

## FRANCHISE DISCLOSURE DOCUMENT



Christian Brothers Automotive  
Corporation

a Texas Corporation

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[www.ChristianBrothersAutomotive.com](http://www.ChristianBrothersAutomotive.com)

As a Christian Brothers Automotive Corporation offers a franchised franchisee, you will operate a business for repairing and servicing automotive vehicles.

The ~~total~~initial investment necessary to begin operation of a ~~new~~ Christian Brothers Automotive franchised business ~~is \$461~~ranges from \$454,250 to \$566,582,400. This includes \$~~347~~340,000 to \$~~364~~380,000 that must be paid to the franchisor or its affiliate(s).

This ~~Disclosure Document~~disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this ~~Disclosure Document~~disclosure document and all accompanying agreements carefully. You must receive this ~~Disclosure Document~~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~~disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact ~~Josh WallBrad Fink~~ at 17725 Katy Freeway, Suite 200, Houston, Texas -77094, (281) 675-6100, ~~Josh.Wall@cbac.com-Brad.Fink@cbac.com~~.

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

Buying a franchise is a complex investment,~~and as with any investment, there is the possibility of losing your investment.~~ The information in this ~~Disclosure Document~~disclosure document can help you make ~~an informed business decision.~~up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise", which ~~may~~can help you understand how to use this ~~Disclosure Document~~disclosure document, is available from the Federal Trade Commission (~~"FTC"~~). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, ~~D.C.~~DC 20580. ~~-You can also visit the FTC's home page at~~ www.ftc.gov~~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 ~~18, 2019~~15, 2020.

|

STATE COVER PAGE

## 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:

~~Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.~~

~~Call the state administrators listed in Exhibit E for information about the franchisor, about other franchisors, or about franchising in your state.~~

~~MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.~~

~~Please consider the following RISK FACTORS before you buy this franchise:~~

- ~~1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY BINDING ARBITRATION ONLY IN TEXAS. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN TEXAS THAN IN YOUR OWN STATE.~~
- ~~2. THE FRANCHISE AGREEMENT STATES THAT TEXAS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE LAWS.~~
- ~~3. YOUR SPOUSE MUST SIGN A DOCUMENT THAT MAKES YOUR SPOUSE LIABLE FOR ALL FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT EVEN THOUGH YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN THE FRANCHISE. THIS GUARANTEE WILL PLACE BOTH YOUR AND YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS, PERHAPS INCLUDING YOUR HOUSE, AT RISK IF YOUR FRANCHISE FAILS.~~
- ~~4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.~~

~~State registration effective dates appear on the following page.~~

## STATE EFFECTIVE DATES

The effective dates of this Disclosure Document in the states listed below are:

<u>STATE</u>	<u>QUESTION</u>	<u>EFFECTIVE DATE</u>	<u>WHERE TO FIND INFORMATION</u>
California	<u>How much can I earn?</u>		<u>Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit D and Exhibit G.</u>
Hawaii	<u>How much will I need to invest?</u>		<u>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.</u>
Illinois		April 26, 2019	
Indiana		May 1, 2019	
Maryland		July 17, 2019	
Michigan	<u>Does the franchisor have the financial ability to provide support to my business?</u>	June 21, 2019	<u>Item 21 or Exhibit A includes financial statements. Review these statements carefully.</u>
Minnesota	<u>Is the franchise system stable, growing, or shrinking?</u>	June 5, 2019	<u>Item 20 summarizes the recent history of the number of company-owned and franchised outlets.</u>
New York	<u>Will my business be the only Christian Brothers Automotive business in my area?</u>	October 29, 2019	<u>Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.</u>
North Dakota	<u>Does the franchisor have a troubled legal history?</u>		<u>Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.</u>
Rhode Island			
South Dakota		April 26, 2019	

<del>Virginia</del> <b><u>What's it like to be Christian Brothers Automotive franchisee?</u></b>	<del>June 20, 2019</del> <u>Item 20 or Exhibit D and Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.</u>
<del>Washington</del> <b><u>What else should I know?</u></b>	<del>July 5, 2019</del> <u>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.</u>
<del>Wisconsin</del>	<del>April 24, 2019</del>

## **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 E.

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



### **Special Risks to Consider About *This* Franchise**

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Texas. 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 Texas than in your own state.
2. **Local Law.** The franchise agreement states that Texas law governs the agreement, and this law may not provide the same protections and benefits as local law. you may want to compare laws.
3. **Spouse Liable.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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.

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

**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 FRANCHISED BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

(i) THE FAILURE OF THE PROPOSED 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.

\* \* \* \*

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE 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.

\* \* \* \*

**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.**

\* \* \* \*

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATIONS AND SECURITIES BUREAU, 6546 MERCANTILE WAY, P.O. BOX 30222, LANSING, MICHIGAN 48910.

\* \* \* \*

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

STATE OF MICHIGAN DEPARTMENT OF THE ATTORNEY GENERAL  
G. MENNEN WILLIAMS BUILDING, 7<sup>TH</sup> FLOOR  
525 W. OTTAWA STREET  
LANSING, MICHIGAN 48909  
TELEPHONE NUMBER: (517) 373-7117

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## **EXHIBITS**

<b>Exhibit A</b>	Financial Statements
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<b>Exhibit A to FA</b>	Description of Territory
<b>Exhibit B to FA</b>	Description of Marks
<b>Exhibit C to FA</b>	Equipment Required for Franchisee to Purchase
<b>Exhibit D to FA</b>	Commercial Sublease Agreement
<b>Exhibit C</b>	Table of Contents of Confidential Operations Manual
<b>Exhibit D</b>	Current Franchisees Contact Information
<b>Exhibit E</b>	State Administrators/Agents for Service of Process
<b>Exhibit F</b>	Nonuse and Nondisclosure Agreement
<b>Exhibit G</b>	Former Franchisee Contact Information
<b>Exhibit H</b>	Assignment and Assumption Agreement
<b>Exhibit I</b>	State Specific Addendum
<b>Exhibit J</b>	<del>Inventory List</del> <u>Receipt and Acknowledgement Agreement</u>
<b>Exhibit K</b>	<del>Receipt and Acknowledgement</del> <u>General Release</u> Agreement
<b>Exhibit L</b>	<del>General Release Agreement</del> <u>State Registration Effective Dates</u>
<b>Exhibit <u>ML</u>-1</b>	Franchisee's Copy of Detachable Receipt
<b>Exhibit <u>ML</u>-2</b>	CBAC's Copy of Detachable Receipt

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

To simplify the language in this Disclosure Document the words “Franchisor,” “CBAC,” “CBA,” “Christian Brothers,” “we,” “our” and “us” refer to Christian Brothers Automotive Corporation, the franchisor. “You”, “Your”, “Principal Operator” and “Franchisee” refer to the person or entity who is licensed to operate the franchise. To fully understand all of your and our rights and obligations to each other, you must still carefully review the actual agreements that you will sign. These agreements will control if there is any dispute between us.

**The Franchisor, and any Parents, Predecessors, and Affiliates**

CBAC was incorporated in the state of Texas on March 25, 1982, under the name Christian Brothers Automotive Corporation. Our principal place of business and business address is 17725 Katy Freeway, Suite 200, Houston, Texas 77094. We do business under our corporate name and under the name CBAC.

CBAC does not have any predecessors or affiliates that offer franchises in this or any other line of business. CBAC does not have any predecessors or affiliates that have been engaged in the business in which CBAC is engaged. CBAC does not have any parent entity.

CBAC does not currently have any predecessors or affiliates that provide products or services to CBA franchisees.

