or Kwik Kar Franchise Agreement;
- KKF requires, as a condition of consenting to the sale of the Center, that the items listed on Exhibit A hereto be completed and repaired by Seller or Buyer within 90 days after the closing of the sale of the Center. If the items listed on Exhibit A are not completed within 90 days after the closing of the sale of the Center, KKF has the right to perform the work and charge the cost to Buyer in the form of additional rent due for the Center;
- KKF’s inspection was limited in scope and was undertaken solely to ascertain obvious deferred maintenance items and KKF makes no representation of any kind as to the condition of the Center property;
- KKF’s inspection did not include (among other things) the roof, heating and air conditioning system, plumbing fixtures and lines, the Center equipment including the hoists, underground installations or the environmental condition of the property;
- The fact that something is not listed on Exhibit A does not mean that it is in good or acceptable condition for purposes of the undersigned’s obligations under the lease/sublease and/or Kwik Kar Franchise Agreement;
- This Deferred Maintenance Agreement does not limit or replace the Seller’s or Buyer’s obligations under the lease or sublease or the Kwik Kar Franchise Agreement; and
- Seller and Buyer are responsible for conducting (and advised to conduct) its/their own thorough inspection of the Center property.

ACKNOWLEDGED AND AGREED:

Seller:

Buyer:

By: _____

By: _____

Title: _____

Title: _____

Printed Name: _____

Printed Name: _____

Date: _____, 20_____

Date: _____, 20_____

EXHIBIT A

EXHIBIT E

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM



AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name _____ Center Number _____

Franchisee Mailing Address (street, city, state and zip code) _____ Franchisee Phone Number _____

Contact Name, Address and Phone Number (if different than above) _____

Franchisee Fax Number _____ Franchisee E-mail Address _____

Bank Account Information: Deposit Fleet and Rebate Payments Draft Invoices

Bank Name _____

Account Number _____ Routing Number _____ Checking Savings
(check one)

Bank Mailing Address (street, city, state and zip code) _____ Bank Phone Number _____

Authorization:

Franchisee hereby authorizes Kwik Kar Franchising, LLC ("Franchisor") to initiate debit entries to Franchisee's account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee's account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____ Date: _____

Name: _____

Its: _____

Federal Tax ID Number: _____

PLEASE ATTACH A VOIDED CHECK

EXHIBIT F-1

**ADDENDUM TO KWIK KAR FRANCHISE AGREEMENT
(INCENTIVE PROGRAM)**

ADDENDUM TO KWIK KAR FRANCHISE AGREEMENT
(INCENTIVE PROGRAM)

KWIK KAR FRANCHISING, LLC (“KKF”) and _____ (“Franchisee”) entered into a certain Kwik Kar Franchise Agreement (“Agreement”) on this ____ day of _____, 202__, and desire to supplement and amend certain terms and conditions of such Agreement with this addendum (“Addendum”) in consideration of KKF’s incentive program (the “Incentive Program”). The parties therefore agree as follows:

1. **Incentive Program.** The following language is added to Section 11.1 of the Agreement:

Franchisee shall be eligible, per Section 2 of this Addendum, for the following Royalty rebate so long as Franchisee secures a location and meets KKF’s other Incentive Program requirements. To “secure a location,” Franchisee must be acquiring a new location (versus acquiring an existing location), and have its location approved by KKF and either own the location or have an executed finalized lease for the location.

During the first year of operation, provided Franchisee is in full compliance with the Agreement and this Addendum (including making all payments of fees and other amounts due to KKF and its affiliates on time), KKF will rebate 50% of the Royalty paid by Franchisee on a quarterly basis. Each rebate payment will be made on or before the expiration of the quarter immediately following the quarter for which the Royalty was paid.

During the second year of operation, provided Franchisee is in full compliance with the Agreement and this Addendum (including making all payments of fees and other amounts due to KKF and its affiliates on time), KKF will rebate 25% of the Royalty paid by Franchisee on a quarterly basis. Each rebate payment will be made on or before the expiration of the quarter immediately following the quarter for which the Royalty was paid.

2. **Eligibility for Incentive Program.** Franchisee shall be eligible to participate in the Incentive Program if it meets KKF’s then-current qualification standards, which include, but are not limited to, that Franchisee shall be a Conversion Owner or a Veteran and First Responder, current with and in good standing under the Agreement at all times during the quarter in which the Royalty was paid and the Royalty rebate applies. By way of example, Franchisee shall not be eligible for the Royalty rebate if Franchisee fails to make a Royalty payment when due, whether or not Franchisee is charged a late charge, Noncompliance Service Charge, or other assessment due to the late payment. This Incentive Program shall be personal to Franchisee and may not be transferrable upon the transfer of the Agreement, the Center, the assets of the Center, or in any interest in the Franchised Location real estate.
3. **Effectiveness of Agreement.** The terms and conditions of this Addendum are in addition to or in explanation of the existing terms and conditions of the Agreement and shall prevail over and supersede any inconsistent terms and conditions thereof.

(Signatures on following page)

KWIK KAR FRANCHISING, LLC

By: _____
Ron Stilwell, President

FRANCHISEE:

By: _____
Printed Name: _____
Title: _____

EXHIBIT F-2

**ADDENDUM TO KWIK KAR FRANCHISE AGREEMENT
(CONVERSION)**

ADDENDUM TO KWIK KAR FRANCHISE AGREEMENT
(CONVERSION)

KWIK KAR FRANCHISING, LLC (“KKF”) and _____ (“**Franchisee**”) entered into a certain Kwik Kar Franchise Agreement (“**Agreement**”) on _____, 202__, and desire to supplement and amend certain terms and conditions of such Agreement with this addendum (“**Conversion Addendum**”) in consideration of Franchisee’s [conversion of a currently operating automotive lubrication, maintenance and repair center to a Kwik Kar Center] [purchase of a currently operating, automotive lubrication, maintenance and repair center and conversion of the same to a Kwik Kar Center]. The parties therefore agree as follows:

1. **Conversion Franchise.** The following language is hereby added to Section 2.1 of the Agreement:

Franchisee acknowledges that the franchise is granted for the conversion of Franchisee’s existing automotive lubrication, maintenance and repair business or the purchase and conversion of a competing automotive lubrication, maintenance and repair business, in both cases, that is open and operating as of the date of this Conversion Addendum, located at the location described in Section 3.1 of the Agreement (“**Conversion Franchise**”) in accordance with the terms and conditions of the Agreement and this Amendment.

2. **Conditional Assignment of Lease.** Section 4.2 of the Agreement is hereby deleted in its entirety and the following is inserted in its place:

4.2. If Franchisee leases the premises from which the Kwik Kar Center is to be operated, Franchisee shall use its best efforts to negotiate with its landlord for execution of a conditional assignment of lease which provides in part for assignment to KKF. If Franchisee or an affiliate of Franchisee owns the Franchised Location, Franchisee or the affiliate of Franchisee shall enter into an Option and Center Lease with KKF providing KKF with the option to lease the Franchised Location upon a termination or non-renewal of this Agreement.

3. **Conversion of Premises, Signs, Equipment, Inventory and Program.** The following language is hereby added to Sections 4.3, 4.4, 4.5 and 4.6 of the Agreement:

Notwithstanding any provision in the Agreement to the contrary, Franchisee’s obligation to comply with KKF’s standards and specifications as are set forth in the Brand Standards Manual shall be phased in for a period of six months from execution of the Agreement in accordance with Schedule A, attached hereto and by this reference incorporated herein. Franchisee will be permitted to use KKF’s service mark, logos and other identifying symbols or names, in its signage, advertising and otherwise, in conjunction with any other previous signage or identifying symbols or names for 60 days from execution of the Agreement, in a manner which shall be approved by KKF, which approval shall not be unreasonably withheld. Upon expiration of such 60 day period, Franchisee must use KKF’s signage exclusively and remove all other previous signage.

4. **Commencement of Business.** The following language is hereby added to Section 4.8 of the Agreement:

The business at the Center shall be considered to have commenced as a Kwik Kar Center as of the date of full execution of the Agreement. All modifications required to bring the Center and its operations into compliance with the standards and specifications set forth in the Brand Standards Manual must be completed within six months of the date of full execution of the Agreement.

5. **Specifications for Franchised Location.** Section 5.1.a. of the Agreement is hereby deleted in its entirety, and the following sentence is added to Section 5.1:

Franchisee acknowledges that KKF is under no obligation to provide additional site specifications or other assistance for development of the Franchised Location and that KKF's acceptance of Franchisee's existing site for the Conversion Franchise does not infer or guarantee the success or profitability of the accepted site in any manner whatsoever.

6. **Conversion of Center.** The following language shall be added to Section 5.1.b. of the Agreement:

KKF shall provide Franchisee with sample blueprints for modification of the interior and exterior of Franchisee's premises, if applicable, but shall make no representation or guarantee regarding the suitability of such blueprints for required modification of Franchisee's premises.

7. **Incentive Program.** The following language is added to Section 11.1 of the Agreement (referred to herein as the "**Incentive Program**"):

During the first year of operation as a Conversion Franchise, provided Franchisee is not in default of the Agreement or this Conversion Addendum, KKF will rebate 50% of the Royalty paid by Franchisee on a quarterly basis. Each rebate payment will be made on or before the expiration of the quarter immediately following the quarter for which the Royalty was paid.

During the second year of operation as a Conversion Franchise, provided Franchisee is not in default of the Agreement or this Conversion Addendum, KKF will rebate 25% of the Royalty paid by Franchisee on a quarterly basis. Each rebate payment will be made on or before the expiration of the quarter immediately following the quarter for which the Royalty was paid.

8. **Eligibility for Incentive Program.** Franchisee shall be eligible to participate in the Incentive Program set forth in Section 7 above only if it meets KKF's then-current qualification standards, which include, but are not limited to, that Franchisee shall be current with and in good standing under the Franchise Agreement at all times during the quarter in which the Royalty was paid and the Incentive Program applies. By way of example, Franchisee shall not be eligible for the Incentive Program if Franchisee fails to make a Royalty payment when due, whether or not Franchisee is charged a late charge, Noncompliance Service Charge, or other assessment due to the late payment. This Incentive Program shall be personal to Franchisee, and may not be transferrable upon the transfer of the Agreement, the Center, the assets of the Center, or any interest in the Franchised Location real estate.

9. **Effectiveness of Agreement.** The terms and conditions of this Conversion Addendum are in addition to or in explanation of the existing terms and conditions of the Agreement and shall prevail over and supersede any inconsistent terms and conditions thereof.

KWIK KAR FRANCHISING, LLC

By: _____
Printed Name: _____
Title: _____

FRANCHISEE:

By: _____
Printed Name: _____
Title: _____

EXHIBIT G

STATEMENT OF PROSPECTIVE FRANCHISEE

KWIK KAR FRANCHISING, LLC
STATEMENT OF PROSPECTIVE FRANCHISEE

(Note: Dates and Answers Must be completed in the Prospective Franchisee's Own Handwriting.)

Since the prospective franchisee (also called "me," "our", "us", "we", and/or "I" in this document) and KWIK KAR FRANCHISING, LLC (also called "you", or "your") both have an interest in making sure that no misunderstanding exist between each of us, and to verify that no violations of law might have occurred, and understanding that you are relying on the statements I/we make in this document, I/we advise you as follows:

A. The following dates and information are true and correct:

1. The date of our first face-to-face meeting with any person to discuss the possible purchase of a Kwik Kar franchise.

2. The date on which I/we received a Franchise Disclosure Document providing me/us with information regarding the purchase of a Kwik Kar franchise.

3. The date when I/we received a fully completed copy (other than signatures) of the Franchise Agreement and all other documents I/we later signed.

4. The earliest date on which I/we signed the Franchise Agreement or any other binding document (not including any Receipt evidencing our receipt of the Franchise Disclosure Document).

5. The earliest date on which I/we delivered cash, a check or other consideration to you, or any other person or company.

B. Representations and Other Matters:

1. No oral, written, visual or other promises, agreements, commitments, or representations of any type, including, but not limited to, any which expanded upon or were inconsistent with the Franchise Disclosure Document, or the Franchise Agreement, have been made to me/us with respect to any matter nor have I/we relied in any way on such, except as expressly set forth in the Franchise Agreement or a written Addendum thereto signed by me/us and a Managing Member or officer of you, except as follows: _____

(If none, write NONE in your own handwriting.)

2. No oral, written, visual or other claim, guarantee or representation (including, but not limited to, charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise), which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained), from franchised or non-franchised units, was made to me/us by any person or entity, nor have I/we relied in any way on any such, except for the information expressly set forth in the Franchise Disclosure Document, if any, except as follows: __

(If none, write NONE in your own handwriting).

3. No contingency, prerequisite, reservation or other condition exists with respect to any matter (including, but not limited to, my/our obtaining any financing, my/our selection, purchase, lease or otherwise of a location, any operational matters or otherwise) or my/our fully performing any of my/our obligations, nor am I/we relying on you or any other entity to provide or arrange financing of any type, nor have I/we relied in any way on such, except as expressly set forth in the Franchise Agreement or a written Addendum thereto signed by me/us and a Managing Member or officer of you, except as follows: _____

(If none, write NONE in your own handwriting).

4. I/we understand that the information contained in ITEM 19 of the Franchise Disclosure Document, if any, is not intended to express or infer an estimate, projection or forecast of revenues, sales, expenses, income or earnings to be derived in connection with any particular franchise. I/we understand that you make no representation to whether I/we will ever be able to sell any products or services, or the length of time it will take me/us to realize any gross revenues, net income or any other financial results. I/we understand that my/our actual financial results are likely to differ from the figures presented. I/we understand that you do not represent that I/we can expect to attain the revenues or limit my/our expenses to those contained in ITEM 19 of the Franchise Disclosure Document, if any, or that I/we can do as well as the outlets included therein. If I/we rely on those figures, I/we accept the risk of not doing as well. I/we acknowledge that my/our ability to achieve any level of income will depend upon factors not within your control, including the occurrence of certain start-up and operating expenses and the amount of those expenses, and my/our level of expertise. (This statement does not apply in the State of Washington.)

5. If the prospective franchisee is a business entity, the individuals signing for the "Prospective Franchisee" constitute all of the executive officers, members, managers, partners, shareholders, investors and/or principals (as applicable) of the Prospective Franchisee and each of such individuals has received the Franchise Disclosure Document and all attachments and carefully read, discussed, understands and agrees to the Franchise Agreement and each written attachment, addendum, or exhibit.

6. I/we have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and you have strongly recommended that I/we obtain such independent professional advice. I/we have also been advised by you to discuss my/our proposed purchase of, or investment in, a Kwik Kar franchise with one or more of your existing franchisees prior to signing any binding documents or paying any sums and I/we have been supplied with a list of existing Kwik Kar franchisees.

7. I/we understand that entry into any business venture necessarily involves certain risk of loss or failure, that the purchase of a Kwik Kar franchise (or any other franchise) is a speculative investment, that investment beyond the amounts outlined in the Franchise Disclosure Document may be required to succeed, that there exists no guaranty against possible loss or failure in this or any other business and that the most important factors in the success of any Kwik Kar Center, including the one to be operated by me/us, are my/our personal business, marketing, sales, management, judgment and other skills.

If there are any matters inconsistent with the statements in this document, or if anyone has suggested that I sign this document without all of its statements being true, correct and complete, I/we will make a written statement regarding such next to my signature below so that you may address and resolve any such issue(s) at this time and before either party goes forward.

I/we understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

Date: _____

PROSPECTIVE FRANCHISEE:

By: _____
Print Name: _____

By: _____
Print Name: _____

By: _____
Print Name: _____

All of the above is true, correct and complete to the best of my knowledge.

Franchise Marketing Representative: _____

Reviewed by: _____ (Kwik Kar Franchising, LLC)

President/Vice President: _____ Agreement Number _____

**RIDERS TO STATEMENT OF PROSPECTIVE FRANCHISEE
FOR SPECIFIC STATES**

NONE

EXHIBIT H

RESERVED FOR FUTURE USE

EXHIBIT I

FORM OF GENERAL RELEASE AGREEMENT

THE FOLLOWING FORM OF GENERAL RELEASE AGREEMENT IS A SAMPLE OF OUR CURRENT FORM OF GENERAL RELEASE AGREEMENT. THIS AGREEMENT IS OFTEN MODIFIED TO CONFORM TO THE FACTS SURROUNDING THE EVENT OR INCORPORATED INTO A LARGER AGREEMENT WHICH MORE PRECISELY ADDRESSES THE EVENT. WE MAKE NO REPRESENTATION OR GUARANTY THAT THE GENERAL RELEASE AGREEMENT YOU MAY BE REQUIRED TO SIGN WILL BE IDENTICAL TO THE GENERAL RELEASE AGREEMENT SET FORTH BELOW.

GENERAL RELEASE AGREEMENT

THIS GENERAL RELEASE AGREEMENT (this "Agreement") is made as of _____, 202__ by and between KWIK KAR FRANCHISING, LLC, a Delaware limited liability company ("KKF"), and _____, a(n) _____ ("Franchisee").

RECITALS

- A. KKF and Franchisee entered into that certain Franchise Agreement dated _____, 202__, (the "Franchise Agreement").
- B. Franchisee desires to _____ its rights and obligations under Franchise Agreement.
- C. As a condition to the _____ of Franchisee's rights and obligations under the Franchise Agreement, KKF requires Franchisee to execute this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the terms and conditions set forth below, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Release. Franchisee for itself, its employees, officers, directors, shareholders, members, managers, partners, agents, representatives, successors and assigns, hereby fully and forever unconditionally releases and discharges KKF, its affiliated companies and their employees, officers, directors, shareholders, members, managers, partners, agents, representatives, successors and assigns (collectively referred to as the "**KKF Parties**") from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever, in law or in equity, whether known or unknown to it, which it may now have against KKF or the KKF Parties, or which may hereafter be discovered, in connection with, as a result of, or in any way arising from, any relationship or transaction with KKF or the KKF Parties, however characterized or described, from the beginning of time until the date of this Agreement.

2. Notice. Any notice, request, demand, statement or consent made under this Agreement shall be in writing and shall be personally delivered or sent by registered or certified mail, return receipt requested, and shall be deemed given when personally delivered or three days after deposit in the United States Mail, postage prepaid, and properly addressed to the other party at its address as set forth below. Each party may designate a change of address by notice to the other party in accordance with this Section.

If to Franchisee:

If to KKF:

Kwik Kar Franchising, LLC
5575 DTC Parkway, Suite 100
Greenwood Village, Colorado 80111

3. Colorado Laws. This Agreement shall be interpreted by the laws of the State of Colorado. Should any provision of this Agreement be found to violate the statutes or court decisions of the State of Colorado or of the United States, that provision shall be deemed to be amended to comply with and conform to such statutes or court decisions to affect the intent of the parties hereto.

4. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the successors, assigns, trustees, receivers, personal representatives, legatees and devisees of the parties.

5. Attorneys' Fees. Each party shall be responsible for paying its and his or her own costs and expenses incurred in the preparation of this Agreement. However, in the event of any litigation between the parties based upon an alleged breach or default in their respective obligations to be fulfilled pursuant to this Agreement, the prevailing party in the action shall be entitled to recover attorney's fees and court costs from the non-prevailing party(ies).

6. Entirety. This Agreement embodies the entire agreement and understanding between the parties and supersedes all prior agreements and understandings related to the subject matter hereof.

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

KKF:

FRANCHISEE:

KWIK KAR FRANCHISING, LLC

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT J

BRAND STANDARDS MANUAL TABLE OF CONTENTS

KWIK KAR STANDARDS MANUAL TABLE OF CONTENTS

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<i>Totals</i>	<i>303</i>	<i>286</i>	<i>17</i>

EXHIBIT K-1

LIST OF CURRENT FRANCHISEES AND MULTI-UNIT OWNERS

List of Franchisees as of December 31, 2023 (Domestic Locations):

NONE

Current Multi-Unit Franchisees as of December 31, 2023:

NONE

Franchisees with Unopened Outlets as of December 31, 2023:

NONE

EXHIBIT K-2

FRANCHISEES AND AREA DEVELOPERS WHO HAVE LEFT THE SYSTEM:

FRANCHISEES WHO HAVE LEFT THE SYSTEM:

The name, city and state, and last known phone number of every franchisee who had a Kwik Kar Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during our most recently completed fiscal year, or who has not communicated with us within ten (10) weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

NONE

EXHIBIT L
FINANCIAL STATEMENTS

MidOcean FSA Holdings, L.P.

Consolidated Financial Statements

As of and for the fiscal years ended
December 30, 2023 and December 31, 2022

MidOcean FSA Holdings, L.P.

Contents

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KPMG LLP
Suite 800
1225 17th Street
Denver, CO 80202-5598

Independent Auditors' Report

The Board of Directors
MidOcean FSA Holdings, L.P.:

Opinion

We have audited the consolidated financial statements of MidOcean FSA Holdings, L.P. and its subsidiaries (the Partnership), which comprise the consolidated balance sheets as of December 30, 2023 and December 31, 2022, and the related consolidated statements of operations, members' equity, and cash flows for each of the fiscal years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 30, 2023 and December 31, 2022, and the results of its operations and its cash flows for each of the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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



In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Denver, Colorado
April 5, 2024

MidOcean FSA Holdings, L.P.

Consolidated Balance Sheets

	12/30/2023	12/31/2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,110,019	\$ 6,205,978
Restricted cash	4,086,753	4,273,097
Accounts and royalties receivable, net	7,239,583	5,980,851
Prepaid expenses and other current assets	998,732	4,937,300
Inventories, net	8,570,424	9,012,834
Notes receivable - current, net	31,578	61,241
Total current assets	26,037,089	30,471,301
Property and equipment, net	94,846,338	97,487,879
Other long-term assets:		
Notes receivable - noncurrent, net	43,719	71,704
Deferred franchising costs	1,116,131	2,731,572
Goodwill, net	294,152,451	335,105,762
Operating lease right-of-use assets	181,644,261	230,527,723
Intangible assets, net	148,593,663	150,546,080
Other assets	629,246	889,542
Total other long-term assets	626,179,471	719,872,383
Total assets	747,062,898	847,831,563
Liabilities and Members' equity		
Current liabilities:		
Accounts payable	7,330,395	8,994,425
Accrued expenses and other liabilities	21,259,468	20,591,113
Lease liabilities - current portion	23,850,872	26,470,561
Notes payable - current portion	2,771,250	3,695,000
Total current liabilities	55,211,985	59,751,099
Long-term liabilities:		
Deferred franchise sales revenue	1,871,139	3,255,958
Lease liabilities - noncurrent portion	237,861,716	283,208,476
Notes payable - noncurrent, net of loan fees	370,834,714	366,791,962
Deferred income tax liabilities, net	2,473,692	3,056,652
Other liabilities	2,900,847	3,713,112
Total long-term liabilities	615,942,108	660,026,160
Total liabilities	671,154,093	719,777,259
Members' equity		
Members' equity	216,264,158	215,970,077
Accumulated deficit	(140,355,353)	(87,915,773)
Total Members' equity	75,908,805	128,054,304
Total liabilities and Members' equity	\$ 747,062,898	\$ 847,831,563

See accompanying notes to the consolidated financial statements.

MidOcean FSA Holdings, L.P.

Consolidated Statement of Operations

<i>Fiscal Year Ended</i>	12/30/2023	12/31/2022
Revenues:		
Retail store sales, net of discounts	\$ 259,606,498	\$ 235,070,335
Franchise revenues	27,007,021	25,804,346
Other revenues	1,771,931	1,816,745
Total revenues	288,385,450	262,691,426
Operating expenses:		
Cost of store sales	47,789,339	48,922,921
Personnel expenses	103,132,402	92,755,682
Retail store operating expenses	17,620,440	17,157,078
Sales and promotional expenses	22,236,437	26,331,979
Rent expense	29,720,126	33,403,926
Legal expense	775,768	1,418,077
General and administration expenses	20,768,766	22,964,359
Depreciation and amortization	52,471,735	51,210,229
Transaction costs	53,432	2,365,205
Total operating expenses	294,568,445	296,529,456
Operating loss	(6,182,995)	(33,838,030)
Other expense:		
Interest expense	(46,134,868)	(30,320,681)
Interest income	3,711	5,061
Other, net	(5,422)	(1,938)
Total other expense	(46,136,579)	(30,317,558)
Loss before income taxes	(52,319,574)	(64,155,588)
Income taxes:		
Income tax (expense) benefit	(120,006)	443,232
Net loss	\$ (52,439,580)	\$ (63,712,356)

See accompanying notes to the consolidated financial statements.

MidOcean FSA Holdings, L.P.

Consolidated Statement of Members' Equity

	Capital Amount	Accumulated Deficit	Total Members' Equity
Balance, January 1, 2022	\$ 210,543,485	\$ (24,203,417)	\$ 186,340,068
Member contributions	5,000,000	-	5,000,000
Unit-based compensation	426,592	-	426,592
Net loss	-	(63,712,356)	(63,712,356)
Balance, December 31, 2022	215,970,077	(87,915,773)	128,054,304
Member contributions	100,000	-	100,000
Unit-based compensation	194,081	-	194,081
Net loss	-	(52,439,580)	(52,439,580)
Balance, December 30, 2023	\$ 216,264,158	\$ (140,355,353)	\$ 75,908,805

See accompanying notes to the consolidated financial statements.

MidOcean FSA Holdings, L.P.

Consolidated Statement of Cash Flows

<i>Fiscal Year Ended</i>	12/30/2023	12/31/2022
Cash flows from operating activities:		
Net loss	\$ (52,439,580)	\$ (63,712,356)
Adjustments to reconcile net loss to net cash provided by / (used in) operating activities:		
Depreciation and amortization of property and equipment	9,853,302	8,834,678
Amortization of goodwill and intangible assets	42,618,433	42,375,551
Amortization of deferred loan fees	1,814,002	1,656,006
Loss on disposal of assets	1,262,233	214,559
Provision for credit losses	(47,089)	(123,920)
Reserves for inventories	66,568	78,182
Unit-based compensation	194,081	426,592
Changes in operating assets and liabilities:		
Accounts and royalties receivable	(1,211,643)	(2,169,794)
Prepaid expenses and other current assets	3,938,568	(381,094)
Inventories	375,842	(1,079,857)
Deferred franchising costs and other assets	1,859,291	(1,332,932)
Accounts payable	(1,856,661)	2,328,236
Accrued expenses and other liabilities	3,948,144	10,120,604
Income tax payable	(582,960)	(539,887)
Deferred franchise sales revenue	(1,384,819)	1,404,762
Vendor rebate liabilities	-	(800,000)
Other liabilities	(524,970)	(1,454,251)
Net cash provided by/(used in) operating activities	7,882,742	(4,154,921)
Cash flows from investing activities:		
Acquisition of businesses	-	(68,349,659)
Cash paid to sellers for prior year acquisitions	(3,037,750)	(1,198,353)
(Increase) decrease in notes receivable, net	57,648	(64,769)
Purchase of property and equipment	(4,471,851)	(10,091,130)
Net cash used in investing activities	(7,451,953)	(79,703,911)
Cash flows from financing activities:		
Proceeds from issuance of notes payable	5,000,000	112,500,000
Principal payments on finance lease obligations	(3,118,092)	(1,952,982)
Principal payments on notes payable	(3,695,000)	(25,590,750)
Loan issuance fees paid	-	(2,172,443)
Capital contributions	100,000	5,000,000
Net cash provided by financing activities	(1,713,092)	87,783,825
Net increase in cash, cash equivalents and restricted cash	(1,282,303)	3,924,993
Cash, cash equivalents and restricted cash, beginning of period	10,479,075	6,554,082
Cash, cash equivalents and restricted cash, end of period	\$ 9,196,772	\$ 10,479,075

See accompanying notes to the consolidated financial statements.

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

1. Nature of Business

Organization

On October 30, 2020, MidOcean FSA Holdings, L.P. (“FSA Holdings” or “Partnership”), a Delaware limited partnership, was established as the holding company. MidOcean FSA Blocker, Inc. (“FSA Blocker”), a Delaware limited liability company and wholly-owned subsidiary of the Partnership was created as the legal acquirer.

On November 24, 2020, FSA Blocker’s wholly-owned subsidiary MOP GM Parent, LLC acquired 100% of MOP GM Holding, LLC.

MOP GM Holding, LLC (“MOP GM Holding”), a Delaware limited liability company, owns the entire membership interests of Grease Monkey International, LLC (“GMI”), SpeeDee Worldwide, LLC (“SPE”), and Grease Monkey Franchising, LLC (“GMF”). GMI, SPE and GMF own, operate and franchise a variety of automotive quick-service preventive maintenance retail locations and stores.

GMI was the franchisor of the Grease Monkey franchise system from approximately September 1978 through March 2006, when GMF became the franchisor. GMI remains the franchisor of some Grease Monkey franchises granted before April 2006, except that GMF may execute franchise agreements with renewing franchisees and franchisees that are transferees. GMF was formed in 2006 with identical ownership to GMI resulting in common control of the entities. GMI owns the marks and licensed methods and licenses the marks and licensed methods to GMF. Under the Development Services and Management Agreements dated March 15, 2006 between GMF and GMI, GMI will, on behalf of GMF, provide development and ongoing assistance to the franchisees and otherwise fulfill certain duties under the franchise agreements. GMF pays GMI a fee for the services provided.

Grease Monkey de Mexico S.A. de C.V. (“GMX”), a Corporation and wholly-owned subsidiary of GMI formed under laws of the Mexican Republic, was established September 25, 1996. GMX provides franchise sales and franchise support services for all regions located within Mexico.

Description of Business

The principal activity of the Partnership is to acquire, own and operate, and sell any of the equity interests in FSA Blocker and its subsidiaries. GMI, SPE, and GMF are the franchisors and/or owners of retail locations that provide the automobile user with convenient preventative maintenance, car wash and full-service services throughout the United States and Mexico.

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Partnership, FSA Blocker, several other pass-through subsidiaries, MOP GM Holding and its wholly-owned subsidiaries GMI, GMF, GMX, and SPE as of and for the fiscal year ended December 30, 2023. The entities are collectively referred to as the “Partnership.” All intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All amounts are presented in US Dollars, the functional currency of the Partnership and all subsidiaries.

The Partnership follows the National Retail Federation fiscal calendar and utilizes a 52-53 week fiscal year whereby the fiscal year ends on the Saturday nearest to December 31. The 2023 and 2022 fiscal years ended December 30, 2023 and December 31, 2022, respectively, consisted of 52 weeks.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary materially from these estimates and assumptions.

The most significant estimates include but are not limited to valuation allowance for deferred tax assets, amortization periods of right-of-use assets, long-lived assets and intangible assets, estimates used to derive the fair value of assets acquired and liabilities assumed in connection with acquisitions, fair value of the entity in connection with impairment analysis and fair value of unit-based compensation.

Cash and Cash Equivalents

Cash equivalents consist of demand deposits and short-term, highly liquid investments with original maturities of three months or less. These investments are carried at cost, which approximates fair value. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits.

Restricted Cash

As of December 30, 2023, the restricted cash balance is primarily related to amounts received from franchisees restricted for use to satisfy advertising fund obligations. See Note 6 for the balance of the advertising fund obligations for fiscal year ended December 30, 2023.

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

Accounts and Royalties Receivable

Receivables consist of amounts due from the sale of products, royalties due from franchisees, amounts due from suppliers, rents and other amounts. The Partnership records receivables from third parties at the time a transaction is completed, which is recorded at the invoiced amount.

The Partnership considers an allowance for doubtful accounts based on the creditworthiness and payment history of the franchisee and other customers. When circumstances suggest that collectability may not be reasonably assured, which is generally determined by nonpayment and age of outstanding receivables due from a franchisee or other customer, the Partnership will discontinue recognizing revenue until other information or changes in circumstances indicate that collectability has become reasonably assured. The provision for uncollectable accounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses with an expense to bad debt. The allowance is management's best estimate of uncollectable amounts. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. The allowance for doubtful accounts were approximately \$144,000 and \$262,000 as of December 30, 2023 and December 31, 2022, respectively.

Notes Receivable

From time to time, the Partnership provides financing of past due royalties to its franchisees or loans to its franchise owners to fund operations, capital expenditures, or other short-term cash needs. Additionally, on occasion, sales of units to third parties are completed under terms of a note receivable agreement. Past due notes receivable are considered during the Partnership's valuation of receivables. The allowance for notes receivable accounts was \$0 as of December 30, 2023 and December 31, 2022.

Concentrations of Credit Risk

The Partnership grants credit in the normal course of business to franchisees in the United States. The Partnership periodically performs credit analysis and monitors the financial condition of its franchisees to reduce credit risk. As of December 30, 2023, no single customer accounted for more than 10% of total accounts receivable balance.

Inventories

Inventories consist primarily of automotive service products and are stated at the lower of cost or net realizable value, determined using the first in, first out method ("FIFO").

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairments, if any. Plant and equipment under finance leases are stated at the present value of minimum lease payments; see Note 10. When property and equipment is sold or retired, the cost and accumulated depreciation are eliminated from the accounts and gains or losses are recorded in the statements of operations. Expenditures for maintenance and repairs are expensed as incurred.

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

Depreciation and amortization are provided utilizing the straight-line method over the following estimated useful lives:

Furniture and fixtures	7 years
Machinery and store equipment	5 years
Computer equipment and software	3 years
Automobiles	5 years
Building	39.5 years
Leasehold improvements	Shorter of term of the lease or useful life not to exceed 15 years

Property and equipment acquired in a business combination are depreciated over the remaining useful life of the asset. Land is not depreciated.

Construction-in-process is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction-in-process until the relevant assets are completed and ready for their intended use.

Goodwill

Goodwill represents the excess purchase price over the estimated fair value of net assets acquired in a business combination. The Partnership amortizes goodwill on a straight-line basis over ten years, or less than 10 years if another useful life is more appropriate. The Partnership tests goodwill for impairment when there is a triggering event (e.g. a deterioration in general economic conditions or in the environment in which the Partnership operates).

When impairment indicators are identified, the Partnership compares its fair value to its carrying amount, including goodwill. An impairment loss is recognized as the difference, if any, between the entity level's carrying amount and its fair value, to the extent the difference does not exceed the total amount of goodwill allocated to the entity level.

Deterioration in the general economic environment caused increases in labor costs and in the cost of capital such as rising interest rates resulting in the Partnership presenting consecutive years of operating loss and net loss for the fiscal years ended December 30, 2023 and December 31, 2022. Based on the totality of these indicators, the Company determined a triggering event had occurred as of December 30, 2023. When a triggering event is identified, entities have an option to first perform a qualitative assessment to determine whether a quantitative impairment test is necessary. If the qualitative assessment indicates that it is more likely than not that goodwill is impaired, entities must perform a quantitative test that compares the fair value of the entity with its carrying amount. An entity also has the unconditional option to skip the qualitative assessment and proceed directly to calculating the fair value of the entity and comparing the fair value with its carrying amount, including goodwill. Given the assessment of triggering events, the Partnership elected to proceed directly to the quantitative test. The Partnership performed a valuation in accordance with ASC 350 to estimate the fair value of the entity which exceeded the entity's carrying amount, including goodwill. Therefore, as of December 30, 2023, the Partnership determined that an impairment had not occurred.