**The Business**

We have established, and continue to develop and operate, a system of “Christian Brothers Automotive” (“CBA”) franchises which offer automotive repair and maintenance services to its customers. CBA is used to refer to the franchise system. CBAC refers to the franchisor. We currently offer the following two separate franchise programs:

1. A franchisee may acquire a license to operate a single CBA franchise.
2. A franchisee may acquire a license to operate more than one CBA franchise. CBAC has a separate Franchise Disclosure Document for its multi-facility program. The multi-facility program may only be offered in a franchise registration state if CBAC has first obtained an effective franchise registration to offer this program in the respective state. This program is not available to new franchisees.

CBAC examines each franchisee applicant on a case by case basis, and CBAC reserves the right to determine in its sole discretion whether or not to approve or disapprove an applicant for both a single CBA franchise and the CBA multi-facility program.

**The Competition**

The market for automotive repair and maintenance services is well developed and intensely competitive. Your CBAC automotive repair and service facility will compete with other similar

automotive repair and service facilities. The types and numbers of competitors vary from location to location and from time to time.

## **The Market**

The market for your services will be the general public. The need for automotive repair and service varies from time to time due to a large number of factors which include things such as the condition of the local, regional or national economy, seasonal changes, the cost of regulatory compliance, the cost of fuel and the cost of new automotive vehicles. Other factors that may have a significant impact on the market in the future include technological advances that impact the construction of automotive vehicles, powering of motor vehicles, and the basic methods of travel used in the United States. Significant changes in the laws, rules and regulations that govern the automotive industry may have a dramatic impact on the market for your services.

## **Our Prior Business Experience**

CBAC began providing automotive repair and maintenance services to its customers in August 1982, and CBAC continued to conduct its business at the same location, until December 31, 1998. At that time, CBAC sold its original location to a franchisee. On January 1, 2012, CBAC reacquired the original location and then refranchised it in 2013. CBAC has offered franchises in the automotive repair and service business since January of 1996. We have not offered franchises in any other line of business.

## **CBAC's Corporate Stores**

CBAC is currently operating ~~13~~ franchise ~~location.~~ ~~This~~ ~~locations.~~ ~~One~~ franchise is located at 8496 Mexico Road, Saint Peters, Missouri 63376. The Saint Peters franchise has been operated by CBAC since it first opened for business in April of 2010. CBAC also operates the franchise located 9299 Lebanon Road, Frisco, Texas 75035 which was purchased in October 2019. Additionally, CBAC operates the franchise location at 1220 E. 9<sup>th</sup> Street, Lockport, Illinois 60441 since the store opened in June 2019.

## **Special Industry Regulation**

Texas and other states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your automotive repair and service facility, including those which (a) establish general standards, specifications and requirements for the construction, design and maintenance of the premises; (b) set standards pertaining to employee health and safety; (c) set standards and requirements for fire safety and general emergency preparedness; and (d) regulate the proper use, storage and disposal of waste, petroleum products, batteries, fluids and other hazardous materials. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your franchise, determine the impact any such regulations and requirements could have on a franchise in that location and should consider both their effect and cost of compliance in determining whether you want to pursue having a franchise in that location.

In California, you will be required to obtain a license from the California Bureau of Automotive Repair (Licensing Unit). To obtain that license, you will pay a \$200.00 fee and file a



completed application with the Bureau. The application requires that you furnish information pertaining to the automotive repair business, such as contact and tax information, a list of all owners, directors, officers, partners, members, trustees, and managers, background information on these designated persons, and the general operation of the business.

### **Agent for Service of Process**

Our agent for service of process is Don Carr. His principal business address is 17725 Katy Freeway, Suite 200, Houston, Texas 77094. If we have an agent in your state for service of process, we disclose that agent in Exhibit E.

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

### **Directors**

#### **Mark A. Carr**

Mr. Carr joined the board in 1982. Mr. Carr has been the Chief Executive Officer of CBAC since March 2018 and the Secretary of CBAC since August 1982. Mr. Carr was the President of CBAC from August 1982 to February 2018. Location: Houston, TX.

#### **John Freeman**

Dr. Freeman joined the board in March 2003. Dr. Freeman has been a licensed orthodontist in Houston, Texas since 1981. Location: Houston, TX.

#### **Donald B. Evans**

Mr. Evans joined the board in 2000. Mr. Evans has been the president and owner of Ark Ventures, Inc., a regional automotive parts wholesale business in Houston, Texas, since June 1992. Location: Houston, TX.

### **Officers**

#### **Chief Executive Officer and Corporate Secretary: Mark A. Carr**

See biographical information above under the heading “Directors.”

#### **President: Don Carr**

Mr. Carr has been President of CBAC since March 2018. Prior to becoming President, Mr. Carr served as Vice President of Operations for CBAC from July 2016 to February 2018, and was Director of Store Performance for CBAC from August 2007 to July 2016. Location: Houston, TX.

~~Chief Operating Officer and Vice President: Lew Ten Have of Operations: Michael Allnutt~~

Mr. ~~Ten Have~~Allnutt has been the ~~Chief Operating Officer~~Vice President of Operations for CBAC since ~~January 2000 and has been~~February 2018. Prior to becoming Vice President ~~for of~~ Operations, Mr. Allnutt successfully operated a CBAC ~~since June 2014~~franchise location from ~~October 2007 to December 2017~~. Location: Houston, TX.

Chief Financial Officer and Vice President: John Foster

Mr. Foster has been the Chief Financial Officer for CBAC since January 2019 and has been Vice President for CBAC since January 2019. Prior to becoming Chief Financial Officer, Mr. Foster served as Controller for CBAC from February 2013 to December 2018. Location: Houston, TX.

~~Chief Development Officer and Vice President: Josh Wall of Leadership and Franchise Development: Brad Fink~~

Mr. ~~Wall~~Fink has been the ~~Chief~~Vice President of Leadership and Franchise Development ~~Officer~~ for CBAC since ~~January~~February 2018 ~~and has been~~. Prior to becoming Vice President ~~for of~~ Leadership and Franchise Development, Mr. Fink successfully operated a CBAC ~~since 2006~~ franchise location from October 2008 to December 2017. Location: Houston, TX.

General Counsel and Vice President: Jacques Craig

Mr. Craig has been General Counsel for CBAC since July 2010 and has been Vice President of CBAC since June 2012. Location: Houston, TX.

Vice President of Marketing: Janis L. Jarosz

Ms. Jarosz has been Vice President of Marketing for CBAC since June 2018. Location: Houston, TX. Prior to becoming Vice President of Marketing, Ms. Jarosz served as Chief Marketing Officer and Talent Acquisition Officer with Sirius Solutions, L.L.P. from March 2016 to May 2018 and as Manager Director, Marketing for Service Corporation International, Inc. from June 2010 until March 2016 in Houston, TX.

~~Vice President of Real Estate Acquisitions~~Chief Development Officer: Michael B. Suttle

Mr. Suttle has been with CBAC since February 2013 and has been ~~Vice President of Real Estate Acquisitions~~Chief Development Officer for CBAC since ~~June 2019~~. Prior to that, Mr. Suttle served as Vice President of Real Estate Acquisitions since May 2016. -Location: Houston, TX.

Director of TrainingVice President of Technology Solutions: David Domine

~~Mr. Domine has been~~

Mr. Domine has been the Vice President of Technology Solutions since January 2018. Prior to serving as the Vice President of Technology Solutions, Mr. Domine served as the Director of Training for CBAC since August 2007. Location: Houston, TX.

### **ITEM 3. LITIGATION**

No litigation is required to be disclosed in this Item.