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

In December 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2014-18 *Identifiable Intangible Assets in a Business Combination* (“ASU 2014-18”) which provides an alternative for an entity that does not meet the definition of a public business entity to not recognize separately from goodwill customer related intangible assets unless they are capable of being licensed independently from the other assets of the business and noncompetition agreements. In connection with the acquisitions described in Note 3 and from inception, the Partnership has included the fair value of customer relationships and noncompetition agreements as a component of goodwill, which is amortized on a straight-line basis over a period of ten years.

Intangible Assets

The Partnership’s intangible assets consist of tradenames and franchise agreements acquired in a business combination. Tradenames are not amortized but instead are tested for impairment at least annually. Franchise agreements are amortized over the future period of benefit, which is approximately 15 years.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to undiscounted future net cash flows the asset is expected to generate. Specifically, management projects undiscounted cash flows expected over the period to be benefited.

If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value. Estimates of expected future cash flows represent management’s best estimate based on currently available information and reasonable and supportable assumptions. Any impairment recognized is permanent and may not be restored. As of December 30, 2023, the Partnership determined that an impairment had not occurred.

Accounting for Acquisitions

The Partnership accounts for acquisitions under ASC 805, *Business Combinations* (“ASC 805”). Under ASC 805, an acquiring entity is required to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their fair values as of the acquisition date.

The determination of fair value involves the use of estimates and assumptions, along with the application of various valuation techniques. These estimates include projections of future cash flows related to specific assets and the assessment of future lives based on the expected future period of benefit of the asset. The value assigned to goodwill is the residual of the purchase price of the fair value of all identifiable assets acquired, excluding assembled workforce (which cannot be accounted for separately from goodwill), less all liabilities assumed and noncontrolling interest. Related acquisition costs are expensed as incurred.

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

In accordance with Topic 805, the financial statements were not retrospectively adjusted for any measurement-period adjustments that occurred in subsequent periods. Rather, any adjustments to provisional amounts that were identified during the measurement period were recorded in the reporting period in which the adjustment was determined. There were no adjustments during the fiscal year ended December 30, 2023 that related to prior periods.

Deferred Loan Fees

Costs related to obtaining and the modification of debt are included in the carrying amount of debt and amortized over the term of the related debt using the effective interest method.

Reference Rate Reform

Before December 31, 2022, the Partnership had certain debt agreements that reference the London Interbank Offered Rate (LIBOR). LIBOR is a benchmark interest rate calculated based on information contributed by a panel of large international banks. LIBOR's administrator announced in March 2021 that it intends to stop publishing the Overnight, 1-month, 3-month, 6-month and 12-month USD LIBOR settings after June 30, 2023. In anticipation of that cessation, the Partnership's loan agreement facility was modified to reference the Secured Overnight Financing Rate (SOFR) on May 13, 2022; see Note 7.

Revenue Recognition

ASC 606 provides for a five-step model for recognizing revenue from contracts with customers as follows:

- 1) Identify the contract
- 2) Identify the performance obligations
- 3) Determine the transaction price
- 4) Allocate the transaction price
- 5) Recognize revenue

Franchise revenues consist primarily of royalties, advertising fund contributions, initial and renewal franchise fees and upfront fees from development agreements and master franchise agreements. Under franchise agreements, the Partnership generally provides franchisees with (a) a franchise license, which includes a license to use the Partnership's intellectual property and advertising and promotion management, (b) pre-opening services, including training and market research and site selection, and (c) ongoing services. The Partnership has determined that the pre-opening services, including training, market research and site selection are standalone performance obligations and the revenue for these services are recognized immediately. The Partnership has determined that the remaining services provided are highly interrelated and dependent upon the franchise license right and do not represent separate distinct performance obligations. Consequently, the Partnership bundles the franchise license performance obligation and the services into a single performance obligation and recognizes the revenue on a straight-line basis over the term of the franchise agreement.

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

Royalties, including franchisee contributions to advertising funds, represent sales-based royalties and are calculated as a percentage of net sales reported by franchisees and recognized as franchise sales occur. Regarding advertising funds the Partnership has determined it acts as a principal of the franchisee advertising transactions, thus, revenue and expense are presented gross. These revenues are presented within Franchise revenues and the expenses incurred to provide these services are included within Sales and promotional expenses. When revenues of an advertising program exceed the related advertising expenses, an accrual of additional advertising costs is made as this will be spent on marketing costs in a future period.

Costs to obtain or fulfill a contract that are incremental and recoverable are capitalized and amortized ratably over the term of the franchise agreement. The Partnership classifies these contract assets as Deferred franchising costs on the accompanying consolidated balance sheets. Certain franchise agreements were terminated resulting in immediate recognition of \$22,000 and \$71,500 of deferred franchising costs during the fiscal years ended December 30, 2023 and December 31, 2022, respectively.

Franchisees are eligible to participate in various royalty rebate programs. The rebate programs operate on a quarterly basis and each rebate is distributed to franchisees within 45 days following each quarter's end if the franchisee has met all eligibility requirements, as defined. Requirements include timely payment of royalties and submission of all reporting requirements as outlined in the underlying franchise agreement.

Contract liabilities consist of deferred revenue resulting from initial and renewal franchise fees paid by franchisees, as well as upfront fees paid by master franchisees, which are generally recognized on a straight-line basis over the term of the underlying agreement. The Partnership classifies these contract liabilities as Deferred franchise sales revenue.

Sales Taxes

Various states impose a sales tax on the Partnership's sales to non-exempt customers. The Partnership has elected the practical expedient under ASC 606 which allows for the exclusion of sales taxes from revenues. Accordingly, the Partnership collects the sales tax from customers and remits the entire amount to each respective state and excludes the tax collected and remitted to the states from revenues and direct costs.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. They are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates is recognized in income in the period that includes the enactment date. The Partnership recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Partnership records interest related to unrecognized tax benefits in Interest expense and penalties in General and administrative expense. If incurred, interest and penalties associated with tax positions are recorded in the period assessed as operating expense. No interest or penalties have been assessed as of December 30, 2023.

Financial Guarantees

GAAP requires the recognition of a liability by a guarantor of certain guarantees. GAAP requires the guarantor to recognize a liability for the non-contingent component of the guarantee, which is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is required even if it is not probable that payment will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements; see Note 12.

Fair Value Measurements

The Partnership follows the accounting guidance prescribed in ASC 820, *Fair Value Measurements* (“ASC 820”). ASC 820 establishes a common definition of fair value to be applied with existing GAAP requiring the use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on a measurement date.

Fair value is a market-based measure considered from the perspective of a market participant that holds the asset or owes the liability, rather than an entity-specific measure; therefore, when market assumptions are not readily available, the Partnership’s own assumptions are set to reflect those that market participants would use in pricing the asset or liability on a measurement date. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Partnership. Unobservable inputs are inputs that reflect the Partnership’s assumptions about what market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities to which the Partnership has access at a measurement date.
- Level 2: Observable inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3: Unobservable inputs for which little or no market data exists, and for which the Partnership must develop its own assumptions regarding the assumptions that market participants would use in pricing the asset or liability, including assumptions regarding risk.

Because of inherent uncertainties in the valuation of assets or liabilities for which there are no observable inputs, estimated fair values may differ significantly from the values that may have been used had a ready market for the assets or liabilities existed.

Unit-Based Compensation/Profit Interests

The Partnership accounts for unit-based compensation in accordance with ASC 718, *Compensation – Stock Compensation*, which requires unit compensation awards to be accounted for using a fair value-based method. The Partnership amortizes the time-vesting, unit-based compensation awards on a straight-line basis over the requisite service (vesting) period of the award, and fair value is based on an Option Pricing Model. The exit-event, vesting unit-based compensation will be recognized when the exit event is probable at fair value. See Note 9 regarding awards of units in the Partnership, issued to key employees of the Partnership and the effect on earnings in the accompanying consolidated financial statements.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the fiscal years ended December 30, 2023 and December 31, 2022, were approximately \$22.2 Million and \$26.3 Million, respectively.

Vendor Rebate and Incentive Agreements

The Partnership has various purchase agreements with vendors, whereby, the Partnership receives rebate payments from the vendor monthly, quarterly, or annually and in some cases is also required to purchase a minimum monthly or annual commitment through the contractual life. The rebate payment receivables are included in accounts and royalties receivable, net, and accounted for as a reduction of Cost of store sales, either as minimum purchase thresholds are met, or ratably over the contractual life, depending on the terms of the contract.

Liquidity and Capital Resources

As of December 30, 2023, the Partnership had cash and cash equivalents of approximately \$5.1 Million. During the fiscal year December 30, 2023, the Partnership incurred a net loss of approximately \$52.4 Million, which included charges for Depreciation and amortization and Interest expense of approximately \$98.6 Million. The Partnership generated increased Total revenues of \$25.7 Million for the fiscal year ended December 30, 2023 compared to the fiscal year ended December 31, 2022. As of December 30, 2023, the Partnership's Senior Facility provides for a second supplemental delayed

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draw term loan of approximately \$39 Million available on a \$50 Million facility and revolving line of credit of \$1.4 Million available on a \$20 Million facility; see Note 7.

Going Concern Assessment

The Partnership follows the guidance in ASC 205-40, *Presentation of Financial Statements – Going Concern*, which requires management to assess the Partnership’s ability to continue as a going concern and to provide related disclosure in certain circumstances. Management annually evaluates whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership’s ability to continue as a going concern within one year of the date that the consolidated financial statements are available to be issued. This evaluation is based on relevant conditions and events that are known or reasonably knowable at the date that the consolidated financial statements are available to be issued. The Partnership believes there are no conditions or events that raise substantial doubt as to the Partnership’s ability to continue as a going concern.

Recently Issued Accounting Pronouncements - Adopted

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides temporary optional guidance for a limited time to ease the potential accounting impacts associated with transitioning away from reference rates that are expected to be discontinued, such as the London Interbank Offered Rate (LIBOR). The ASU was effective upon issuance on March 12, 2020. These provisions specify how a replacement rate will be identified (and other terms, such as how the spread above the reference rate will be changed) once a trigger event (such as LIBOR no longer being quoted) occurs. The terms related to the calculation of interest under the Partnership’s revolving line of credit and term loan were updated prior to LIBOR being discontinued. As of December 30, 2023, Management has changed the benchmark from LIBOR to SOFR as we have renewed or amended our loan facility agreement which did not have a material impact on the loans affected.

Recently Issued Accounting Pronouncements - Future Adoption

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU requires the annual financial statements to include consistent categories and greater disaggregation of information in the rate reconciliation, and income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for the Partnership’s annual reporting periods beginning after December 15, 2025. Adoption is either with a prospective method or a fully retrospective method of transition. Early adoption is permitted. The Partnership is currently evaluating the effect that adoption of ASU 2023-09 will have on its consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption. The Partnership does not disclose recent pronouncements that are unrelated to its financial condition, results of operations, cash flows or disclosures.

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3. ACQUISITIONS

2023 Acquisitions

During the fiscal year ended December 30, 2023, the Partnership did not have any acquisitions.

2022 Acquisitions

During the fiscal year ended December 31, 2022, the Partnership entered into twenty-three asset purchase agreements with third parties to acquire forty-two operating units and/or automotive repair and service facilities and one indefinite-lived tradename totaling approximately \$71.4 Million. The various operating units and/or automotive repair and service facilities acquisitions are accounted for as business combinations and the one indefinite-lived tradename is accounted for as an asset acquisition.

The acquisitions were funded with draws on the Partnership's existing senior loan facility; see Note 7. Subsequently, the Partnership entered into various lease obligations for the operating units. The preliminary allocation of the purchase price among the assets acquired and liabilities assumed for the acquisitions described above, based on fair value were as follows:

	Business Combinations	Asset Acquisition
Cash and cash equivalents	\$ 850	\$ -
Prepaid and other current assets	20,942	-
Inventories	1,207,804	-
Property and equipment	2,536,466	-
Intangibles	-	\$ 12,000,000
Total identifiable assets acquired	3,766,062	12,000,000
Total identifiable liabilities assumed	-	-
Goodwill	55,622,197	-
Total purchase price	\$ 59,388,259	\$ 12,000,000

The purchase price of acquisitions for the fiscal year ended December 31, 2022 was paid or to be paid as follows:

	Business Combinations	Asset Acquisition
Cash paid	\$ 56,350,509	\$ 12,000,000
Due to sellers	3,037,750	-
	\$ 59,388,259	\$ 12,000,000

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Acquisition-related costs for 2022 acquisitions totaled approximately \$1.5 Million which was recorded as transaction costs in the accompanying consolidated statements of operations.

Goodwill recognized from the acquisitions consists largely of the assembled workforce, customer lists, synergies and economies of scale expected from operations substantially all of which is deductible for income tax purposes.

4. PROPERTY AND EQUIPMENT

Depreciation and amortization of property and equipment for the fiscal years ended December 30, 2023 and December 31, 2022, were approximately \$9.9 Million and \$8.8 Million, respectively. Property and equipment include machinery and equipment finance lease ROU assets of approximately \$104,371 and \$66,000 and real property finance lease ROU assets of approximately \$73.7 Million \$73.9 Million for the fiscal years ended December 30, 2023 and December 31, 2022, respectively; see Note 2. During the fiscal year ended December 30, 2023, the Partnership incurred a loss on disposal of assets totaling \$1.2 million. This loss primarily resulted from the Partnership's decision to exit certain retail locations. The loss on disposal of assets has been included within General and administrative expenses.

Property and equipment consisted of the following:

	12/30/2023	12/31/2022
Machinery and equipment	\$ 17,698,006	\$ 17,731,950
Leasehold improvements	13,230,961	11,185,537
Real property	75,778,292	76,962,646
Furniture and fixtures	523,166	559,982
Software	3,019,892	2,053,032
	110,250,318	108,493,147
Accumulated depreciation and amortization	(15,403,980)	(11,005,267)
Property and equipment, net	\$ 94,846,338	\$ 97,487,879

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5. INTANGIBLE ASSETS AND GOODWILL

Intangible assets, excluding goodwill, consist of the following:

December 30, 2023				
	Weighted average amortization period	Intangible	Accumulated Amortization	Net
Franchise agreements acquired	4.69 years	\$ 29,100,000	\$ (6,204,078)	\$ 22,895,922
Favorable leases	3.14 years	1,991,000	(633,259)	1,357,741
Tradenames acquired	Indefinite	124,340,000	-	124,340,000
Intangible assets, net		\$ 155,431,000	\$ (6,837,337)	\$ 148,593,663

December 31, 2022				
	Weighted average amortization period	Intangible	Accumulated Amortization	Net
Franchise agreements acquired	6.61 years	\$ 29,100,000	\$ (4,401,221)	\$ 24,698,779
Favorable leases	4.32 years	1,961,226	(453,925)	1,507,301
Tradenames acquired	Indefinite	124,340,000	-	124,340,000
Intangible assets, net		\$ 155,401,226	\$ (4,855,146)	\$ 150,546,080

As of December 30, 2023 and December 31, 2022, a net unfavorable leases liability of approximately \$2.6 Million and \$2.9 Million, respectively, is presented in other liabilities.

Goodwill consists of the following:

	Goodwill	Accumulated Amortization	Net
Balance, January 1, 2022	\$ 352,523,231	\$ (32,390,020)	\$ 320,133,211
Goodwill acquired	55,622,197	-	55,622,197
Amortization	-	(40,649,646)	(40,649,646)
Disposals	(396,619)	396,619	-
Balance, December 31, 2022	407,748,809	(72,643,047)	335,105,762
Amortization	-	(40,953,311)	(40,953,311)
Balance, December 30, 2023	\$ 407,748,809	\$ (113,596,358)	\$ 294,152,451

Amortization of intangible assets and goodwill for the fiscal years ended December 30, 2023 and December 31, 2022 were approximately \$42.6 Million and \$42.9 Million.

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Future amortization of intangible assets and goodwill, assuming no future impairment charges, is as follows:

<i>Fiscal Year Ended</i>	Intangibles	Goodwill	Total
2024	\$ 2,186,061	\$ 40,774,881	\$ 42,960,942
2025	2,166,678	40,774,881	42,941,559
2026	2,165,829	40,774,881	42,940,710
2027	2,158,105	40,774,881	42,932,986
Thereafter	15,576,991	131,052,927	146,629,918
	<u>\$ 24,253,663</u>	<u>\$ 294,152,451</u>	<u>\$ 318,406,114</u>

6. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities were as follows:

	12/30/2023	12/31/2022
Accrued wages and bonus	\$ 7,501,230	\$ 5,186,687
Advertising fund liability	4,999,084	4,496,829
Accrued franchise, property and sales taxes	3,781,981	4,002,485
Accrued interest payable	2,025,482	1,985,122
Accrued other	1,516,368	1,289,447
Accrued management fee	1,037,000	-
Accrued royalty rebates	398,323	541,086
Due to sellers	-	3,089,457
	<u>\$ 21,259,468</u>	<u>\$ 20,591,113</u>

In connection with the acquisitions described in Note 3, approximately \$0 and \$3.1 Million of purchase price as of December 30, 2023 and December 31, 2022, respectively, represents deferred holdback payments for certain adjustments or claims that may arise subsequent to the acquisitions. The deferred holdback payments were payable to the sellers between 6 and 12 months subsequent to the execution date of the purchase and sale agreements, net of any claims, as defined.

7. NOTES PAYABLE

On November 24, 2020, MOP GM Holding entered into a loan agreement facility (“the Senior Facility”) with a lender, who is also a member of the Partnership, to initially borrow up to a total of \$275 Million under a revolving line of credit, a term loan and a delayed draw term loan (“DDTL”) commitment.

On January 1, 2022, an amendment was issued on the Senior Facility to increase the total allowable borrowings up to a total of \$335 Million. On May 13, 2022 in connection with two acquisitions, a

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second amendment was issued on the Senior Facility to increase the total allowable borrowings up to a total of \$428.5 Million. The second commitment included a second supplemental delayed draw term (“SDDTL”) commitment for advances up to \$50 Million, subject to certain financial conditions, as defined, in multiples of at least \$1 Million thereafter. The second amendment also included a supplemental term loan for \$43.5 Million which was fully utilized as of issuance. This supplemental term loan increases the principal amount for our payments that will follow our existing payment schedule. As a result of the second amendment issued on the Senior Facility, the Partnership incurred \$2.2 Million of loan fees that are deferred and amortized on a straight-line basis as a component of Interest expense over the remaining term of the loan.

The term loan advance of \$215 Million requires 23 quarterly principal payments of \$537,500 plus interest commencing on March 31, 2021, with a final payment equal to the unpaid principal balance in November 2026. As of December 30, 2023 and December 31, 2022, \$208.6 Million and \$210.7 Million, respectively, were outstanding under the term loan. The supplemental term loan requires 17 quarterly principal payments of \$108,750 plus interest commencing on September 30, 2022, with a final payment equal to the unpaid principal balance in November 2026. As of December 30, 2023 and December 31, 2022, \$42.8 Million and \$43.3 Million, respectively, were outstanding under the supplemental term loan.

Future maturities of notes payable outstanding as of December 30, 2023 are as follows:

<i>Fiscal Year Ended</i>	
2024	\$ 2,771,250
2025	3,695,000
2026	372,340,500
Thereafter	-
	<u>\$ 378,806,750</u>

As of December 30, 2023 and December 31, 2022 the DDTL commitment allows for additional advances up to \$100 Million and \$100 Million, respectively, subject to certain financial conditions, as defined, in multiples of at least \$1 Million thereafter. The DDTL will be made as initial term loans and increase the principal amount and follow the same quarterly payment schedule. As of December 30, 2023 and December 31, 2022, \$98 Million and \$99 Million, respectively, were outstanding under the DDTL. As of December 30, 2023 and December 31, 2022, \$10.8 Million and \$11 Million, respectively, were outstanding under the SDDTL. As of December 30, 2023 and December 31, 2022, the revolving line of credit allows for borrowings up to \$20 Million, with interest payable monthly, and the unpaid balance payable at maturity in November 2026. As of December 30, 2023 and December 31, 2022, \$18.6 Million and \$13.6 Million, respectively, were outstanding under the revolving line of credit.

The Senior Facility also requires annual excess cash flow payment, if certain thresholds are met, as defined in the loan agreement and is collateralized by substantially all assets of the MOP GM Holding and its subsidiaries. As of December 30, 2023 and December 31, 2022, no additional

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payments are required under the excess cash flow. The majority of the assets of the Partnership are pledged to secure the Senior Facility, which also restricts any liens on assets and revenues. The Senior Facility may be subject to commitment fees related to the unused portion of the credit facility. During the fiscal year ended December 30, 2023 the Partnership incurred \$380,000 of fees related to the unused portion of the Senior Facility included in Interest expense. The loan agreement outlines events that could trigger default, including failure to make required payments, breaches of covenants, or insolvency events. Management continuously monitors compliance with these provisions to mitigate the risk of default.

The Senior Facility is subject to specific quantitative covenants pertaining to debt service coverage and leverage ratios. Additionally, the Senior Facility entails various affirmative and negative operating and financial reporting covenants, which are customary for such financial instruments. These include a maximum consolidated net leverage ratio of 9.5 for the fiscal years ending December 30, 2023, and December 31, 2022, calculated as net debt divided by Adjusted EBITDA.

These covenants, among other provisions, restrict the Partnership's ability to execute asset sales, engage in mergers, acquisitions, or other business combinations, incur additional indebtedness or guarantees, provide loans and investments, create liens, or undertake transactions with affiliates. Failure to meet certain covenants may result in the Senior Facility becoming fully due and payable on an accelerated schedule. Moreover, the Partnership may opt to voluntarily prepay, either partially or in full, subject to specific pre-payment premiums or make-whole obligations. As of December 30, 2023, and December 31, 2022, the Partnership remained in compliance with all debt covenants.

The termination dates for the available additional drawdowns of the DDTL was November 28, 2022, and the SDDTL is May 13, 2024. These dates mark the cessation of the availability of additional drawdowns, impacting the timing and scope of potential drawdowns under the facilities. The available use of the DDTL and SDDTL is also restricted when the consolidated net leverage ratio at such time is greater than 6.25. As of December 30, 2023, the Partnership's consolidated net leverage ratio was 6.81 and the SDDTL was not available for additional drawdowns.

The interest rates on the revolving line of credit and the Senior Facility were 11.29% and 9.84% as of December 30, 2023 and December 31, 2022, respectively.

Notes payable as of December 30, 2023 and December 31, 2022 comprised the following:

	12/30/2023	12/31/2022
Senior facility	\$ 360,206,750	\$ 363,901,750
Revolving line of credit	18,600,000	13,600,000
	378,806,750	377,501,750
Less: current portion	(2,771,250)	(3,695,000)
Less: deferred loan fees	(5,200,786)	(7,014,788)
Notes payable, non-current	\$ 370,834,714	\$ 366,791,962

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8. MEMBERS' EQUITY

The Partnership has authorized two classes of units, an unlimited number of Common Units (referred to as Class A units) and a number of Management incentive units (referred to as Class B units) as determined by the Board of Directors of the Partnership ("Board"). Class A units are voting units and have priority in any distribution to Class B unit members. Class B units of the Partnership are intended to attract, retain and compensate management of the Partnership and have no voting rights. At November 24, 2020, 18,600 Class B units were authorized.

Class B units are intended to constitute profits interests and are subject to a call provision at the option of the Partnership as defined in the agreement. During the fiscal year ended December 30, 2023 the Partnership received \$100,000 of Class A equity contributions. On May 13, 2022 in connection with two acquisitions, the Partnership received \$5 Million of Class A equity contributions.

9. UNIT-BASED COMPENSATION/PROFIT INTERESTS

The Partnerships' Board may grant Class B units to the employees. The Board establishes a participation threshold for each unit award based on the fair market value of the Partnership on the grant date. Class B units have two components: 50% time vesting ratably over five years, with 20% vesting on each anniversary or fully upon an exit event, and 50% exit event vesting. Such units are fair valued at the date of grant and the time vesting units are recognized as compensation expense of the Partnership over the period of service. The Option Pricing Model using the Monte Carlo simulation values all classes of equity as a call option on the enterprise value of the Partnership, which is recorded as compensation expense on a straight-line basis over the period of service.

Significant inputs in the Option Pricing Model for expected volatility, expected holding period and risk-free rate used in estimating the fair value is noted below:

Expected volatility	60%
Expected term in years	3.0
Risk-free rate	4.0%

Expected Volatility

The Partnership uses the volatility of peer group public companies to estimate the volatility assumptions used in the Option Pricing Model.

Expected Term of Option

The Partnership utilizes an expected holding period until a liquidity event, to estimate the expected term of Class B units.

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Risk-Free Rate

The Partnership bases the risk-free interest rate used in the Option Pricing Model on the U.S. Treasury yield curve in effect at the time of the grant.

A summary of Class B time vesting units and changes and weighted-average grant date fair value during the fiscal year ended December 30, 2023 is presented below:

	Number	Weighted-Average Grant Date Fair Value
Outstanding January 1, 2023	6,754	\$ 266
Granted	2,073	236
Forfeited	(631)	199
Outstanding December 30, 2023	8,196	263
Vested December 30, 2023	3,545	288
Unvested December 30, 2023	4,651	\$ 245

A summary of Class B exit event vesting units and changes and weighted-average grant date fair value during the fiscal year ended December 30, 2023 is presented below:

	Number	Weighted-Average Grant Date Fair Value
Outstanding January 1, 2023	4,228	\$ 193
Granted	2,073	185
Forfeited	(694)	170
Outstanding December 30, 2023	5,607	193
Vested December 30, 2023	-	-
Unvested December 30, 2023	5,607	\$ 193

Approximately \$194,000 and \$427,000 has been recorded as unit-based compensation expense for the fiscal years ended December 30, 2023 and December 31, 2022, respectively.

10. LEASES

The Partnership's lease portfolio primarily consists of real property leases related to company operated service center locations, as well as office and warehouse space. Leases for real property generally have terms ranging from 5 to 20 years, with most having one or more five-year renewal options. The Partnership does not include option periods in its determination of the lease term unless renewals are deemed reasonably certain to be exercised. The Partnership's portfolio of leases does not contain any material residual value guarantees or restrictive covenants. Our real property leases contain a lease component, which includes the right to use the real estate, and non-

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lease components, which include utilities and common area maintenance services. We elected the practical expedient to account for leases and non-lease components for property leases as a single lease component. Additional variable rent payments made during the lease terms are not based on a rate or index and are excluded from the calculation of lease liabilities and are recognized as a component of variable lease expense as incurred.

At contract inception, we determine whether the contract is or contains a lease based on the terms and conditions of the contract. Lease contracts are recognized on our consolidated balance sheet as ROU assets and lease liabilities. However, we have elected not to recognize ROU assets and lease liabilities on leases with terms of one year or less. Lease liabilities and their corresponding ROU assets are recorded based on the present value of the future lease payments over the expected lease term. When the lease does not provide enough information to determine the implicit interest rate in the agreements, the Partnership uses the risk-free discount rate in calculating the lease liability. Escalation clauses, lease payments dependent on existing rates/indexes, renewal options, and purchase options are included within the determination of lease payments when appropriate. We elected the practical expedient to not separate lease and non-lease components for all leases that qualify.

Finance lease ROU assets are amortized on a straight-line basis over the lesser of the useful life of the leased asset, not to exceed 15 years, or the lease term. Finance lease liabilities are recognized using the effective interest method, with interest determined as the amount that results in a constant periodic discount rate on the remaining balance of the liability. Interest associated with finance lease liabilities is recognized within Interest expense, on the consolidated statements of operations and is included in the change of Accrued expenses and other liabilities in the consolidated statement of cash flows. The principal portion of finance lease liabilities is included in Other, net in the consolidated statements of cash flows.

The following table details our total investment in operating and finance leases where the Partnership is the lessee:

Balance Sheet Line Items:	Balance Sheets reference	12/30/2023	12/31/2022
Right-of-Use (ROU) assets:			
Operating	Operating lease right-of-use assets	\$181,644,261	\$230,527,723
Finance	Property and equipment, net	73,765,970	74,040,793
Total ROU assets		255,410,232	304,568,516
Operating lease liabilities:			
Current	Lease liabilities - current portion	20,404,958	23,331,219
Noncurrent	Lease liabilities - noncurrent portion	165,662,635	211,464,705
Total operating lease liabilities		186,067,592	234,795,924
Finance lease liabilities:			
Current	Lease liabilities - current portion	3,445,914	3,139,342
Noncurrent	Lease liabilities - noncurrent portion	72,199,081	71,743,771
Total finance lease liabilities		\$ 75,644,995	\$ 74,883,113

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The weighted average remaining lease term as of December 30, 2023 and December 31, 2022 were 17.96 years and 19.01 years, respectively, for finance leases and 9.4 years and 10.11 years, respectively, for operating leases. The weighted average discount rate term as of December 30, 2023 and December 31, 2022 was 2.93% for finance leases and 1.68% for operating leases.

The following table provides certain information related to the lease costs for finance and operating leases during the fiscal year ended December 30, 2023.

Components of Lease Cost:	Statement of Operations reference	12/30/2023	12/31/2022
Operating lease costs:	Rent expense	\$ 26,847,301	\$ 28,429,348
Finance lease costs:			
Amortization of ROU Asset	Depreciation and amortization	4,067,890	2,633,236
Interest Expense	Interest expense	2,213,960	1,476,371
Total finance lease cost		6,281,849	4,109,607
Variable lease costs	Rent expense	218,028	206,307
Property tax lease costs	Rent expense	4,083,516	4,221,246
Other lease costs	Rent expense	309,056	547,025
Total lease cost		\$ 37,739,750	\$ 37,513,534

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

<i>Fiscal Year Ended</i>	Operating Leases	Finance Leases
2024	\$ 23,125,947	\$ 5,428,607
2025	22,961,746	5,428,607
2026	22,725,436	5,423,599
2027	21,307,117	5,407,978
2028	20,549,056	5,414,522
Thereafter	91,038,351	70,316,067
Total undiscounted lease payments	201,707,653	97,419,381
Less: amount representing interest	(15,640,060)	(21,774,386)
Present Value of future lease payment	186,067,592	75,644,995
Reported as:		
Lease liabilities, current	20,404,958	3,445,914
Lease liabilities, noncurrent	165,662,635	72,199,081
Total lease liabilities	\$ 186,067,592	\$ 75,644,995

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Supplemental cash flow information related to the Company's lease arrangements for the fiscal year ended December 30, 2023 was as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash payment from operating leases	\$ 25,294,491
Operating cash flow from finance leases	2,214,021
Financing cash payments for finance leases	3,118,092
ROU assets obtained resulting from lease modifications and reassessments:	
Operating Leases	\$ 1,618,778
Finance Leases	-
ROU assets obtained in exchange for lease obligations:	
Operating Leases	\$ -
Finance Leases	161,209
ROU assets other non-cash decreases resulting from lease terminations:	
Operating Leases	\$ 28,437,246
Finance Leases	-

GMI and its subsidiaries lease certain unit sites, office space, and training facilities under operating lease agreements. The Partnership generally pays the property taxes, insurance, and maintenance costs related to the leased property, where applicable.

For the fiscal years ended December 30, 2023 and December 31, 2022 rental incomes under the Partnership's subleases were approximately \$1.8 Million and \$1.9 Million, respectively.

11. INCOME TAXES

(a) Income Taxes

Total income taxes for the fiscal years ended December 30, 2023 and December 31, 2022 were allocated as follows:

	Current	Deferred	Total
Fiscal year ended December 30, 2023:			
U.S. Federal	\$ 19,947	\$ (103,519)	\$ (83,572)
State	683,019	(479,441)	203,578
	<u>\$ 702,966</u>	<u>\$ (582,960)</u>	<u>\$ 120,006</u>
Fiscal year ended December 31, 2022:			
U.S. Federal	\$ -	\$ (975,855)	\$ (975,855)
State	96,655	435,968	532,623
	<u>\$ 96,655</u>	<u>\$ (539,887)</u>	<u>\$ (443,232)</u>

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(b) Significant Components of Deferred Taxes

The significant components of deferred tax benefit (expense) including the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 30, 2023 and December 31, 2022 are presented below:

	12/30/2023	12/31/2022
Deferred tax benefit, federal	\$ (1,289,622)	\$ (1,393,141)
Deferred tax benefit, state	(1,184,070)	(1,663,511)
	<u>\$ (2,473,692)</u>	<u>\$ (3,056,652)</u>
Deferred tax assets:		
Lease liabilities	\$ 63,017,715	\$ 75,871,790
Federal interest expenses limitation	20,198,731	11,358,173
Net operating loss carryforward	8,245,363	9,741,977
Goodwill, net	6,427,459	4,147,864
Capitalized transaction costs	1,151,899	1,464,635
Accrued bonus	773,851	258,563
Accrued interest payable	487,715	-
Deferred franchise sales revenue	450,551	809,289
Unit-based compensation	281,419	239,054
Deferred payroll taxes	219,761	138,319
Accounts and royalties receivable, net	34,694	64,205
Reserves for inventories	63,370	48,225
Deferred license revenue	62,851	58,290
Accrued litigation	60,197	-
Other	-	1,852
Total gross deferred tax assets	<u>\$ 101,475,576</u>	<u>\$ 104,202,236</u>
Deferred tax liabilities:		
Right-of-use assets	\$ (61,500,173)	\$ (74,699,834)
Intangible assets, net	(19,408,848)	(18,726,863)
Fixed assets	(1,113,661)	(582,886)
Deferred franchising costs	(268,753)	(660,448)
Total gross deferred tax liabilities:	<u>\$ (82,291,435)</u>	<u>\$ (94,670,031)</u>
Net deferred tax asset before valuation allowance	\$ 19,184,141	\$ 9,532,205
Valuation allowance	(21,657,833)	(12,588,857)
Net deferred tax (liability)	<u>\$ (2,473,692)</u>	<u>\$ (3,056,652)</u>

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Notes to Consolidated Financial Statements

As of December 30, 2023 and December 31, 2022, FSA Blocker had net operating loss carryforwards for federal income tax purposes of \$28 Million and \$36 Million, respectively, that do not expire which are available to offset future federal taxable income, if any. As of December 30, 2023 and December 31, 2022, FSA Blocker has net operating loss carryforwards for state income tax purposes of \$179 Million and \$69 Million, respectively, that are subject to varying expiration dates depending on jurisdiction and are available to offset future state taxable income which varies by state.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during fiscal years in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment.