### **ITEM 4. BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

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

#### **Franchise Agreement**

You must pay CBAC an initial franchise fee of \$135,000 (the “Franchise Fee”). This Franchise Fee is paid in two installments. The first installment is in the amount of \$85,000 (the “Down Payment”) and is due at the earlier of your signing the Franchise Agreement or your signing the Receipt and Acknowledgement Letter Agreement, a copy of which is attached as Exhibit K. The second installment is in the amount of \$50,000 and is due on or before three business days after CBAC informs you in writing that the building permits have been obtained, and that either the Land has been purchased, or the Land has been leased for the building where your franchise will operate. You may be able to include the second installment in your small business financing, depending on your personal circumstances and credit worthiness. \$13,500 of the Down Payment will be fully earned when paid and non-refundable in consideration of administrative and other expenses CBAC incurs and for lost or deferred opportunities to enter into the Franchise Agreement with others. The following is an itemized list and estimated cost of what each portion of the franchise fee is used to acquire:

<b><u>Franchise Fee Breakdown</u></b>	<b><u>Description of Estimated Costs and Other Deliverables</u></b>	<b><u>Estimated Value</u></b>
<u>Business Development</u>	<u>Staffing, advertising, travel, evaluation</u>	<u>\$26,500</u>
<u>Training</u>	<u>Staffing, course materials, travel, instructor costs</u>	<u>\$28,500</u>
<u>Operation Evaluations</u>	<u>On site visits</u>	<u>\$4,000</u>
<u>Financing</u>	<u>SBA Loan Assistance, Accounting Services</u>	<u>\$5,500</u>
<u>Recruiting</u>	<u>Ads and staffing</u>	<u>\$12,750</u>
<u>Marketing</u>	<u>Ads and staffing</u>	<u>\$12,750</u>
<u>IT Setup &amp; Support</u>	<u>Staffing</u>	<u>\$5,000</u>
<u>Administrative Assistance</u>	<u>Staffing</u>	<u>\$1,000</u>
<u>Legal</u>	<u>Legal support and staffing</u>	<u>\$4,000</u>
<u>Office overhead</u>	<u>Rent, support services</u>	<u>\$6,000</u>
<u>Purchasing</u>	<u>Sourcing and purchasing items for store opening</u>	<u>\$4,000</u>

<u>License Fee</u>	<u>License and other rights delivered over the term of the franchise period.</u>	<u>\$25,000</u>
	<u>Total</u>	<u>\$135,000</u>

The above breakdown is only for informational purpose and provides only an estimate of the fair market value of each deliverable. Each of the above deliverables and related costs are subject to change at any time in our sole and absolute discretion. It is expected that the above estimate will change often depending on factors we cannot predict such as market forces and changes to our development and/or operations processes. Regardless of the above estimate, under the Franchise Agreement, we may use the Franchise Fee for any purpose we deem appropriate.

CBAC is a proud participant of the International Franchise Association's Veterans Transition Franchise Initiative and has established the following "IFA VetFran Program." If you are a current or former member of the United States Armed Forces and have been or will be honorably discharged then CBAC offers you a discount of 10% of the Franchise Fee. Upon receipt of your DD Form 214 "Certificate of Release or Discharge from Active Duty," CBAC will apply the discount to the second installment of the Franchise Fee. You will pay \$85,000 at the earlier of your signing the Franchise Agreement or your signing the Receipt and Acknowledgement Agreement (the "Down Payment"). Your second installment will be in the amount of \$36,500 and will be due on or before three business days after CBAC informs you in writing that building permits have been obtained, the land has been purchased, or the land has been leased for the building where your franchise will operate. \$13,500 of the Down Payment will be fully earned when paid and non-refundable in consideration of administrative and other expenses CBAC incurs and for lost or deferred opportunities to enter into the Franchise Agreement with others.

CBAC may not be able to purchase the Land that you have approved and CBAC has agreed to attempt to acquire. CBAC agrees to notify you in writing if it determines, for any reason, that it will not purchase the Land. CBAC will then give you the option of either (a) choosing another location where CBAC is willing to attempt to acquire the Land where your franchise will operate, or (b) having your Down Payment (minus the \$13,500 portion which is non-refundable) refunded to you.

In the event a Termination Event occurs prior to CBAC executing a Contract for the acquisition of the Land, then CBAC will refund the Down Payment to you minus the \$13,500 portion which is non-refundable plus any and all reasonable costs that CBAC has incurred in processing your application, selecting the site for the franchise, and preparing to enter into the franchise relationship with you, provided that such refund deduction will not be less than \$13,500 nor will it exceed \$38,500. Any amount not refunded shall be deemed fully earned when paid and non-refundable in consideration of administrative and other expenses CBAC incurs and for lost or deferred opportunities to enter into the Franchise Agreement with others.

"Termination Event" means any of the following (i) you do not qualify for the necessary financing to open and operate your Franchise, (ii) you choose not to proceed with the decision to open a franchise on the Land, and/or (iii) you are unable to complete any of your other obligations that are conditions to your owning and operating a CBAC franchise. "Contract" means a contract for (a) the acquisition of land in the general area of the Location, (b) the lease of land in the general area of the location, or (c) a contract for the acquisition of an existing business. "Land" means the

land that will be purchased or leased for the construction of a building and other improvements that will be used for the operation of your franchise.

In the event a Termination Event occurs after CBAC has executed a Contract but prior to CBAC (a) submitting site plans to the appropriate authority for approval in connection with the purchase of the Land, or (b) performing due diligence in connection with the acquisition of the Land, then CBAC will deduct \$38,500 from your \$85,000 Down Payment and refund \$46,500 to you.

In the event a Termination Event occurs after CBAC has executed a Contract and either (a) has submitted site plans to the appropriate authority for approval in connection with the purchase of the Land, or (b) has performed due diligence in connection with the acquisition of the Land, then CBAC will retain all of your \$85,000 Down Payment.

You must pay the remaining amount of your Franchise Fee as provided in the Franchise Agreement to be entered into between you (or an entity formed and owned by you for the sole purpose of owning and operating the Franchise) and CBAC. The Franchise Fee is non-refundable except under a Termination Event, as described above.

If at any time prior to the opening date of your franchise, CBAC terminates its relationship with you without cause, CBAC will return the amount of the initial Franchise Fee that you have paid (minus the \$13,500 which is non-refundable).

If the estimated cost for the land, development, construction and other related costs either equals or exceeds the amount of \$2,900,000 or results in the rent being more than \$20,000 a month, you will be required to pay the full Franchise Fee of \$135,000 upon written request from CBAC and that entire payment will be non-refundable. See Item 6 for additional details.

The amount of the initial franchise fees paid previously have been uniform for all parties who became franchisees during the same time period (except for those parties who qualify for the IFA VetFran Program). The initial franchise fee paid during our fiscal year ended on December 31, 2018 was \$135,000 and for the period up to the date of this Disclosure Document was \$135,000.

Prior to opening, you must purchase certain equipment and software from CBAC that will be used to operate the franchise. This will include the equipment listed on Exhibit C to the Franchise Agreement and the software described below, at a current total cost of approximately ~~\$212,205~~,000 to ~~\$229,245~~,000. We may add or delete items to be purchased from us once the site for your CBA franchise has been selected. The equipment will include a shuttle vehicle that will be used to transport customers of your CBA franchise. The equipment is purchased by us in order to obtain better pricing than individual purchasers could obtain, and we only charge you our cost. The costs for equipment purchases are refundable prior to delivery.

The software that must be purchased from CBAC and used to operate your CBA franchise includes point-of-sale ~~and~~, accounting software ~~at a one-time current cost of approximately \$8,400 and~~, QuickBooks, which includes a QuickBooks user license, "Accounting Link", remote access, installation and testing, at a current cost of approximately \$1, ~~250~~~~283~~. As indicated, these software

costs are included in the above described total amount. The fees for software purchases are refundable prior to store opening.