The valuation allowance relates to federal and state deferred tax assets and net operating loss carryforwards for which realizability is uncertain.

The Partnership is a passthrough entity and files separately from the taxable consolidated corporate group, FSA Blocker which files consolidated federal and state income tax returns.

12. COMMITMENTS AND CONTINGENCIES

Franchise Rebates and Incentives

The Partnership provides various royalty rebate programs for compliance with certain franchise agreements including 1) 10% royalty rebate, payable quarterly, which expired December 31, 2023; or 2) 50% rebate for a conversion franchise or U.S. military veteran or first responders in the first year of operations, and 25% rebate in second year of operations, payable quarterly. Franchisees are generally allowed to participate in one rebate program, per operating unit, at a time, and must maintain compliance with the program to remain eligible to participate depending on the franchise system. As of December 30, 2023 and December 31, 2022, accrued rebates under these programs were approximately \$398,000 and \$293,000, respectively, and are included in Accrued expenses and other liabilities in the accompanying consolidated financial statements.

Litigation

In the normal course of business, the Partnership is party to litigation from time to time. Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

Lease Guarantees and Other

GMI has guaranteed the leases of certain franchisees. Other than non-performing leases at acquisition, the Partnership has not recorded a liability related to these guarantees as it has determined the fair value of the guarantee is immaterial.

As of December 30, 2023 and December 31, 2022, SPE has recognized approximately \$55,000 and \$75,000, respectively, associated with the estimated fair value of guarantees provided on behalf of franchisees in connection with certain lease agreements, which is included in Accrued expenses and other liabilities in the accompanying consolidated balance sheets.

In the ordinary course of business, the Partnership may enter into arrangements with a franchisee's landlord to assume operations and accept terms of the existing lease upon the default of the franchisee, based on certain terms and conditions agreed upon between the parties. In the event the Partnership assumes operations and the terms of the existing lease, the Partnership would not be responsible for obligations under the existing lease prior to assuming operations. As of December 30, 2023, the Partnership had not assumed operations of any of the franchisee's locations.

13. RELATED PARTY TRANSACTIONS

Management Fee

The Partnership is obligated to pay an annual base management fee of \$2.2 million to MidOcean Partners V, L.P., which is included within General and administration expenses. The management fee commencing in January 2021 is subject to increases based on a percentage of annual revenues and will continue to be paid through termination of the agreement, as defined.

As of December 30, 2023, the Partnership has not paid the 3rd and 4th quarter management fees totaling \$1.1 million, which is included within Accrued expenses and other liabilities. In addition, the 1st quarter fees for 2024 totaling \$537,500 were prepaid and included within Prepaid expenses and other current assets.

Notes Payable

The Partnership's Senior Facility discussed in Note 7 is provided by a lender who is also a member of the Partnership.

Members' Equity

The Partnership received a \$100,000 contribution from one of its Board Directors during the fiscal year ended December 30, 2023.

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

14. EMPLOYEE BENEFIT PLAN

The Partnership has an employee deferred compensation 401(k) plan and matches employee contributions to this plan in an amount equal to 50% of the employees' contribution, up to a maximum of 6% of employees' compensation. During the fiscal years ended December 30, 2023 and December 31, 2022, the Partnership made approximately \$210,000 and \$173,000, respectively of matching contributions.

15. SUPPLEMENTAL DISCLOSURE TO CASH FLOWS

	12/30/2023	12/31/2022
Cash flow information:		
Cash paid for interest	\$ 41,069,907	\$ 25,839,281
Non-cash investing/financing activities:		
Acquisition of property and equipment not yet paid	\$ 192,631	\$ 594,823
Due to sellers	-	3,037,750

16. SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through April 5, 2024, which is the date the consolidated financial statements were available to be issued. There were no subsequent events that required recognition or additional disclosure in these consolidated financial statements.

MidOcean FSA Holdings, L.P.

Consolidated Financial Statements

As of and for the fiscal years ended
December 31, 2022 and January 1, 2022

MidOcean FSA Holdings, L.P.

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KPMG LLP
Suite 800
1225 17th Street
Denver, CO 80202-5598

Independent Auditors' Report

The Board of Directors
MidOcean FSA Holdings, L.P.:

Opinion

We have audited the consolidated financial statements of MidOcean FSA Holdings, L.P. and its subsidiaries (the Partnership), which comprise the consolidated balance sheets as of December 31, 2022 and January 1, 2022, and the related consolidated statements of operations, members' equity, and cash flows for each of the fiscal years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2022 and January 1, 2022, and the results of its operations and its cash flows for each of the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 10 to the consolidated financial statements, in fiscal year 2022, the Partnership adopted new accounting guidance ASC 842, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher

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than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Denver, Colorado
April 14, 2023

MidOcean FSA Holdings, L.P.

Consolidated Balance Sheets

	12/31/2022	1/1/2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,205,978	\$ 3,219,086
Restricted cash	4,273,097	3,334,996
Accounts and royalties receivable, net	5,980,851	3,687,137
Prepaid expenses and other current assets	4,937,300	4,535,264
Inventories, net	9,012,834	6,803,355
Notes receivable - current, net	61,241	27,605
Total current assets	30,471,301	21,607,443
Property and equipment, net	97,487,879	16,640,667
Other long-term assets:		
Notes receivable - noncurrent, net	71,704	40,571
Deferred franchising costs	2,731,572	1,642,036
Goodwill, net	335,105,762	320,133,211
Operating lease right-of-use assets	230,527,723	-
Intangible assets, net	150,546,080	140,749,446
Other assets	889,542	646,146
Total other long-term assets	719,872,383	463,211,410
Total assets	\$ 847,831,563	\$ 501,459,520

Continued.

MidOcean FSA Holdings, L.P.

Consolidated Balance Sheets

	12/31/2022	1/1/2022
Liabilities and Members' equity		
Current liabilities:		
Accounts payable	\$ 8,994,425	\$ 6,071,366
Accrued expenses and other liabilities	20,591,113	13,061,378
Lease liabilities - current portion	26,470,561	-
Notes payable - current portion	3,695,000	2,800,000
Total current liabilities	59,751,099	21,932,744
Long-term liabilities:		
Deferred franchise sales revenue	3,255,958	1,851,196
Vendor rebate liabilities	-	800,000
Lease liabilities - noncurrent portion	283,208,476	-
Notes payable - noncurrent, net of loan fees	366,791,962	281,294,149
Deferred income tax liabilities, net	3,056,652	3,596,539
Other liabilities	3,713,112	5,644,824
Total long-term liabilities	660,026,160	293,186,708
Total liabilities	719,777,259	315,119,452
Commitments and contingencies		
Members' equity		
Members' equity	215,970,077	210,543,485
Accumulated deficit	(87,915,773)	(24,203,417)
Total Members' equity	128,054,304	186,340,068
Total liabilities and Members' equity	\$ 847,831,563	\$ 501,459,520

See accompanying notes to the consolidated financial statements.

MidOcean FSA Holdings, L.P.

Consolidated Statement of Operations

<i>Period Ended</i>	12/31/2022	1/1/2022
Revenues:		
Retail store sales, net of discounts	\$ 235,070,335	\$ 171,840,747
Franchise revenues	25,804,346	23,330,144
Other revenues	1,816,745	2,313,976
Total revenues	262,691,426	197,484,867
Operating expenses:		
Cost of store sales	48,922,921	34,000,639
Personnel expenses	92,755,682	67,251,245
Retail store operating expenses	17,157,078	11,006,761
Sales and promotional expenses	26,331,979	14,422,212
Rent expense	33,403,926	25,861,256
Legal expense	1,418,077	580,965
General and administration expenses	23,088,279	19,118,875
Bad debt expense (recoveries)	(123,920)	(99,374)
Depreciation and amortization	51,210,229	33,474,211
Transaction costs	2,365,205	2,643,272
Total operating expenses	296,529,456	208,260,062
Operating loss	(33,838,030)	(10,775,195)
Other expense:		
Interest expense	(30,320,681)	(18,848,061)
Interest income	5,061	12,267
Other, net	(1,938)	(16)
Total other expense	(30,317,558)	(18,835,810)
Loss before income taxes	(64,155,588)	(29,611,005)
Income taxes:		
Income tax (expense) benefit	443,232	9,355,137
Net loss	\$ (63,712,356)	\$ (20,255,868)

See accompanying notes to the consolidated financial statements.

MidOcean FSA Holdings, L.P.

Consolidated Statement of Members' Equity

	Capital Amount	Accumulated Deficit	Total Members' Equity
Balance, December 31, 2020	\$ 209,995,427	\$ (3,947,549)	\$ 206,047,878
Unit-based compensation	548,058	-	548,058
Net loss	-	(20,255,868)	(20,255,868)
Balance, January 1, 2022	\$ 210,543,485	\$ (24,203,417)	\$ 186,340,068
Member contributions	5,000,000	-	5,000,000
Unit-based compensation	426,592	-	426,592
Net loss	-	(63,712,356)	(63,712,356)
Balance, December 31, 2022	\$ 215,970,077	\$ (87,915,773)	\$ 128,054,304

See accompanying notes to the consolidated financial statements.

MidOcean FSA Holdings, L.P.

Consolidated Statement of Cash Flows

	12/31/2022	1/1/2022
Cash flows from operating activities:		
Net loss	\$ (63,712,356)	\$ (20,255,868)
Adjustments to recoucle net loss		
to net cash provided by / (used in) operating activities:		
Depreciation and amortization expense of property and equipment	8,834,678	3,177,326
Amortization of goodwill and intangible assets	42,375,551	30,757,161
Amortization of deferred loan fees	1,656,006	1,282,364
Loss on disposal of assets	214,559	-
Bad debt expense, net of recoveries	(123,920)	(99,374)
Reserves for inventories	78,182	(15,199)
Unit-based compensation	426,592	548,058
Changes in operating assets and liabilities:		
Accounts and royalties receivable	(2,169,794)	638,825
Prepaid expenses and other current assets	(381,094)	476,833
Inventories	(1,079,857)	(2,435,014)
Deferred franchising costs and other assets	(1,332,932)	(1,689,785)
Accounts payable	2,328,236	(1,145,317)
Accrued expenses and other liabilities	10,120,604	1,817,327
Income tax payable	(539,887)	(9,355,137)
Deferred franchise sales revenue	1,404,762	1,756,196
Vendor rebate liabilities	(800,000)	460,243
Other liabilities	(1,454,251)	801,782
Net cash provided by/(used in) operating activities	(4,154,921)	6,720,421
Cash flows from investing activities:		
Acquisition of businesses	(68,349,659)	(65,672,563)
Cash paid to sellers for prior year acquisitions	(1,198,353)	-
(Increase) decrease in notes receivable, net	(64,769)	143,011
Purchase of property and equipment	(10,091,130)	(2,851,634)
Proceeds from adjustments in provisional acquisition of business	-	1,258,798
Net cash used in investing activities	(79,703,911)	(67,122,388)
Cash flows from financing activities:		
Proceeds from issuance of notes payable, net of fees	112,500,000	76,495,000
Principal payments on finance lease obligations	(1,952,982)	-
Principal payments on notes payable	(25,590,750)	(15,307,500)
Loan issuance fees paid	(2,172,443)	-
Capital contributions	5,000,000	-
Net cash provided by financing activities	87,783,825	61,187,500
Net increase in cash, cash equivalents and restricted cash	3,924,993	785,533
Cash, cash equivalents and restricted cash, beginning of period	6,554,082	5,768,549
Cash, cash equivalents and restricted cash, end of period	\$ 10,479,075	\$ 6,554,082

See accompanying notes to the consolidated financial statements.

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

1. Nature of Business

Organization

On October 30, 2020, MidOcean FSA Holdings, L.P. (“FSA Holdings” or “Partnership”), a Delaware limited partnership, was established as the holding company. MidOcean FSA Blocker, Inc. (“FSA Blocker”), a Delaware limited liability company and wholly-owned subsidiary of the Partnership was created as the legal acquirer.

On November 24, 2020, FSA Blocker’s wholly-owned subsidiary MOP GM Parent, LLC acquired 100% of MOP GM Holding, LLC.

MOP GM Holding, LLC (“MOP GM Holding”), a Delaware limited liability company, owns the entire membership interests of Grease Monkey International, LLC (“GMI”), Speedee Worldwide, LLC (“SPE”), and Grease Monkey Franchising, LLC (“GMF”). GMI, SPE and GMF own, operate and franchise a variety of automotive quick-service preventive maintenance retail locations and stores.

GMI was the franchisor of the Grease Monkey franchise system from approximately September 1978 through March 2006, when GMF became the franchisor. GMI remains the franchisor of some Grease Monkey franchises granted before April 2006, except that GMF may execute franchise agreements with renewing franchisees and franchisees that are transferees. GMF formed in 2006 with identical ownership to GMI resulting in common control of the entities. GMI owns the marks and licensed methods and licenses the marks and licensed methods to GMF. Under the Development Services and Management Agreements dated March 15, 2006 between GMF and GMI, GMI will, on behalf of GMF, provide development and ongoing assistance to the franchisees and otherwise fulfill certain duties under the franchise agreements. GMF pays GMI a fee for the services provided.

The following is an overview of the wholly-owned subsidiary of GMI:

Grease Monkey de Mexico S.A. de C.V. (“GMX”), a Corporation formed under laws of the Mexican Republic, was established September 25, 1996. GMX provides franchise sales and franchise support services for all regions located within Mexico.

Description of Business

The principal activity of the Partnership is to acquire, own and operate, and sell any of the equity interests in FSA Blocker and its subsidiaries. GMI, SPE, and GMF are the franchisors and/or owners of retail locations that provide the automobile user with convenient preventative maintenance, car wash and full-service services throughout the United States and Mexico.

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Partnership, FSA Blocker, several other pass-through subsidiaries, MOP GM Holding and its wholly-owned subsidiaries GMI, GMF, GMX, and SPE as of and for the period ended December 31, 2022. The entities are collectively referred to as the "Partnership." All intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All amounts are presented in US Dollars, the functional currency of the Partnership and all subsidiaries.

The Partnership follows the National Retail Federation fiscal calendar and utilizes a 52-53 week fiscal year whereby the fiscal year ends on the Saturday nearest to December 31.

Liquidity and Capital Resources

At December 31, 2022, the Partnership had cash and cash equivalents of approximately \$6.2 Million. During the period, the Partnership incurred a net loss of approximately \$66.4 Million, which included charges for depreciation and amortization and interest expense of approximately \$81.5 Million. The Partnership generated increased revenues of \$65.2 Million for the period ended December 31, 2022 compared to the period ended January 1, 2022. As of December 31, 2022, the Partnership's debt facility provides for a delayed draw term loan (DDTL) of approximately \$39 Million available on a \$150 Million facility and revolving line of credit (RLOC) of \$6.4 Million available on a \$20 Million facility; see Note 7.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary materially from these estimates and assumptions.

The most significant estimates relate to the allowance for doubtful accounts, inventory reserve, valuation allowance for deferred tax assets, amortization periods of right-of-use assets, long-lived assets and intangible assets, accruals, estimates used to derive the fair value of assets acquired and liabilities assumed in connection with acquisitions, fair value of the entity in connection with impairment analysis and fair value of unit-based compensation.

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

Cash and Cash Equivalents

The Partnership considers all highly liquid instruments with a remaining maturity when purchased of three months or less to be cash equivalents. The Partnership continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Partnership has never experienced a loss related to such excess balances.

Restricted Cash

As of December 31, 2022, the restricted cash balance is primarily related to amounts received from franchisees restricted for use to satisfy advertising fund obligations. See Note 6 for the balance of the advertising fund obligations for period ending December 31, 2022.

Accounts and Royalties Receivable

Receivables consist of amounts due from the sale of products, royalties due from franchisees, amounts due from suppliers, rents and other amounts. The Partnership records receivables from third parties at the time a transaction is completed, which is recorded at the invoiced amount.

The Partnership considers an allowance for doubtful accounts based on the creditworthiness and payment history of the franchisee and other customers. When circumstances suggest that collectability may not be reasonably assured, which is generally determined by nonpayment and age of outstanding receivables due from a franchisee or other customer, the Partnership will discontinue recognizing revenue until other information or changes in circumstances indicate that collectability has become reasonably assured. The provision for uncollectible accounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses with an expense to bad debt. The allowance is management's best estimate of uncollectible amounts. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. The allowance for doubtful accounts was approximately \$262,000 and \$315,000 as of December 31, 2022 and January 1, 2022, respectively.

Notes Receivable

From time to time, the Partnership provides financing of past due royalties to its franchisees or loans to its franchise owners to fund operations, capital expenditures, or other short-term cash needs. Additionally, on occasion, sales of units to third parties are completed under terms of a note receivable agreement. Past due notes receivable are considered during the Partnership's valuation of receivables. The allowance for notes receivable accounts was approximately \$0 and \$150,000 as of December 31, 2022 and January 1, 2022, respectively.

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

Concentrations of Credit Risk

The Partnership grants credit in the normal course of business to franchisees in the United States. The Partnership periodically performs credit analysis and monitors the financial condition of its franchisees to reduce credit risk. At December 31, 2022, no single customer accounted for more than 10% of total accounts receivable balance.

Inventories

Inventories consist primarily of automotive service products and are stated at the lower of cost or net realizable value, determined using the first in, first out method ("FIFO").