We may add or delete items which must be purchased through CBAC, and costs are subject to change.

**ITEM 6.**  
**OTHER FEES**

<b>Type of Fee</b> (Note 1)	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Continuing Royalty Fees (Note 2)	50% of monthly “Split Profits” during the initial franchise term and during all extensions and renewals.	Estimated monthly amount due on the last day of each succeeding month.	The Royalty Fee is based on the “Split Profits” for the previous month. “Split Profits” are defined below in Note 2.
Additional Training and Support Fees (Note 3)	Established by CBAC. Fees will be uniform for all franchisees.	Upon Provision of Services.	Additional training may be offered off-site, and you will be responsible for all expenses related to attendance.
Administrative <u>and Accounting</u> Fees (Note 4)	Established by CBAC. See Note 4.	Monthly service is provided.	CBAC provides certain administrative services. See Note 4.
National Marketing <del>Fees</del> <u>Fee</u> (Note 5)	Established by CBAC. CBAC can require you to contribute up to \$20,000 per year to the National Marketing Fund. CBAC currently collects \$ <del>5</del> <u>10</u> ,000 per year, <u>which is subject to change</u> .	1st day of each month.	CBAC approves advertising & manages program.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Regional Marketing Groups Group Fee	<del>Up</del> <u>Established by CBAC. CBAC can require you to contribute up</u> to \$20,000 per year to the Regional Marketing Group Fund. <u>CBAC currently collects \$2,500 per year, which is subject to change.</u>	1st day of each month.	As of the date of this Disclosure Document, CBAC has <del>or will be establishing</del> <u>established</u> regional marketing groups. You must participate in <del>any cooperative</del> <u>the regional</u> marketing program for the region in which your automotive repair facility is located. If we operate an automotive repair facility located in a region in which a regional marketing group has been established, we will participate in this regional marketing group on the same basis, with the same voting rights, as franchisees. <u>CBAC manages and approves all advertising, services and promotions within any regional marketing program.</u>
Transfer Fees \$30,000 (Note 6)	a) \$2,500 Application Fee  b) \$27,500 Transfer Fee	a) At the time of application for transfer b) If -transfer is approved, on the approval date	Transfer fees are imposed by and payable to CBAC and are non-refundable.
Transaction Fee (Note 7)	The greater of 7% of the gross value of the business or \$50,000	Due upon closing of your selling transaction	If you authorize CBAC to find you a buyer or CBAC provides you a buyer from its interested candidates.
Lease Payments (Note 8)	Approximately \$14,000 to \$25,000 base rent per month, plus triple net costs. This will vary as described in Note 8.	Base rent due on the 1st day of each month. Triple net costs are due as costs arise.	You will lease or sublease the premises (land and building) from CBAC or one of its affiliates. See Note 8 for the lease term.



Type of Fee (Note 1)	Amount	Due Date	Remarks
IT Support Fee (Note 4)	\$200 per month for IT support services.	1st day of each month.	This may include web hosting and software/hardware technical support. CBAC reserves the right to increase this fee, in its sole discretion.
Software and related annual maintenance/ license fees	Annual maintenance or license fees will apply for those programs and for additional required software programs. Annual maintenance or license fees for these programs are approximately \$1,350-1,400 <del>500</del> and will vary depending on the underlying vendors' current prices.	Maintenance/ license fees are billed each calendar year in <del>January</del> the first quarter and due in 10 days.	Paid to CBAC because CBAC negotiates and purchases in bulk under more favorable terms in order to lower the cost to you. Currently all software is purchased from outside vendors.
Liquidated Damages	The full amount of the Franchise Fee, which is currently \$135,000.	At the time of franchise termination	If you fail to comply with your obligations under the franchise agreement, CBAC is entitled to retain the full amount of the Franchise Fee as liquidated damages in the event of termination of your franchise agreement. You will also remain obligated to CBAC for any obligations and damages that have accrued as of the date of termination of your franchise agreement.

**Notes:**

1. All fees are imposed by and payable to CBAC. Except as specifically described in this Item 6, all fees are non-refundable.

2. You will pay a Royalty Fee of 50% of monthly "Split Profits" to CBAC each month during the initial term of your franchise and during the remainder of all terms of your franchise, including all extension and renewal periods. This payment is due on the last day of each



succeeding month, and is based on the “Split Profits” estimated for the preceding month. Estimated payments will be due monthly and a final reconciliation will be calculated at each year end for a “True Up” on the annual “Split Profits”. “Split Profits” shall mean the gross revenues received in connection with and/or in any way related to the Franchised Business minus the Approved Expense Items. “Approved Expense Items” shall mean (i) those expense items calculated under Generally Accepted Accounting Principles (GAAP) and approved by us as set forth in ~~an annual budget~~ the Confidential Operations Manual, (ii) all subsequent written budget adjustments that are approved in writing by us, and (iii) all adjustments defined in the Confidential Operations Manual. Amendments to the Confidential Operations Manual that impact the Approved Expense Items will be effective upon the later of (i) receipt by you, or (ii) the effective date that is designated in writing from us. Approved Expense Items include approved expenses, debt service and/or other capital expenditures, which are approved in advance. Any salary or wage that your business pays to you and/or your spouse, as an employee of the franchise, is contingent upon the business making enough profit to pay such salary or wage and is not a guarantee of payment by CBAC. CBAC agrees to allow up to \$60,000 combined salary or wage to you and your spouse to be an approved expense.

3. Other training sessions offered by CBAC will be mandatory or optional at CBAC’s sole discretion, and the fees will be established by CBAC at the time it offers the training. These fees will be uniform for all franchisees. You will be required to pay all travel and living expenses incurred by you and any of your employees who attend any additional training sessions. As of the date of this Disclosure Document, CBAC has not yet charged any fees for this type of additional training. The franchisees have been required to pay travel and living expenses incurred by them and/or their employees in connection with attending additional training sessions.

4. For accounting and administrative services you may select any vendor you would like so long as the vendor provides CBAC a written agreement stating the specific services provided and acknowledges that the timeliness of the service will match requirements outlined in the Confidential Operations Manual. A Preferred Provider Vendor list for accounting services is set out in the Confidential Operations Manual to assist you with your decision to hire outside services. To give you a lower cost alternative, CBAC can provide each store with accounting and administrative services which will include preparation of monthly financial reports, a reconciliation of all bank statements, all payroll processing, posting of sales activity to the general ledger, posting of payroll activity to the general ledger, hosting the financial management software, obtaining and filing of bank statements, calculation and posting of depreciation, booking monthly accruals, reconciliation of credit card payments and allocations, reconciliation of all debt balances, analysis of all general ledger accounts for proper category postings, weekly sales reports of all franchises, quarterly profit and loss statements and Gross Profit Margin reports for all franchises, year-end adjustments to inventory, analysis of gross profit margin between the point of sale software and the financial software, and general tax information and filings. The fee for these services is currently \$550 per month. CBAC offers additional tax filing services for monthly sales and use tax filings and annual personal property tax renditions; and the fees for these services are \$25.00 per month and \$75.00 per year respectively. CBAC offers full charge bookkeeping; the fee for this service is ~~\$800~~\$750.00 per month. Additionally, as indicated above, CBAC provides IT support services for a fee of \$200 per month. The fees for all of these services may be increased in the future, in the sole discretion of CBAC.

5. Each franchise location will do all of its own local advertising, and the cost of advertising is an operating expense to the franchisee. All marketing must be done according to the ~~CBA-Marketing Guide (a copy of which will be delivered to you when you receive your copy of section within~~ the Confidential Operations Manual) and in conjunction with and approved by the CBAC Marketing Department. CBAC has established a national marketing program and ~~may from time to time establish~~ a regional marketing program ~~(if a media market contains at least 3 or more stores).~~ Each franchisee ~~in that region or in the nation~~ will be required to pay its prorated share of the ~~advertising program~~programs. CBAC will deposit those payments into a marketing fund for that particular program. At this time, CBAC collects \$510,000 per year for the National Marketing Fund and \$2,500 per year for the Regional Marketing Group Fund to be used to benefit its franchisees.

6. If you sell your operating company, the purchaser must be approved by CBAC prior to any transfer of the franchise license being allowed. You must complete and submit an application to transfer your franchise license. At the time you submit the application, you must pay CBAC a \$2,500 application fee. This fee covers the administrative costs incurred by CBAC in reviewing the application. This fee is nonrefundable and earned immediately upon receipt. If CBAC decides to approve the transferee, you will be required to pay an additional \$27,500 transfer fee to CBAC to cover the costs associated with determining whether or not to approve the transferee, interviewing the appropriate parties, administering and overseeing the transfer process and providing appropriate training. The application and transfer fees are unapproved expenses.

7. If you authorize CBAC to find an outside buyer – one who is not currently a Christian Brothers Automotive franchisee, you will be responsible for paying CBAC a transaction fee, which is either the greater of 7% of the gross value of the business transaction or \$50,000. This fee is earned and payable upon closing of the transaction between you and the buyer and is in addition to the Transfer fee due and payable to CBAC, which is currently \$30,000 per business.

8. You will be required to make lease payments to CBAC or an affiliate in an amount set out in a Commercial Lease Agreement or a Commercial Sub-Lease Agreement negotiated between you and CBAC or an affiliate. The initial term of the lease will be 15 years, and the initial monthly lease payment will be approximately \$14,000 to \$25,000 for base rent, plus all triple net costs (insurance, maintenance and property tax; sales tax and common area maintenance if applicable); this amount will vary depending on items such as the cost of the construction of improvements. The high end of this range reflects locations where the land, development and construction costs are significantly higher than CBAC's average costs. If you request a site in an area where the land, development and construction costs result in the rent exceeding the high end of the range disclosed in this note, CBAC will require you to deliver a writing to CBAC stating that: you requested this location, you are aware that the rent exceeds the high end of the disclosed rent range, and that you agree to pay the rent CBAC determines is appropriate for that location. If the estimated cost for the land, development, construction and other related costs either equals or exceeds the amount of \$2,900,000 or results in the rent being more than \$20,000 a month, you will be required to pay the full Franchise Fee of \$135,000 upon written request from CBAC and that entire payment will be non-refundable. You will not be required to give a security deposit to CBAC or an affiliate, but you will be required to pay all insurance premiums, property taxes, repairs & maintenance, and utilities owed in connection with your use and operation of the leased premises, plus all other costs, if any, specified in the Commercial Lease Agreement or the

Commercial Sub-Lease Agreement. Each year the base rent will increase by 1.5% on the anniversary of your lease commencement.

## ITEM 7. INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type Of Expenditure	Amount (Note 13, 16 and 17)	Method Of Payment (Note 14 And 15)	When Due	To Whom Payment Is To Be Made
INITIAL FRANCHISE FEE	\$135,000 (Note 1)  \$121,500 with IFA VetFran Program Discount (Note 1)	a) \$85,000 b) \$50,000  With Discount: a) \$85,000 b) \$36,500 (Note 1)	a) See Note 1 b) See Note 1	CBAC (Note 1)
REAL ESTATE AND IMPROVEMENTS	\$0 at startup, but monthly thereafter (Note 2)			
EQUIPMENT AND SOFTWARE	<del>\$212,205</del> ,000 to <del>\$229,245</del> ,000 (Note 3)	Cash As Purchased	Prior to opening Franchised Business	Equipment Vendors and/or CBAC (Note 3)
SHUTTLE VEHICLE	\$18,000 to \$33,000 (Note 4)	Auto finance/Lease program	Prior to opening Franchised Business	Dealership vendor/individual seller
SHUTTLE VEHICLE WRAP	\$1,750 to \$3,400 (Note 4)	Auto finance/Lease program	Prior to opening Franchised Business	Third party wrap vendor
INVENTORY	\$10,000 to \$11,000 (Note 6)	Cash As Purchased	Prior to opening and then as needed	Suppliers
SECURITY DEPOSITS	\$5,000 (Note 7)	Lump Sum	Prior to opening Franchised Business	Local utility companies
SIGNS	\$0 (Note 5)			Provided through Franchisor and Real Estate Lease

<b>Type Of Expenditure</b>	<b>Amount</b> (Note 13, 16 and 17)	<b>Method Of Payment</b> (Note 14 And 15)	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
INSURANCE & BUSINESS LICENSE	\$5,000 to \$35,000 (Note 8)	Per Agreement with Insurance Companies	Can be prior to opening Franchised Business but is usually financed with a monthly payment	Insurance Companies
MARKETING/ ADVERTISING	\$20,000 to \$30,000 incurred during your first year in business (Note 9)	When required by Advertising Suppliers	Start-up, monthly, or otherwise, per agreement with advertisers	Advertisers and Suppliers
NEW STORE OPENING MARKETING/ ADVERTISING	\$15,000 to \$20,000 (Note 10)	By Advertising suppliers	Starting 30 days prior to store opening up until 60 days after store opening	Advertisers and Suppliers
ADDITIONAL FUNDS DURING INITIAL 3 MONTHS	\$30,000 to \$40,000 (Note 11)	General operational expenses such as office supplies, employees, vendors and utilities	First three months of operations	Vendors, suppliers, employees and utility companies
PRE-OPENING TRAINING TRAVEL/ SALARY	\$7,500 to \$10,000  (Note 12)	General travel expenses such as flight, rental car, hotel and food costs for approximately <del>30-45-60</del> days.	Starting approximately 90 days prior to store opening and will be needed for a period of approximately <del>30-45-60</del> days.	Airline, car rental agency, hotel, restaurants and your salary if needed
OTHER PAYMENTS	\$2,000 to \$15,000 (Note 13)	Cash at purchase and/or included in business loan	Prior to applying for commercial financing	Bank of your choosing, Federal Govt and other 3rd party vendors
TOTAL	\$ <del>461454</del> ,250 to \$ <del>566582</del> ,400 (Note 14)			

## **Notes:**

1. You must pay CBAC an initial Franchise Fee of \$135,000. This initial Franchise Fee is paid in two installments. The first installment is the Down Payment in the amount of \$85,000 (\$13,500 of this installment is non-refundable) and is due at the earlier of your signing the Franchise Agreement or your signing the Receipt and Acknowledgement Agreement. The second installment is in the amount of \$50,000 and is due on or before three business days after CBAC informs you in writing that building permits have been obtained, the land has been purchased, or the land has been leased for the building where your franchise will operate.

In the event a Termination Event occurs prior to CBAC executing a Contract for the Land, then CBAC will deduct \$13,500 from the Down Payment of \$85,000 plus any and all reasonable costs that CBAC has incurred in processing your application, selecting the site for the Land, and preparing to enter into the franchise relationship with you, and return any remainder to you, provided that such deductions will not be less than \$13,500 nor will they exceed \$38,500. “Termination Event” means any of the following (i) you do not qualify for the necessary financing to open and operate your Franchise, (ii) you notify CBAC in writing that you choose not to proceed with the decision to open the selected store, and/or (iii) you are unable to complete any of your other obligations that are conditions to your owning and operating a CBAC franchise. “Contract” means a contract for (a) the acquisition of land in the general area of the Location, (b) the lease of land in the general area of the location, or (c) a contract for the acquisition of an existing business.