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Plant and equipment under finance leases are stated at the present value of minimum lease payments; see Note 10. When property and equipment is sold or retired, the cost and accumulated depreciation are eliminated from the accounts and gains or losses are recorded in the statements of operations. Expenditures for maintenance and repairs are expensed as incurred.

Depreciation and amortization are provided utilizing the straight-line method over the following estimated useful lives:

Furniture and fixtures	7 years
Machinery and store equipment	5 years
Computer equipment and software	3 years
Automobiles	5 years
Building	39.5 years
Leasehold improvements	Shorter of term of the lease or useful life not to exceed 15 years

Property and equipment acquired in a business combination are depreciated over the remaining useful life of the asset. Land is not depreciated.

Construction-in-process is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction-in-process until the relevant assets are completed and ready for their intended use.

Goodwill

Goodwill represents the excess purchase price over the estimated fair value of net assets acquired in a business combination. The Partnership amortizes goodwill on a straight-line basis over ten years, or less than 10 years if another useful life is more appropriate. The Partnership tests goodwill for impairment when there is a triggering event (e.g. a deterioration in general economic conditions or in the environment in which the Partnership operates).

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

When impairment indicators are identified, the Partnership compares its fair value to its carrying amount, including goodwill. An impairment loss is recognized as the difference, if any, between the Partnership's carrying amount and its fair value, to the extent the difference does not exceed the total amount of goodwill allocated to the entity level.

Deterioration in the general economic environment caused increases in labor costs and in the cost of capital such as rising interest rates resulting in the Partnership presenting consecutive years of operating loss and net loss for the periods ended December 31, 2022 and January 1, 2022. Based on the totality of these indicators, the Company determined a triggering event had occurred as of December 31, 2022. When a triggering event is identified, entities have an option to first perform a qualitative assessment to determine whether a quantitative impairment test is necessary. If the qualitative assessment indicates that it is more likely than not that goodwill is impaired, entities must perform a quantitative test that compares the fair value of the entity with its carrying amount. An entity also has the unconditional option to skip the qualitative assessment and proceed directly to calculating the fair value of the entity and comparing the fair value with its carrying amount, including goodwill. Given the assessment of triggering events, the Partnership elected to proceed directly to the quantitative test. The Partnership performed a valuation in accordance with ASC 350 to estimate the fair value of the entity which exceeded the entity's carrying amount, including goodwill. Therefore, as of December 31, 2022, the Partnership determined that an impairment had not occurred.

In December 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-18 *Identifiable Intangible Assets in a Business Combination* ("ASU 2014-18") which provides an alternative for an entity that does not meet the definition of a public business entity to not recognize separately from goodwill customer related intangible assets unless they are capable of being licensed independently from the other assets of the business and noncompetition agreements. In connection with the acquisitions described in Note 3 and from inception, the Partnership has included the fair value of customer relationships and noncompetition agreements as a component of goodwill, which is amortized on a straight-line basis over a period of ten years.

Intangible Assets

The Partnership's intangible assets consist of tradenames and franchise agreements acquired in a business combination. Tradenames are not amortized. Franchise agreements are amortized over the future period of benefit, which is approximately 15 years.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to undiscounted future net cash flows the asset is expected to generate.

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

Specifically, management projects undiscounted cash flows expected over the period to be benefited. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value. Estimates of expected future cash flows represent management's best estimate based on currently available information and reasonable and supportable assumptions. Any impairment recognized is permanent and may not be restored. As of December 31, 2022, the Partnership determined that an impairment had not occurred.

Accounting for Acquisitions

The Partnership accounts for acquisitions under ASC 805, *Business Combinations* ("ASC 805"). Under ASC 805, an acquiring entity is required to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their fair values as of the acquisition date.

The determination of fair value involves the use of estimates and assumptions, along with the application of various valuation techniques. These estimates include projections of future cash flows related to specific assets and the assessment of future lives based on the expected future period of benefit of the asset. The value assigned to goodwill is the residual of the purchase price of the fair value of all identifiable assets acquired, excluding assembled workforce (which cannot be accounted for separately from goodwill), less all liabilities assumed and noncontrolling interest. Related acquisition costs are expensed as incurred.

In accordance with Topic 805, the financial statements were not retrospectively adjusted for any measurement-period adjustments that occurred in subsequent periods. Rather, any adjustments to provisional amounts that were identified during the measurement period were recorded in the reporting period in which the adjustment was determined.

During the periods ended December 31, 2022 and January 1, 2022, adjustments were recorded in the amount of approximately \$0 and \$1.25 Million, respectively, which has been received in cash with a corresponding decrease to goodwill. The Partnership is also required to record, in the same period's financial statements in which adjustments are recorded, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of any changes to the provisional amounts, calculated as if the accounting adjustment had been completed at the acquisition date. A decrease in amortization that would have been recognized in 2020 post acquisition period was recorded during the year ended January 1, 2022 in the amount of approximately \$15,000 related to the provisional values of goodwill made during the year ended January 1, 2022.

Deferred Loan Fees

Costs related to obtaining and the modification of debt are included in the carrying amount of debt amortized over the term of the related debt using the effective interest method.

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Reference Rate Reform

Before December 31, 2022, the Partnership had certain debt agreements that reference the London Interbank Offered Rate (LIBOR). LIBOR is a benchmark interest rate calculated based on information contributed by a panel of large international banks. LIBOR's administrator announced in March 2021 that it intends to stop publishing the Overnight, 1-month, 3-month, 6-month and 12-month USD LIBOR settings after June 30, 2023. In anticipation of that cessation, the Partnership's loan agreement facility was modified to reference the Secured Overnight Financing Rate (SOFR) on May 13, 2022; see Note 7.

Revenue Recognition

The Partnership adopted ASC Topic 606 during a prior period. Topic 606 provides for a five-step model for recognizing revenue from contracts with customers as follows:

- 1) Identify the contract
- 2) Identify the performance obligations
- 3) Determine the transaction price
- 4) Allocate the transaction price
- 5) Recognize revenue

Franchise revenues consist primarily of royalties, advertising fund contributions, initial and renewal franchise fees and upfront fees from development agreements and master franchise agreements. Under franchise agreements, the Partnership generally provides franchisees with (a) a franchise license, which includes a license to use the Partnership's intellectual property and advertising and promotion management, (b) pre-opening services, including training and market research and site selection, and (c) ongoing services. The Partnership has determined that the pre-opening services, including training, market research and site selection are standalone performance obligations and the revenue for these services are recognized immediately. The Partnership has determined that the remaining services provided are highly interrelated and dependent upon the franchise license right and do not represent separate distinct performance obligations. Consequently, the Partnership bundles the franchise license performance obligation and the services into a single performance obligation and recognizes the revenue on a straight-line basis over the term of the franchise agreement.

Royalties, including franchisee contributions to advertising funds, represent sales-based royalties and are calculated as a percentage of net sales reported by franchisees and recognized as franchise sales occur. Regarding advertising funds, under the new revenue standard, the Partnership has determined it acts as a principal of the franchisee advertising transactions, thus, revenue and expense are presented gross. These revenues are presented within "franchise revenues" and the expenses incurred to provide these services are included within "sales and promotional expenses." When revenues of an advertising program exceed the related advertising expenses, an accrual of additional advertising costs is made as this will be spent on marketing costs in a future period.

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Costs to obtain or fulfill a contract that are incremental and recoverable are capitalized and amortized ratably over the term of the franchise agreement. The Partnership classifies these contract assets as “deferred franchising costs” on the accompanying Consolidated Balance Sheets. During the period ended December 31, 2022, franchise agreements were terminated resulting in immediate recognition of \$71,500 of deferred franchising costs.

Franchisees are eligible to participate in various royalty rebate programs. The rebate programs operate on a quarterly basis and each rebate is distributed to franchisees within 45 days following each quarter’s end if the franchisee has met all eligibility requirements, as defined. Requirements include timely payment of royalties and submission of all reporting requirements as outlined in the underlying franchise agreement.

Contract liabilities consist of deferred revenue resulting from initial and renewal franchise fees paid by franchisees, as well as upfront fees paid by master franchisees, which are generally recognized on a straight-line basis over the term of the underlying agreement. The Partnership classifies these contract liabilities as “deferred franchise sales revenue” and “other assets”.

Sales Taxes

Various states impose a sales tax on the Partnership’s sales to non-exempt customers. The Partnership has elected the practical expedient under ASC 606 which allows for the exclusion of sales taxes from revenues. Accordingly, the Partnership collects the sales tax from customers and remits the entire amount to each respective state and excludes the tax collected and remitted to the states from revenues and direct costs.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. They are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates is recognized in income in the period that includes the enactment date. The Partnership recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Partnership records interest related to unrecognized tax benefits in interest expense and penalties in general and administrative expense. If incurred, interest and penalties associated with tax positions are recorded in the period assessed as operating expense. No interest or penalties have been assessed as of December 31, 2022.

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Financial Guarantees

GAAP requires the recognition of a liability by a guarantor of certain guarantees. GAAP requires the guarantor to recognize a liability for the non-contingent component of the guarantee, which is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is required even if it is not probable that payment will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements; see Note 12.

Fair Value Measurements

The Partnership follows the accounting guidance prescribed in ASC 820, *Fair Value Measurements* ("ASC 820"). ASC 820 establishes a common definition of fair value to be applied with existing GAAP requiring the use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on a measurement date.

Fair value is a market-based measure considered from the perspective of a market participant that holds the asset or owes the liability, rather than an entity-specific measure; therefore, when market assumptions are not readily available, the Partnership's own assumptions are set to reflect those that market participants would use in pricing the asset or liability on a measurement date. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Partnership. Unobservable inputs are inputs that reflect the Partnership's assumptions about what market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities to which the Partnership has access at a measurement date.
- Level 2: Observable inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs for which little or no market data exists, and for which the Partnership must develop its own assumptions regarding the assumptions that market

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participants would use in pricing the asset or liability, including assumptions regarding risk.

Because of inherent uncertainties in the valuation of assets or liabilities for which there are no observable inputs, estimated fair values may differ significantly from the values that may have been used had a ready market for the assets or liabilities existed.

Deferred Rent

For leases that contain rent escalations and rent abatement, the Partnership records the total rent payable over the initial lease term on a straight-line basis. Any difference between minimum rent and straight-line rent is recorded as an asset or liability. As of January 1, 2022, a deferred rent liability of approximately \$1.8 Million, is included in other liabilities in the accompanying consolidated balance sheets. As a part of the adoption of ASC 842 the balance of the right-of-use assets at commencement is offset by the previously recognized deferred rent of approximately \$1.8 Million; see Note 10.

Unit-Based Compensation/Profit Interests

The Partnership accounts for unit-based compensation in accordance with ASC 718, *Compensation – Stock Compensation*, which requires unit compensation awards to be accounted for using a fair value-based method. The Partnership amortizes the time-vesting, unit-based compensation awards on a straight-line basis over the requisite service (vesting) period of the award, and fair value is based on an Option Pricing Model. The exit-event, vesting unit-based compensation will be recognized when the exit event is probable at fair value. See Note 9 regarding awards of units in the Partnership, issued to key employees of the Partnership and the effect on earnings in the accompanying consolidated financial statements.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2022 and January 1, 2022, was approximately \$26.3 Million and \$14.4 Million, respectively.

Vendor Rebate and Incentive Agreements

The Partnership has various purchase agreements with vendors, whereby, the Partnership receives rebate payments from the vendor at the end of the quarter and in some cases is also required to purchase a minimum monthly or annual commitment through the contractual life. The Partnership amortizes the rebate payment to cost of store sales, either as minimum purchase thresholds are met, or ratably over the contractual life, depending on the terms of the contract.

Going Concern Assessment

The Partnership follows the guidance in ASC 205-40, *Presentation of Financial Statements – Going Concern*, which requires management to assess the Partnership's ability to continue as a going concern and to provide related disclosure in certain circumstances. Management annually evaluates

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whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern within one year of the date that the consolidated financial statements are available to be issued. This evaluation is based on relevant conditions and events that are known or reasonably knowable at the date that the consolidated financial statements are available to be issued. The Partnership believes there are no conditions or events that raise substantial doubt as to the Partnership's ability to continue as a going concern.

Recently Issued Accounting Pronouncements - Adopted

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides temporary optional guidance for a limited time to ease the potential accounting impacts associated with transitioning away from reference rates that are expected to be discontinued, such as the London Interbank Offered Rate (LIBOR). The ASU was effective upon issuance on March 12, 2020. These provisions specify how a replacement rate will be identified (and other terms, such as how the spread above the reference rate will be changed) once a trigger event (such as LIBOR no longer being quoted) occurs. It is anticipated that the terms related to the calculation of interest under the Partnership's revolving line of credit and term loan will be updated with the Partnership's creditors prior to such time as LIBOR is discontinued. As discussed in Note 7, interest payable under the Partnership's revolving line of credit and term loan historically bore interest at 5.75% plus LIBOR. As of December 31, 2022, Management has changed the benchmark from LIBOR to SOFR as we have renewed or amended our loan facility agreement which bears interest at 5.75% plus SOFR.

In January 2021, the FASB also issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*, which extends some of Topic 848's optional expedients to derivative contracts modified as a result of rate reform, including certain derivatives that do not reference LIBOR or other reference rates that are expected to be discontinued. The amendments in this ASU affect the guidance in ASU 2020-04 and are effective in the same timeframe as ASU 2020-04. Such adjustments are not expected to have a material effect on the Partnership's consolidated financial statements.

On January 28, 2021, the FASB issued Accounting Standards Update No. 2021-02, *Franchisors- Revenue from Contracts with Customers (Subtopic 952-606)*. The amendments in this Update introduced a new practical expedient that simplifies the application of the guidance on identifying performance obligations. The practical expedient permits franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the guidance. The Partnership elected to apply the practical expedient which did not have a material impact to the financial statements.

On March 30, 2021, the FASB issued Accounting Standards Update No. 2021-03, *Intangibles-Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*, in response to stakeholders' concerns about the cost and complexity of performing a goodwill impairment triggering event evaluation during the reporting period, rather than completing the analysis as of the end of the reporting period, and concerns about the relevance of the triggering event evaluation with the

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financial information reported to and used by stakeholders. The amendments in ASU No. 2021-03 provide private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that does not elect the accounting alternative for amortizing goodwill and that performs its annual impairment test as of a date other than the annual reporting date should perform a triggering event evaluation only as of the end of the reporting period. The Partnership elected to apply the practical expedient. Due to a triggering event, an impairment assessment was performed that concluded no impairment existed as of the end of the reporting period.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in this update primarily replace the existing accounting requirements for operating leases for lessees. Lessee accounting requirements for finance leases (previously referred to as capital leases) and lessor accounting requirements for operating leases and sales type and direct financing leases are largely unchanged. The amendments require the lessee in an operating lease to record a balance sheet gross-up upon lease commencement by recognizing a right-of-use (“ROU”) asset and lease liability equal to the present value of the lease payments for all leases with a term longer than 12 months. The ROU asset and lease liability should be derecognized in a manner that effectively yield a straight-line lease expense over the lease term. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the Consolidated Statement of Operations. In addition to the changes to the lessee operating lease accounting requirements, the amendments also change the types of costs that can be capitalized related to a lease agreement for both lessees and lessors. The amendments also require additional disclosures for all lease types for both lessees and lessors. The FASB issued additional ASUs to clarify the guidance and provide certain practical expedients and an additional transition option. We adopted ASU 2016-02 and the subsequent ASUs that modified ASU 2016-02 (collectively, the amendments) during the year ended December 31, 2022, using a modified retrospective transition approach as of the beginning of the report period, January 2, 2022. We elected not to adjust prior period comparative information and will continue to disclose prior period financial information in accordance with the previous lease accounting guidance. We have elected certain practical expedients permitted within the amendments that allow us to not reassess (i) current lease classifications, (ii) whether existing contracts meet the definition of a lease under the amendments to the lease guidance, and (iii) whether current initial direct costs meet the new criteria for capitalization, for all existing leases as of the adoption date. We made an accounting policy election to calculate the impact of adoption using the remaining minimum lease payments and remaining lease term for each contract that was identified as a lease, discounted at the risk-free rate as of the adoption date. As a result of adopting ASU 2016-02, the Partnership recognized additional liabilities of \$246.2 Million primarily from operating leases for our company-owned stores, with corresponding ROU Assets of \$244.4 Million as of January 2, 2022; see Note 10.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”) which replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses. For trade and other receivables, loans and other financial instruments, the Partnership will be required to use a

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forward-looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022 and early adoption is permitted. Management is currently evaluating the potential impact of this new standard on the Partnership's consolidated financial statements.

In October 2021, the FASB issued ASU 2021-07, *Compensation – Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards (a consensus of the Private Company Council)*, which provides private companies with a practical expedient to determine their restricted share price, or option-based award share price input, using a 'reasonable application of a reasonable valuation method'. The practical expedient applies to both employee and nonemployee awards, is only applicable for equity-classified share-based payment awards and is applied on a measurement date-by-measurement date basis. ASU 2021-07 is effective for the Partnership's annual periods beginning after December 15, 2021, and interim periods in fiscal years beginning after December 15, 2022. The practical expedient will be applied prospectively. The Partnership will evaluate whether to apply the practical expedient in the future.

Recently Issued Accounting Pronouncements - Future Adoption

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which provides an exception to fair value measurement for contract assets and contract liabilities related to revenue contracts acquired in a business combination. The ASU requires an entity (acquirer) to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. The ASU is effective for the Partnership for annual and interim periods in fiscal years beginning after December 15, 2023, and early adoption is permitted. Management is currently evaluating the potential impact of this new standard on the Partnership's consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption. The Partnership does not disclose recent pronouncements that are unrelated to its financial condition, results of operations, cash flows or disclosures.