In the event a Termination Event occurs after CBAC has executed a Contract but prior to CBAC (a) submitting site plans to the appropriate authority for approval in connection with the purchase of the Land, or (b) performing due diligence in connection with the acquisition of the Land, then CBAC will deduct \$38,500 from your \$85,000 Down Payment and return \$46,500 to you.

In the event a Termination Event occurs after CBAC has executed a Contract and either (a) has submitted site plans to the appropriate authority for approval in connection with the purchase of the Land, or (b) has performed due diligence in connection with the acquisition of the Land, then CBAC will retain all of your \$85,000 Down Payment.

If at any time prior to the opening date of your franchise, CBAC terminates its relationship with you without cause, CBAC will return the amount of the initial Franchise Fee that you have paid (minus the \$13,500 which is non-refundable). Except as provided in the previous sentences, the initial Franchise Fee is not refundable under any circumstances.

If the estimated cost for the land, development, construction and other related costs either equals or exceeds the amount of \$2,900,000 or results in the rent being more than \$20,000 a month, you will be required to pay the full Franchise Fee of \$135,000 upon written request from CBAC and that entire payment will be non-refundable. See Item 6 and Note 2 for additional details.

CBAC is a proud participant of the International Franchise Association’s Veterans Transition Franchise Initiative and has established the following “IFA VetFran Program”. If you are a current or former member of the United States Armed Forces and have been or will be honorably discharged then CBAC offers you a discount of 10% of the initial Franchise Fee. Upon

receipt of your DD Form 214 “Certificate of Release or Discharge from Active Duty”, CBAC will apply the discount to the second installment of the initial Franchise Fee. You will pay the \$85,000 Down Payment at the earlier of your signing the Franchise Agreement or your signing the Receipt and Acknowledgement Agreement. Your second installment will be in the amount of \$36,500.00 and will be due on or before three business days after CBAC informs you in writing that building permits have been obtained, the land has been purchased, or the land has been leased for the building where your franchise will operate. \$13,500 of the Down Payment is non-refundable.

If you have been referred to CBAC by a current franchisee, CBAC will pay \$2,500 to the referring franchisee if you enter into a franchise agreement with CBAC. This is part of CBAC’s franchisee referral program. CBAC will be glad to discuss the details of this franchisee referral program with you upon request. Existing franchisees who provide references to prospective franchisees are not acting as our agent and do not speak for us, despite the receipt of a referral fee. We do not control what these existing franchisees may say, and cannot guarantee the accuracy of any statement made by them to you.

2. Either CBAC or an entity affiliated with CBAC or contracted by CBAC, will purchase real property and construct the building the franchise will operate from, or CBAC will lease the land and building for the franchise from an unaffiliated party. You will lease or sublease the building and property from CBAC or an affiliate for a period of fifteen (15) years for rent of approximately \$14,000 to \$25,000 per month for base rents. This amount will vary due to the cost of constructing the improvements and the underlying financing costs. The high end of this range reflects locations where the land, development and construction costs are significantly higher than CBAC’s average costs. If you request a site in an area where the land, development and construction costs result in the rent exceeding the high end of the range disclosed in this note, CBAC will require you to deliver a writing to CBAC stating that: you requested this location, you are aware that the rent exceeds the high end of the disclosed rent range, and that you agree to pay the rent CBAC determines is appropriate for that location. If the estimated cost for the land, development, construction and other related costs either equals or exceeds the amount of \$2,900,000 or results in the rent being more than \$20,000 a month, you will be required to pay the full Franchise Fee of \$135,000 upon written request from CBAC and that entire payment will be non-refundable. On a case by case basis, CBAC may, in its sole discretion, decide to sell a site and building to a franchisee or to an unrelated third party. Any such sale to a franchisee will be contingent upon and result in an amendment to the franchise agreement revising the terms that CBAC deems appropriate; provided that such amendment shall not change the percentage of the Split Profits that you will receive or the term of your franchise agreement. Any such sale to a third party will result in CBAC leasing the site and building from such third party and continuing to sub-lease it to you. CBAC may also, in its sole discretion and on a case by case basis, decide to contract for an unaffiliated party to acquire land and construct the building for a franchise which CBAC then leases from that unaffiliated party. We do not currently anticipate requiring a security deposit at startup and generally attempt to provide up to a six month rent free period. Consequently, we do not expect your initial funds to include rent. This is subject to change and will vary depending on the financial terms negotiated on each construction project. When the monthly lease payments do begin, they will be between \$14,000 and \$25,000 for base rent amounts (except for the situations described earlier in this paragraph), depending on a variety of factors. In addition to the base rent, you will be required to pay other fees and expenses related to the real



property such as property taxes, assessments, common area maintenance fees, and property owners' associations' fees.

CBAC will charge project development, construction management, and legal fees of up to 5% of project costs for each project. These fees will be included in the cost of construction of the improvements.

3. You must purchase equipment and software from or through us. The equipment is listed on Exhibit C to the Franchise Agreement. Other items of equipment may be identified after the site has been selected. This equipment will include a shuttle vehicle that will be used to transport customers of the franchise. See Item 5 and Item 8 for more information about the equipment and software that will be needed to operate the franchise.

4. You must purchase a CBAC-approved shuttle vehicle. This may be either a Chevrolet Impala or a Chevrolet Traverse 2-wheel drive vehicle. If you wish to purchase an All-Wheel Drive ("AWD") vehicle, it may be a used Chrysler 300 AWD, Dodge Durango AWD or a Chevrolet Traverse AWD. If you choose to purchase a Chevrolet Traverse AWD, you must be aware that the cost will likely exceed the estimated investment set forth in the table above. The shuttle vehicle can be new or pre-owned as long as it is less than four years old upon purchase. The approved shuttle vehicle must be wrapped with a CBAC-approved graphic wrap by our approved vendor. The cost of the wrap can be financed with the purchase or lease of the shuttle vehicle.

5. You must display and maintain a sign for your franchise. CBAC will select the sign, the location for the sign and the company to build and install the sign. The cost of this sign is included in your project cost or a construction loan. All costs and expenses related to maintaining, repairing and/or replacing the sign will be your obligation on an ongoing basis throughout the term of your lease.

6. You must purchase inventory to begin your business. The types of inventory you will be required to purchase are described on Exhibit J to this Disclosure Document. Inventory prices are subject to change.

7. You must pay security deposits to the local utility companies. You must call them to determine the amounts and methods of payment.

8. We estimate that you will spend between \$5,000 and \$35,000 per year on insurance premiums and licenses. Normally, these premiums can be financed on a monthly payment plan that will reduce the initial cash outlay to approximately \$5,000, depending on your providers and your credit worthiness. You will need to carry any and all forms of insurance that may be required by law, required in the Franchise Agreement, required in your commercial lease or sublease agreement, specified by CBAC from time to time, and/or as are reasonably necessary to carry on a business of this type. The types of insurance will include: Key Man Life, workers compensation, property/casualty, and renter's coverage(s) and errors and omissions/liability/malpractice coverage(s). You are required to maintain at all times errors and omission/malpractice business coverage limits of not less than \$2,000,000. The coverage premiums for these policies will vary between insurance companies, and will also vary depending on factors such as projected volume,

fees, loss history, and experience rate. If you finance any aspect of your franchise business, your lender may require additional insurance. Group health insurance coverage for employees is an optional expense. Disability, dental, vision, or supplemental insurance for you or your employees is an unapproved expense for purposes of calculating Split Profits.

9. CBAC requires that if you market/advertise in any local medium that it be done according to the ~~CBAC~~-Marketing Guidesection within the Confidential Operations Manual and in conjunction with and approved by the CBAC Marketing Department. You should budget between \$20,000 to \$30,000 per year for marketing/advertising in your first year of business.

10. CBAC estimates you will spend between \$15,000 to \$20,000 for marketing/advertising from about ~~30~~90 days prior to store opening until about 60 days after store opening.

11. CBAC estimates that you will spend between \$30,000 to \$40,000 over the first three months of the operation of the franchise on items such as general office supplies, employees, vendors and utilities. These expenditures are often categorized as expenditures made from working capital. These amounts are estimates. They will, to a considerable degree, represent discretionary expenses that you may or may not choose to incur. You can choose to spend more than this, but it will increase your total up-front investment and may require you to increase your down payment if you are financing.

12. You will spend about \$7,500 to \$10,000 for pre-opening traveling for training, including general travel expenses such as flight, rental car, hotel and food costs for a period of approximately 30 to 45 days. If you elect to take a salary from your business during this period, CBAC will approve \$6,923.08 (six weeks) as an Approved Expense.

13. You will need to make estimated payments of \$2,000 to \$15,000 at or near startup for miscellaneous expenses which include items such as: financing or application fees, legal or professional fees, extra office supplies and extra inventory or supplies that are unique to your location which may consist of some of the items described in Note 5 above.

14. CBAC estimates that your total initial start-up expenses will be between ~~\$461454~~,250 and ~~\$566582~~,400. These figures are estimates only, and CBAC does not warrant, represent or guarantee that you will not incur additional expenses as you start your business. Some of these additional expenses may be optional to you, but others may be necessitated by circumstances that are particular to the location or other aspects of your business. Your costs will depend on factors such as: how vigorously CBAC's methods, policies and procedures are followed; your management skills, experience, and business acumen; local economic conditions; the prevailing wage rate; the time of year you open and the quantity and quality of the competition.

15. CBAC relied on the experience of its management to compile these estimates. You must review these figures carefully with a business advisor before making any decision to apply to become a CBAC franchisee.

16. Except as set out in this Item 7, no fee or payment to CBAC or to equipment vendors is refundable.



17. CBAC does not offer direct or indirect financing to you for any items in connection with your initial investment.

## **ITEM 8.**

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

#### **Lease Relationship**

You are required to lease or sublease the land and building for the franchise from CBAC. CBAC will either own the land and building or lease the land and building from an affiliate or from a third party. The terms of the lease are contained in the Commercial Lease or Sublease Agreement that is attached as Exhibit D to the Franchise Agreement which is attached as Exhibit B to this Disclosure Document.

#### **Approval of Suppliers**

We specify certain furniture, fixtures, equipment, inventory, supplies and other materials and items that you must have before opening and must maintain for as long as you own your franchise, including automotive repair/service equipment, tools and supplies, as well as office supplies. We also specify certain services that must be used in the development and operation of your franchise. All services, furniture, fixtures, equipment, inventory, supplies and other materials required to develop and operate your automotive repair facility must be procured from us, or from suppliers that we designate or approve. We may designate ourself or an affiliate as an exclusive supplier of any product or service. We will provide you with our Confidential Operations Manual and various bulletins and notices that will contain the specifications, standards and restrictions for your purchase of such products, materials and services. As we determine consumer preferences and trends in the marketplace, or develop new marketing techniques, technologies, products and services, we anticipate that we will formulate new policies and modify our existing standards and specifications. We will notify you of these changes through amendments to the Confidential Operations Manual, articles, newsletters or other bulletins.

We and our affiliates may derive revenue as a result of the sale of any product or service to our franchisees.

We may negotiate volume purchase agreements with some vendors for the purchase of services, products, equipment, fixtures and inventory needed to operate your automotive repair facility. We have negotiated purchase agreements with certain vendors to supply equipment, parts, insurance, software and start-up supplies, if geographically feasible, to our franchisees at competitive prices.

We and/or our affiliates may receive payments, such as rebates, or other compensation from suppliers on account of the suppliers' dealings with us, you, or other franchisees. If we do receive such payments from suppliers, we may use the amounts that we receive for any purpose that we deem appropriate.

Prior to opening, you must purchase certain equipment and software from us that will be used to operate the franchise. This will include the equipment listed on Exhibit C to the Franchise Agreement (with the exception of the shuttle vehicle) and the software described below, at a

current total cost of approximately ~~\$212205~~,000 to ~~\$229245~~,000. The equipment is purchased by us in order to obtain better pricing than individual purchasers could obtain, and we only charge you our cost. The costs for equipment purchases are refundable prior to delivery.

The software that must be purchased from us and used to operate your CBA franchise includes point-of-sale ~~and~~, accounting software ~~at a one-time current cost of approximately \$8,400,~~ and QuickBooks, which includes a QuickBooks user license, "Accounting Link", remote access, installation and testing, back-office security and training, at a current cost of approximately ~~\$2,5501,283~~. As indicated, these software costs are included in the above described total amount. The fees for software purchases are refundable prior to store opening.

We may add or delete items which must be purchased through us at any time, including once the site for your CBA franchise has been selected, and all costs are subject to change.

For the year ended December 31, ~~20182019~~, our total revenue was ~~\$55,138,66064,089,569~~, of which ~~\$1,494,7722,038,903~~ or approximately ~~3.2.7%~~ was received from franchisees in payment to us for accounting and administrative services, and of which ~~\$26,379,96532,434,477~~ or approximately ~~4850.61%~~ was received from franchisees as a result of real estate sublease and lease payments to us. We also received a total ~~\$68,59364,663~~ from franchisees or required vendors as a result of purchases of equipment and related products directly from us.

CBAC received rebates from approved vendors in the amount of ~~\$765,271854,578~~ during the year ending December 31, ~~20182019~~. These rebates were used to fund the costs of the Annual Franchise Convention/Meeting for franchisees, "Mastering the Difference" workshop for service managers and technicians, meetings of the Franchise Exchange Committee, and the costs to administer the purchasing program.

We do not currently have any affiliates selling or leasing required products or services to franchisees.

If you wish to procure any items from a supplier other than us or a supplier we designate, you must obtain our approval in the manner set forth in Section 9.07 of the Franchise Agreement which basically requires that you identify the proposed supplier, its name and address, and the items you desire to purchase from that supplier. If product specifications for the item are not in the Confidential Operations Manual, we will furnish the specifications to you at your request. We may condition our approval on the supplier agreeing in writing: (a) not to disclose any confidential information regarding us or our operations, (b) to comply faithfully with our specifications for the items it sells, (c) to sell any materials bearing our marks only to our franchisees, (d) on the supplier demonstrating to our reasonable satisfaction that it is able to supply equipment, fixtures and/or inventory meeting our specifications on a continuing basis, and (e) that the supplier is, and will continue to be, of good standing in the business community with respect to its financial soundness and the reliability of its product and service. Within 60 days after our receipt of a written request to approve a supplier and our receipt of all other information which we request in order to evaluate that supplier, we will attempt to notify you in writing whether or not such supplier is deemed approved by CBAC. No supplier will be approved unless and until CBAC has notified you in writing that such supplier is approved. We have the right to disapprove or withdraw our approval of any supplier at any time by providing you with written notice of our disapproval or withdrawal

of approval. We do not charge any fees to secure our approval of suppliers. We do not negotiate purchaser arrangements with suppliers for the benefit of franchisees. However, from time to time, we negotiate with suppliers for the franchisees with the option but not the obligation to enter into these agreements. There are currently no purchasing or distribution cooperatives in our franchise system.

We do not provide or withhold material benefits to you (such as: renewal rights or the right to open additional automotive repair facilities) based on whether or not you purchase through the sources we designate or approve. However, purchases of unapproved products or from unapproved vendors in violation of the Franchise Agreement will entitle us, among other things, to terminate your Franchise Agreement.