3. ACQUISITIONS

2022 Acquisitions

During the year ended December 31, 2022, the Partnership entered into twenty-three asset purchase agreements with third parties to acquire forty-two operating units and/or automotive repair and service facilities and one indefinite-lived tradename totaling approximately \$71.4 Million. The various operating units and/or automotive repair and service facilities acquisitions are accounted for as business combinations and the one indefinite-lived tradename is accounted for as an asset acquisition.

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The acquisitions were funded with draws on the Partnership's existing senior loan facility; see Note 7. Subsequently, the Partnership entered into various lease obligations for the operating units.

The preliminary allocation of the purchase price among the assets acquired and liabilities assumed for the acquisitions described above, based on fair value was as follows:

	Business Combinations	Asset Acquisition
Cash and cash equivalents	\$ 850	\$ -
Prepaid and other current assets	20,942	-
Inventories	1,207,804	-
Property and equipment	2,536,466	-
Intangibles	-	\$ 12,000,000
Total identifiable assets acquired	3,766,062	12,000,000
Total identifiable liabilities assumed	-	-
Goodwill	55,622,197	-
Total purchase price	\$ 59,388,259	\$ 12,000,000

The purchase price on acquisitions for the year ended December 31, 2022 was paid or to be paid as follows:

	Business Combinations	Asset Acquisition
Cash paid	56,350,509	12,000,000
Due to sellers	3,037,750	-
	\$ 59,388,259	\$ 12,000,000

Acquisition-related costs for 2022 acquisitions totaled approximately \$1.5 Million which was recorded as transaction costs in the accompanying consolidated statements of operations.

Goodwill recognized from the acquisitions consists largely of the assembled workforce, customer lists, synergies and economies of scale expected from operations.

2021 Acquisitions

During the year ended January 1, 2022, the Partnership entered into twenty-four asset purchase agreements with third parties to acquire sixty-nine operating units and/or automotive repair and

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service facilities for approximately \$67 Million. The acquisitions are accounted for as business combinations.

The acquisitions were funded with draws on the Partnership's existing senior loan facility; see Note 7. Additionally, the Partnership entered into various lease obligations for the operating units.

The preliminary allocation of the purchase price among the assets acquired and liabilities assumed for the acquisitions described above, based on fair value was as follows:

Cash and cash equivalents	\$	-
Prepaid and other current assets		703,600
Inventories		1,289,658
Property and equipment		2,890,023
Other assets		61,000
Total identifiable assets acquired		4,944,281
Total identifiable liabilities assumed		(63,568)
Goodwill		62,158,798
Total purchase price	\$	67,039,511

The purchase price on acquisitions for the year ended January 1, 2022 was paid or to be paid as follows:

Cash paid	65,672,563
Due to sellers	1,366,948
	\$ 67,039,511

Acquisition-related costs for 2021 acquisitions totaled approximately \$2.6 Million which was recorded as transaction costs in the accompanying consolidated statements of operations.

Goodwill recognized from the acquisitions consists largely of the assembled workforce, customer lists, synergies and economies of scale expected from operations.

4. PROPERTY AND EQUIPMENT

Depreciation and amortization expense of property and equipment for the years ended December 31, 2022 and January 1, 2022, was approximately \$8.8 Million and \$3.2 Million, respectively. Property and equipment as of December 31, 2022 include machinery and equipment finance lease ROU assets of approximately \$66,000 and real property finance lease ROU assets of approximately \$73.9 Million; see Note 2.

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Property and equipment consisted of the following:

	12/31/2022	1/1/2022
Machinery and equipment	\$ 17,731,950	\$ 13,302,209
Leasehold improvements	11,185,537	5,083,166
Real property	76,962,646	362,701
Furniture and fixtures	559,982	515,108
Software	2,053,032	801,777
	108,493,147	20,064,961
Accumulated depreciation and amortization	(11,005,267)	(3,424,294)
Property and equipment, net	\$ 97,487,879	\$ 16,640,667

5. INTANGIBLE ASSETS AND GOODWILL

Intangible assets, excluding goodwill, consist of the following:

December 31, 2022				
	Weighted average amortization period	Intangible	Accumulated Amortization	Net
Franchise agreements acquired	6.61 years	\$ 29,100,000	\$ (4,401,221)	\$ 24,698,779
Favorable leases	4.32 years	1,961,226	(453,925)	1,507,301
Tradenames acquired		124,340,000	-	124,340,000
Intangible assets, net		\$ 155,401,226	\$ (4,855,146)	\$ 150,546,080
January 1, 2022				
	Weighted average amortization period	Intangible	Accumulated Amortization	Net
Franchise agreements acquired	12.12 years	\$ 29,100,000	\$ (2,401,697)	\$ 26,698,303
Favorable leases	7.84 years	1,961,226	(250,083)	1,711,143
Tradenames acquired		112,340,000	-	112,340,000
Intangible assets, net		\$ 143,401,226	\$ (2,651,780)	\$ 140,749,446

At December 31, 2022 and January 1, 2022, a net unfavorable leases liability of approximately \$2.9 Million and \$3.8 Million, respectively, is presented in other liabilities.

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Goodwill consists of the following:

	Goodwill	Accumulated Amortization	Net
Balance, December 31, 2020	\$ 291,623,231	\$ (3,040,378)	\$ 288,582,853
Goodwill acquired	62,158,798	-	62,158,798
Adjustments to goodwill	(1,258,798)	-	(1,258,798)
Amortization	-	(29,349,642)	(29,349,642)
Balance, January 1, 2022	352,523,231	(32,390,020)	320,133,211
Goodwill acquired	55,622,197	-	55,622,197
Amortization	-	(40,649,646)	(40,649,646)
Disposals	(396,619)	396,619	-
Balance, December 31, 2022	\$ 407,748,809	\$ (72,643,047)	\$ 335,105,762

Amortization expense for intangible assets and goodwill for the periods ended December 31, 2022 and January 1, 2022 was approximately \$42.9 Million and \$30.7 Million.

Future amortization of intangible assets and goodwill, assuming no future impairment charges, is as follows:

<i>Period ended</i>	Intangibles	Goodwill	Total
2023	2,195,661	40,774,881	42,970,542
2024	2,186,061	40,774,881	42,960,942
2025	2,166,678	40,774,881	42,941,559
2026	2,165,829	40,774,881	42,940,710
Thereafter	17,491,852	172,006,238	189,498,090
	\$ 26,206,080	\$ 335,105,762	\$ 361,311,842

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6. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities were as follows:

	12/31/2022	1/1/2022
Accrued wages and bonus	5,186,687	4,199,000
Advertising fund liability post acquisition	4,496,829	3,654,336
Accrued property and sales taxes	4,002,485	2,793,449
Due to sellers	3,089,457	1,250,060
Accrued interest payable	1,985,122	636,099
Accrued other	1,289,447	202,442
Accrued royalty rebates	541,086	325,992
Total accrued expenses and other liabilities	\$ 20,591,113	\$ 13,061,378

In connection with the acquisitions described in Note 3, approximately \$3.1 Million and \$1.3 Million of purchase price at December 31, 2022 and January 1, 2022, respectively, represents deferred holdback payments for certain adjustments or claims that may arise subsequent to the acquisitions. The deferred holdback payments are payable to the sellers between 6 and 12 months subsequent to the execution date of the purchase and sale agreement, net of any claims, as defined.

7. LINE OF CREDIT AND LONG-TERM DEBT

On November 24, 2020, MOP GM Holding entered into a loan agreement facility (“the Senior Facility”) with a lender, who is also a member of the Partnership, to initially borrow up to a total of \$275 Million under a revolving line of credit, a term loan and a delayed draw term loan (“DDTL”) commitment.

On January 1, 2022, an amendment was issued on the Senior Facility to increase the total allowable borrowings up to a total of \$335 Million. On May 13, 2022 in connection with two acquisitions, a second amendment was issued on the Senior Facility to increase the total allowable borrowings up to a total of \$428.5 Million. The second commitment included a second supplemental delayed draw term (“SDDTL”) commitment for advances up to \$50 Million, subject to certain financial conditions, as defined, in multiples of at least \$1 Million thereafter. The second amendment also included a supplemental term loan for \$43.5 Million which was fully utilized as of issuance. This supplemental term loan increases the principal amount for our payments that will follow our existing payment schedule. As a result of the second amendment issued on the Senior Facility the Partnership incurred \$2.2 Million of loan fees that are deferred and amortized on a straight-line basis as a component of interest expense over the remaining term of the loan.

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The term loan advance of \$215 Million requires 23 quarterly principal payments of \$537,500 plus interest commencing on March 31, 2021, with a final payment equal to the unpaid principal balance in November 2026. As of December 31, 2022 and January 1, 2022, \$210.7 Million and \$212.9 Million, respectively, was outstanding under the term loan. The supplemental term loan requires 17 quarterly principal payments of \$108,750 plus interest commencing on September 30, 2022, with a final payment equal to the unpaid principal balance in November 2026. As of December 31, 2022, \$43.3 Million, was outstanding under the supplemental term loan.

As of December 31, 2022 and January 1, 2022 the DDTL commitment allows for additional advances up to \$100 Million and \$100 Million, respectively, subject to certain financial conditions, as defined, in multiples of at least \$1 Million thereafter. The DDTL will be made as initial term loans and increase the principal amount and follow the same quarterly payment schedule. As of December 31, 2022 and January 1, 2022, \$99 Million and \$64.8 Million, respectively, was outstanding under the DDTL. As of December 31, 2022, \$11 Million was outstanding under the SDDTL.

As of December 31, 2022 and January 1, 2022, the revolving line of credit allows for borrowings up to \$20 Million, with interest payable monthly, and the unpaid balance payable at maturity in November 2026. As of December 31, 2022 and January 1, 2022, \$13.6 Million and \$12.9 Million, respectively, was outstanding under the revolving line of credit.

The Senior Facility also requires annual excess cash flow payment, if certain thresholds are met, as defined in the loan agreement and is collateralized by substantially all assets of the MOP GM Holding and its subsidiaries. As of December 31, 2022 and January 1, 2022, no additional payments are required under the excess cash flow. The majority of the assets of the Partnership are pledged to secure the Senior Facility, which also restricts any liens on assets and revenues.

Interest payable under both the revolving line of credit and term loan bear interest on December 31, 2022 and January 1, 2022, at SOFR plus 5.75% and LIBOR plus 5.75%, respectively. As of December 31, 2022 and January 1, 2022, the interest rate on the revolving line of credit and the term loan was 9.84% and 6.75%, respectively.

Long-term debt as of December 31, 2022 and January 1, 2022 comprised the following:

	12/31/2022	1/1/2022
Senior loan facility	\$ 363,901,750	\$ 277,692,500
Subordinated loan facility	13,600,000	12,900,000
	377,501,750	290,592,500
Less: current portion	(3,695,000)	(2,800,000)
Less: deferred loan fees	(7,014,788)	(6,498,351)
Notes payable, non-current	\$ 366,791,962	\$ 281,294,149

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Future maturities of long-term debt outstanding as of December 31, 2022 are as follows:

<i>Period ended</i>	
2023	\$ 3,695,000
2024	3,695,000
2025	3,695,000
2026	366,416,750
Thereafter	-
	<u>\$ 377,501,750</u>

8. MEMBERS' EQUITY

The Partnership has authorized two classes of units, an unlimited number of Common Units (referred to as Class A units) and a number of Management incentive units (referred to as Class B units) as determined by the Board of Directors of the Partnership ("Board"). Class A units are voting units and have priority in any distribution to Class B unit members. Class B units of the Partnership are intended to attract, retain and compensate management of the Partnership and have no voting rights. At November 24, 2020, 18,600 Class B units were authorized.

Class B units are intended to constitute profits interests and are subject to a call provision at the option of the Partnership as defined in the agreement.

On May 13, 2022 in connection with two acquisitions, the Partnership received \$5 Million of Class A equity contributions.

9. UNIT-BASED COMPENSATION/PROFIT INTERESTS

The Partnerships' Board may grant Class B units to the employees. The Board establishes a participation threshold for each unit award based on the fair market value of the Partnership on the grant date. Class B units have two components: 50% time vesting ratably over five years, with 20% vesting on each anniversary and 50% exit event vesting. Such units are fair valued at the date of grant and the time vesting units are recognized as compensation expense of the Partnership over the period of service. The Option Pricing Model using the Monte Carlo simulation values all classes of equity as a call option on the enterprise value of the Partnership, which is recorded as compensation expense on a straight-line basis over the period of service.

Significant inputs in the Option Pricing Model for expected volatility, expected holding period and risk-free rate used in estimating the fair value is noted below:

Expected volatility	75%
Expected term in years	2.9
Risk-free rate	4.2%

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

Expected Volatility

The Partnership uses the volatility of peer group public companies to estimate the volatility assumptions used in the Option Pricing Model.

Expected Term of Option

The Partnership utilizes an expected holding period until a liquidity event, to estimate the expected term of Class B units.

Risk-Free Rate

The Partnership bases the risk-free interest rate used in the Option Pricing Model on the U.S. Treasury yield curve in effect at the time of the grant.

A summary of Class B time vesting units and changes and weighted-average grant date fair value during the period ended December 31, 2022 is presented below:

	Number	Weighted-Average Grant Date Fair Value
Outstanding January 1, 2022	7,966	\$ 302
Granted	4,740	254
Forfeited	(5,952)	325
Outstanding December 31, 2022	6,754	248
Vested December 31, 2022	2,783	301
Unvested December 31, 2022	3,971	\$ 213

A summary of Class B exit event vesting units and changes and weighted-average grant date fair value during the period ended December 31, 2022 is presented below:

	Number	Weighted-Average Grant Date Fair Value
Outstanding January 1, 2022	7,957	\$ 208
Granted	4,740	216
Forfeited	(8,469)	226
Outstanding December 31, 2022	4,228	180
Vested December 31, 2022	-	-
Unvested December 31, 2022	4,228	\$ 180

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

Approximately \$427,000 and \$550,000 has been recorded as unit-based compensation expense for the periods ended December 31, 2022 and January 1, 2022, respectively.

10. LEASES

The Partnership adopted Accounting Standards Update (“ASU”) 2016-02, Leases, as of the first day of fiscal year 2022, as further described within the section titled Recently Issued Accounting Pronouncements.

The Partnership’s lease portfolio primarily consists of real property leases related to company operated service center locations, as well as office and warehouse space. Leases for real property generally have terms ranging from 5 to 20 years, with most having one or more five-year renewal options. The Partnership does not include option periods in its determination of the lease term unless renewals are deemed reasonably certain to be exercised. The Partnership’s portfolio of leases does not contain any material residual value guarantees or restrictive covenants. Our real property leases contain a lease component, which includes the right to use the real estate, and non-lease components, which include utilities and common area maintenance services. We elected the practical expedient to account for leases and non-lease components for property leases as a single lease component. Additional variable rent payments made during the lease terms are not based on a rate or index and are excluded from the calculation of lease liabilities and are recognized as a component of variable lease expense as incurred.

At contract inception, we determine whether the contract is or contains a lease based on the terms and conditions of the contract. Lease contracts are recognized on our consolidated balance sheet as ROU assets and lease liabilities. However, we have elected not to recognize ROU assets and lease liabilities on leases with terms of one year or less. Lease liabilities and their corresponding ROU assets are recorded based on the present value of the future lease payments over the expected lease term. When the lease does not provide enough information to determine the implicit interest rate in the agreements, the Partnership uses the risk-free discount rate in calculating the lease liability. Escalation clauses, lease payments dependent on existing rates/indexes, renewal options, and purchase options are included within the determination of lease payments when appropriate. We elected the practical expedient to not separate lease and non-lease components for all leases that qualify.

Finance lease ROU assets are amortized on a straight-line basis over the lesser of the useful life of the leased asset, not to exceed 15 years, or the lease term. Finance lease liabilities are recognized using the effective interest method, with interest determined as the amount that results in a constant periodic discount rate on the remaining balance of the liability. Interest associated with finance lease liabilities is recognized within Interest expense, on the Consolidated Statements of Operations and is included in the change of accrued expenses and other liabilities in the Consolidated Statement of Cash Flows. The principal portion of finance lease liabilities is included in other, net in the consolidated statements of cash flows.

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

The following table details our total investment in operating and finance leases where the Partnership is the lessee:

Balance Sheet Line Items:	Consolidated Balance Sheets reference	
Right-of-Use (ROU) assets:		
Operating lease ROU assets	Operating lease right-of-use assets	\$ 230,527,723
Finance lease ROU assets	Property and equipment, net	74,040,793
Total ROU assets		304,568,516
Operating lease liabilities:		
Current operating lease liabilities	Lease liabilities - current portion	23,331,219
Noncurrent operating lease liabilities	Lease liabilities - noncurrent portion	211,464,705
Total operating lease liabilities		234,795,924
Finance lease liabilities:		
Current finance lease liabilities	Lease liabilities - current portion	3,139,342
Noncurrent finance lease liabilities	Lease liabilities - noncurrent portion	71,743,771
Total finance lease liabilities		\$ 74,883,113

The weighted average remaining lease term as of December 31, 2022 was 19.01 years for finance leases and 10.11 years for operating leases. The weighted average discount rate as of December 31, 2022 was 2.93% for finance leases and 1.68% for operating leases.

The following table provides certain information related to the lease costs for finance and operating leases during the period ended December 31, 2022.

Components of Lease Cost:	Consolidated Statement of Operations reference	
Operating lease costs:	Rent expense	\$ 28,429,348
Finance lease costs:		
Amortization of ROU Asset	Depreciation and amortization	2,633,236
Interest Expense	Interest expense	1,476,371
Total finance lease cost		4,109,607
Variable lease costs	Rent expense	206,307
Property tax lease costs	Rent expense	4,221,246
Other lease costs	Rent expense	547,025
Total lease cost		\$ 37,513,534

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

As of December 31, 2022, future minimum lease payments under noncancellable leases were as follows:

<i>Period ended</i>	Operating Leases	Finance Leases
2023	\$ 26,523,082	\$ 5,131,516
2024	26,582,882	5,134,516
2025	26,434,040	5,134,516
2026	26,229,368	5,134,516
2027	24,735,201	5,148,909
Thereafter	124,963,587	72,055,244
Total undiscounted lease payments	255,468,160	97,739,216
Less: amount representing interest	(20,672,236)	(22,856,103)
Present Value of future lease payment	234,795,924	74,883,113
Reported as:		
Lease liabilities, current	23,331,219	3,139,342
Lease liabilities, noncurrent	211,464,705	71,743,771
Total lease liabilities	\$ 234,795,924	\$ 74,883,113

Supplemental cash flow information related to the Company's lease arrangements for the year ended December 31, 2022 was as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash payment from operating leases	\$ 26,276,540
Operating cash flow from finance leases	1,295,477
Financing cash payments for finance leases	1,952,982

ROU assets obtained in exchange for lease obligations:

Operating Leases	\$ 254,967,223
Finance Leases	76,674,030

GMI and its subsidiaries lease certain unit sites, office space, and training facilities under operating lease agreements. The Partnership generally pays the property taxes, insurance, and maintenance costs related to the leased property, where applicable.

For the periods ended December 31, 2022 and January 1, 2022 rental income under the Partnership's subleases was approximately \$1.9 Million and \$2.6 Million, respectively.

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

11. INCOME TAXES

(a) Income Taxes

Total income taxes for the periods ended December 31, 2022 and January 1, 2022 were allocated as follows:

	Current	Deferred	Total
Period ended December 31, 2022:			
U.S. Federal	\$ -	\$ (975,855)	\$ (975,855)
State	96,655	435,968	532,623
	<u>\$ 96,655</u>	<u>\$ (539,887)</u>	<u>\$ (443,232)</u>
Period ended January 1, 2022:			
U.S. Federal	\$ -	\$ (8,261,987)	\$ (8,261,987)
State	-	(1,093,150)	(1,093,150)
	<u>\$ -</u>	<u>\$ (9,355,137)</u>	<u>\$ (9,355,137)</u>

(b) Significant Components of Deferred Taxes

The significant components of deferred tax benefit (expense) including the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2022 and January 1, 2022 are presented below:

	12/31/2022	1/1/2022
Deferred tax benefit, federal	\$ (1,393,141)	\$ (2,368,996)
Deferred tax benefit, state	(1,663,511)	(1,227,543)
	<u>\$ (3,056,652)</u>	<u>\$ (3,596,539)</u>
Deferred tax assets:		
Lease liability	\$ 75,871,790	\$ -
Federal interest expenses limitation	11,358,173	4,831,915
Net operating loss carryforward	9,741,977	5,810,052
Goodwill	4,147,864	1,654,795
Capitalized transaction costs	1,464,635	1,685,932
Deferred franchise revenue	809,289	467,171
Accrued interest	239,054	133,421
Stock compensation	258,563	-
Accrued bonus	138,319	200,292
Deferred payroll taxes	64,205	72,243
Accounts receivable	58,290	-
Deferred license revenue	48,225	-
Inventory Reserve	1,852	57
Other	-	154,845
Notes receivable	-	37,676
Deferred rent	-	432,409
Total gross deferred tax assets	\$ 104,202,236	\$ 15,480,808

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

	12/31/2022	1/1/2022
Deferred tax liabilities:		
Right-of-use asset	\$ (74,699,834)	\$ -
Intangibles	\$ (18,726,863)	\$ (17,966,671)
Deferred development costs	(660,448)	(399,742)
Fixed assets	(582,886)	(694,424)
Deferred license revenue	-	(16,510)
Total gross deferred tax liabilities:	\$ (94,670,031)	\$ (19,077,347)
Net deferred tax asset (liability) before valuation allowance	\$ 9,532,205	\$ (3,596,539)
Valuation allowance	(12,588,857)	-
Net deferred tax (liability)	\$ (3,056,652)	\$ (3,596,539)

As of December 31, 2022 and January 1, 2022, FSA Blocker had net operating loss carryforwards for federal income tax purposes of \$36 Million and \$24 Million, respectively, that do not expire which are available to offset future federal taxable income, if any. As of December 31, 2022 and January 1, 2022, FSA Blocker has net operating loss carryforwards for state income tax purposes of \$69 Million and \$26 Million, respectively, that are subject to varying expiration dates depending on jurisdiction and are available to offset future state taxable income which varies by state.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment.

The valuation allowance relates to federal and state deferred tax assets and net operating loss carryforwards for which realizability is uncertain.

The Partnership is a passthrough entity and files separately from the taxable consolidated corporate group, FSA Blocker which files consolidated federal and state income tax returns.

12. COMMITMENTS AND CONTINGENCIES

Franchise Rebates and Incentives

The Partnership provides various royalty rebate programs for compliance with certain franchise agreements including 1) 10% royalty rebate, payable quarterly, which expired December 31, 2022; or 2) 50% rebate for a conversion franchise or U.S. military veteran or first responders in the first year of operations, and 25% rebate in second year of operations, payable quarterly. Franchisees are generally allowed to participate in one rebate program, per operating unit, at a

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

time, and must maintain compliance with the program to remain eligible to participate depending on the franchise system. As of December 31, 2022 and January 1, 2022, accrued rebates under these programs were approximately \$293,000 and \$78,000, respectively, and are included in accrued expenses and other liabilities in the accompanying consolidated financial statements.

Litigation

In the normal course of business, the Partnership is party to litigation from time to time. Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Lease Guarantees and Other

GMI has guaranteed the leases of certain franchisees. Other than non-performing leases at acquisition, the Partnership has not recorded a liability related to these guarantees as it has determined the fair value of the guarantee is immaterial.

At December 31, 2022 and January 1, 2022, SPE has recognized approximately \$75,000 and \$57,000, respectively, associated with the estimated fair value of guarantees provided on behalf of franchisees in connection with certain lease agreements, which is included in accrued expenses and other liabilities in the accompanying consolidated balance sheets.

In the ordinary course of business, the Partnership may enter into arrangements with a franchisee's landlord to assume operations and accept terms of the existing lease upon the default of the franchisee, based on certain terms and conditions agreed upon between the parties. In the event the Partnership assumes operations and the terms of the existing lease, the Partnership would not be responsible for obligations under the existing lease prior to assuming operations. As of December 31, 2022, the Partnership had not assumed operations of any of the franchisee's locations.

13. TRANSACTIONS

Management Fee

The Partnership pays an annual base management fee of \$2.2 Million to MidOcean Partners V, L.P., subject to increase based on a percentage of annual revenues, as defined. The management fee commenced in January 2021 and will continue through termination of the agreement, as defined. For the periods

MidOcean FSA Holdings, L.P.

Notes to Consolidated Financial Statements

Notes Payable

The Partnership's senior loan facility discussed in Note 7 is provided by a lender who is also a member of the Partnership.

14. EMPLOYEE BENEFIT PLAN

The Partnership has an employee deferred compensation 401(k) plan and matches employee contributions to this plan in an amount equal to 50% of the employees' contribution, up to a maximum of 6% of employees' compensation. For the periods ended December 31, 2022 and January 1, 2022, the Partnership made approximately \$173,000 and \$150,000, respectively of matching contributions.

15. SUPPLEMENTAL DISCLOSURE TO CASH FLOWS

	12/31/2022	1/1/2022
Cash flow information:		
Cash paid for interest	\$ 25,839,281	\$ 16,929,598
Non-cash investing/financing activities:		
Acquisition of property and equipment not yet paid	\$ 594,823	\$ -
Due to sellers	\$ 3,037,750	\$ 1,366,948

16. SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through April 14, 2023, which is the date the consolidated financial statements were available to be issued. There were no subsequent events that required recognition or additional disclosure in these consolidated financial statements, other than the matters described below.

GUARANTEE OF MIDOCEAN FSA HOLDINGS, L.P.

Guarantee of Performance

For value received, MidOcean FSA Holdings, L.P., a Delaware limited partnership (the "Guarantor"), located at 245 Park Avenue, 38th Floor, New York, New York 10167, absolutely and unconditionally guarantees to assume the duties and obligations of Kwik Kar Franchising, LLC, a Delaware limited liability company located at 5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2024 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee through its duly authorized officer at New York, New York on this 9th day of April, 2024.

MIDOCEAN FSA HOLDINGS, L.P.

By: 
Name: Jim Boswell
Title: CFO

EXHIBIT M

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

**STATE ADMINISTRATORS 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, California 90013-2344 (213) 576-7500 One Sansome Street, Suite 600 San Francisco, California 94104-4448 (415) 972-8565 2101 Arena Boulevard Sacramento, California 95834 (916) 445-7205 (866) 275-2677 (toll free) www.dfpi.ca.gov Ask.DFPI@dfpi.ca.gov	Commissioner Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 (866) 275-2677 (toll free)
COLORADO	None	Cogency Global Inc. 7700 East Arapahoe Road, Suite 220 Centennial, Colorado 80112
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services Attn: Finance & Accounting 407 South Calhoun Street Tallahassee, FL 32399-0800 850-410-3800	Same
HAWAII	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722	Commissioner of Securities of the State of Hawaii Dept. of Commerce and Consumer Affairs Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 217-782-4465	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204 317-232-6531
IOWA	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-5204	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 525 W. Ottawa Street G. Mennen Williams Building, 1 st Floor Lansing, MI 48913 517-373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101 651-539-1600	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, NE 68508-2732 P.O. Box 95006 Lincoln, NE 68509-5006 402-471-3445	None
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10005 212-416-8222	Secretary of State 99 Washington Avenue Albany, New York 12231
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fourteenth Floor Dept 414 Bismarck, ND 58505-0510 701-328-4712	North Dakota Securities Commissioner Same Address
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 503-378-4140	Director Department of Insurance and Finance Same Address
RHODE ISLAND	Rhode Island Department of Business Regulation Securities Division John O. Pastore Center – Building 69-1 1511 Pontiac Avenue Cranston, RI 02920 401-462-9500	Director, Rhode Island Department of Business Regulation Same address
SOUTH DAKOTA	South Dakota Department of Labor and Regulation Division of Insurance, Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501 605-773-3563	Director of the South Dakota Division of Insurance, Securities Regulation Same Address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 512-463-5705	None
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South, 2 nd Floor Salt Lake City, UT 84114 801-530-6601	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9 th Floor 1300 E. Main Street Richmond, VA 23219 804-371-9733	Clerk of the State Corporation Commission Tyler Building, 1st Floor 1300 E. Main Street Richmond, VA 23219 804-371-9051
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, Washington 98504-1200 360-902-8760	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501
WISCONSIN	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 P.O. Box 1768 Madison, WI 53701-1768 608-266-8557	Administrator, Division of Securities Same Address

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process.

There may also be additional agents appointed in some of the states listed.

EXHIBIT N
STATE ADDENDA

STATE ADDENDA

ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR KWIK KAR FRANCHISING, LLC

The following modifications are to the Kwik Kar Franchising, LLC (“KKF,” “us,” “we,” or “our”) Franchise Disclosure Document (“FDD”) for the states noted below.

CALIFORNIA

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the Commissioner.

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD.

California Corporations Code Section 31125 requires us to give to you a FDD approved by the California Department of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

Item 6 is amended to state the highest interest rate allowed by law in California is 10% annually.

The Franchise Agreement contains provisions requiring binding arbitration with the costs being awarded to the prevailing party. The arbitration will occur in Colorado. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement and Multi-Unit Agreement require the application of the law of the State of Colorado. This provision may not be enforceable under California law.

Neither KKF nor any other person listed in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Multi-Unit Agreement contains a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

The Franchise Agreement and Multi-Unit Agreement may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC. 101 et seq.).

The Franchise Agreement contains, and if applicable, the Multi-Unit Agreement contains, a covenant not to compete provision which extends beyond the termination of the franchise. Such provisions may not be enforceable under California law.

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Multi-Unit Agreement may not be enforceable.

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

Franchisee, for itself and themselves, and on behalf of its constituents, acknowledges that it is familiar with Section 1542 of the California Civil Code, which reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Our websites (www.kwikkar.com, www.kwikkarfranchise.com, and www.fullspeedautomotive.com) have not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of these websites may be directed to the California Department of Financial Protection and Innovation at “www.dfpi.ca.gov.”

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.

None

ILLINOIS

1. Illinois law shall apply to and govern the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

5. 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.

INDIANA

The following modifications are made to the FDD only to the extent required by the Indiana Franchises Act, IND. CODE § 23-2-2.5, and the Indiana Deceptive Franchise Practices Act, IND. CODE § 23-2-2.7:

Item 8 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

No competing business for two years within the Designated Area (if one is designated) or a reasonable area surrounding the Franchise Location (if no Designated Area is designated).

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in the State of Colorado. This language has been included in this Franchise Disclosure Document as a condition to registration. KKF and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. KKF and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise, Colorado law applies.

MARYLAND

Item 17 of the FDD is amended to state: “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

Representations in the Franchise Agreement and Multi-Unit Agreement are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the FDD is amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the Franchise.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A Sec. 101 et seq.).

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.

MINNESOTA

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.
3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.

4. With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.
5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the terms in the FDD which require you to sign a general release prior to renewing or transferring your franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.
7. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.
8. 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.

NEW YORK

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

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

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

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunction or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":

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

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

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

6. Franchise Questionnaires and Acknowledgements -- 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.

7. Receipts -- Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, 10 business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

WE REPRESENT THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

NORTH DAKOTA

The North Dakota Securities Commissioner has held the following to be unfair, unjust or inequitable to North Dakota franchisees:

A. Restrictive Covenants: Franchise Disclosure Documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee’s business.

C. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Franchise agreements which specify that they are to be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary & Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Franchise agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.

I. Limitation of Claims: Franchise agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The FDD is amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. KKF and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and Multi-Unit Agreement, including all choice of law provisions, are fully enforceable. KKF and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Multi-Unit Agreement, and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

VIRGINIA

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for Kwik Kar Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 8 and Item 17.h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

1. 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.

WISCONSIN

REGISTRATION OF THIS FRANCHISE IN THE STATE OF WISCONSIN DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

The conditions under which the Franchise Agreement can be terminated or not renewed may be affected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.

State Effective Dates

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

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

State	Effective Date
California	PENDING
Hawaii	NOT EFFECTIVE
Illinois	PENDING
Indiana	PENDING
Maryland	PENDING
Michigan	PENDING
Minnesota	PENDING
New York	PENDING
North Dakota	PENDING
Rhode Island	PENDING
South Dakota	PENDING
Virginia	PENDING
Washington	NOT EFFECTIVE
Wisconsin	PENDING

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

EXHIBIT O

RECEIPT

RECEIPT
(Retain This Copy)

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 Kwik Kar Franchising, LLC (“Kwik Kar”) offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Iowa requires that Kwik Kar give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration, whichever occurs first. Michigan requires that Kwik Kar 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. New York requires that Kwik Kar give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Kwik Kar 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 M.

The following Franchise Sellers were involved in the offering of this franchise:

The following employees of Kwik Kar, having a principal business address and telephone number the same as Kwik Kar: Ron Stilwell, Kelly Tope, Sami Hage, Charley Stoessel, Dan Henry, Tom Staker, and _____.

The following independent sales agent (Kwik Kar requests that the prospective franchisee fill in the information if known): _____, having a principal business address at: _____, telephone number: _____.

Issuance Date: April 5, 2024

I received a disclosure document issued April 5, 2024, which included the following exhibits:

Exhibit A	Franchise Agreement	Exhibit G	Statement of Prospective Franchisee
Exhibit B	Multi-Unit Agreement	Exhibit H	Reserved for Future Use
Exhibit C-1	System Protection Agreement	Exhibit I	Form of General Release Agreement
Exhibit C-2	Confidentiality Agreement	Exhibit J	Brand Standards Manual Table of Contents
Exhibit D-1	Collateral Assignment of Lease	Exhibit K-1	List of Current Franchisees and Multi-Unit Owners
Exhibit D-2	Option and Center Lease	Exhibit K-2	List of Former Franchisees and Multi-Unit Owners
Exhibit D-3	Deferred Maintenance Agreement	Exhibit L	Financial Statements
Exhibit E	Automated Clearing House Payment Authorization Form	Exhibit M	List of State Administrators and Agents for Service of Process
Exhibit F-1	Incentive Program Addendum	Exhibit N	State Addenda
Exhibit F-2	Conversion Addendum	Exhibit O	Receipts

Date Signature Printed Name

Date Signature Printed Name

PLEASE RETAIN THIS COPY FOR YOUR RECORDS.

**RECEIPT
(Our Copy)**

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

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If Kwik Kar 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 M.

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Exhibit F-2	Conversion Addendum	Exhibit O	Receipts

Date

Signature

Printed Name

Date

Signature

Printed Name

Please sign this copy of the receipt, date your signature, and return it to Kwik Kar Franchising, LLC, 5575 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111.