We estimate that approximately 95% of your expenditures for leases and purchases of equipment and supplies in establishing your automotive repair facility and approximately 2% of your expenditures for leases and purchases of supplies on an ongoing basis will be for goods and services which are subject to sourcing restrictions (that is, for which suppliers must be approved by us, or which must meet our standards or specifications).

No officer or director of CBAC owns an interest in an approved supplier of equipment, fixtures and/or inventory.

### **Advertising**

You may not use any advertising material and/or channels for local advertisingmarketing unless we have expressly approved it in writing before publication or use, and it complies with our requirements concerning format, content and media.

### **Records**

All of your bookkeeping and accounting records, financial statements, and all reports you submit to us must conform to our requirements.

### **Computer Equipment**

We presently require you to purchase or lease the computer hardware or software that is described in Item 11. The Franchise Agreement allows CBAC, from time to time in its discretion, to establish such sales or financial data reporting systems as CBAC considers appropriate for the accurate and expeditious reporting of financial data. You must fully cooperate with us in implementing any such system at each automotive repair facility. You must equip the automotive repair facility (or facilities) with such sales or financial recording devices as we may require. These requirements may include sales recording cash registers or devices that will telecommunicate gross sales or financial data directly to us on a daily or other frequent basis.

### **Insurance**

To standardize insurance coverage and to afford you and CBAC protection against insurable risks, we may prescribe minimum standards and limits for insurance coverage to be purchased by you. Such standards and limits may be set forth in the Confidential Operations

Manual, the Sub-Lease Agreement, or by other written notice. You must promptly provide us with certificates of insurance evidencing such coverage and copies of the underlying policies, including all endorsements, no later than ten (10) days prior to the Opening Date, and you must again furnish us with those certificates and policies whenever any coverage is renewed and/or replaced. All costs for such insurance will be borne by you. All insurance purchased by you must name CBAC (and where requested, its lenders and/or landlords) as an additional insured, and must provide that CBAC will be given at least thirty (30) days' prior written notice of any termination, amendment, cancellation, or modification thereof.

Presently we require you to maintain the following minimum insurance amounts: (1) worker's compensation and employer's liability insurance, as well as any other insurance required by law; (2) comprehensive general liability insurance with limits of at least \$1,000,000 per occurrence, and \$2,000,000 general aggregate, including the following coverages: personal injury, employment practices, employee dishonesty, products/completed operation, and terrorism, among other coverages; (3) property insurance with limits based upon valuation and square footage, including building value, contents value, business income, data protection, valuable papers, equipment breakdown, employee tools, increased cost of construction and wind, hail, flood and earth movement; (4) automobile liability insurance, including owned, non-owned, and hired vehicle coverage, with at least \$1,000,000 combined single limit; (5) excess liability coverage over general liability, property, automobile liability, and employer's liability, with at least \$3,000,000 per occurrence.

## **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.**

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition or lease	Sections 2.01 to 2.04 of the Franchise Agreement	Item 7
b. Pre-opening purchases and leases	Section 10.02 of the Franchise Agreement	Items 6 and 7
c. Site development and other pre-opening requirements	Sections 9.05 and 9.06 of the Franchise Agreement	Items 6, 7 and 11
d. Initial and ongoing training	Sections 9.03 and 9.06 of the Franchise Agreement; <a href="#">Section 4(a) of the Store In Distress Program Agreement</a>	Items 6, 7 and 11
e. Opening	Sections 9.05 and 9.06 of the Franchise Agreement	Item 11
f. Fees	Article 4 of the Franchise Agreement	Items 5, 6 and 7

Obligation	Section in Agreement	Disclosure Document Item
g. Compliance with standards, policies and operating manual	Sections 10.03, 10.16 and 15.07 of the Franchise Agreement	Items 6, 7, 8, 11, 12, 13, 15, 16, and 17
h. Trademarks and proprietary information	Articles 5, 6, and 7 of the Franchise Agreement	Items 13 and 14
i. Restrictions on products and services offered	Section 10.12 of the Franchise Agreement	Item 16
j. Warranty and customer service requirements	Section 10.07 of the Franchise Agreement; Confidential Operations Manual	Items 11 and 15
k. Territorial development and sales quotas	Sections 2.01 - 2.04 <u>and 10.18</u> of the Franchise Agreement; <u>Section 4(b) of the Store In Distress Program Agreement</u>	Item 12
l. Ongoing product and service purchases	Section 10.12 of the Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Section 10.07 of the Franchise Agreement	Item 11
n. Insurance	Section 10.15 of the Franchise Agreement	Item 7
o. Advertising	Article 8 and Section 10.08 of the Franchise Agreement	Items 6 and 7
p. Indemnification	Section 10.06 of the Franchise Agreement	Item 17
q. Owner's participation, management and staffing	Sections 10.04 and 10.05 of the Franchise Agreement	Items 11 and 15
r. Records and reports	Sections 10.14 and 11.02 of the Franchise Agreement	Item 6
s. Inspections and audits	Sections 10.13 and 11.03 of the Franchise Agreement	Items 6 and 11
t. Transfer	Sections 13.01 - 13.05 of the Franchise Agreement	Items 6 and 17
u. Renewal	Sections 3.02 - 3.10 of the Franchise Agreement	Item 17
v. Post-termination obligations	Article 15 of the Franchise Agreement; <u>Section 6 of the Store In Distress Program Agreement</u>	Items 8 and 17

Obligation	Section in Agreement	Disclosure Document Item
w. Non-competition covenants	Article 16 of the Franchise Agreement	Item 17
x. Dispute resolution	Article 24 of the Franchise Agreement	Item 17

## **ITEM 10.** **FINANCING**

Except for our short term financing (as described below), we do not offer direct or indirect financing. We do not guarantee your notes, leases or other obligations.

If you inform CBAC that you are unable to pay the full \$85,000 Down Payment, we will review your financial condition and other factors we consider appropriate and determine whether we should finance a portion of your Down Payment. If we decide to finance a portion of your Down Payment, we will inform you of: (i) the amount we will finance, (ii) the maturity date of the loan, (iii) the interest rate, (iv) the amount of the monthly payments and any balloon payment, and (iv) other terms of the financing that may be applicable to your situation. The interest rate will be charged monthly on the outstanding balance of the loan and will be a variable rate that resets each month at a rate that is equal to the Wall Street Journal Prime plus 1%. We will not charge any other fees in connection with the loan. We will not take a security interest in any collateral in connection with the loan, nor will we require a third-party guaranty. If any installment payment due under the loan is not timely received, the entire amount of unpaid principal will become immediately due and payable at our option without prior notice to you. You are not required to waive defenses nor are you barred from asserting defenses under the current form of our promissory note. You will be required to execute and deliver our Receipt and Acknowledgment Letter Agreement (with financing provisions), which will include a promissory note to us. The form of Receipt and Acknowledgment Letter Agreement (with financing provisions) and the promissory note are attached as Exhibit K. Any portion of the Down Payment paid to us and any amounts paid by you in connection with a loan from us are non-refundable. It is not our current practice or intent to sell, assign, or discount to a third party all or part of any financing arrangement.

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

**Except as listed below, CBAC is not required to provide you with any assistance.**

The references to “Items” are to Items in this Disclosure Document. The references to “Articles and Sections” are to Articles and Sections in the Franchise Agreement attached as Exhibit B to this Disclosure Document.



## **Pre-Opening Obligations**

We have the following obligations to you before you open your automotive repair facility for business:

1. CBAC will select a site for your franchise business and present it to you for your approval. In selecting the site, CBAC considers such factors as demographics, access, traffic, competition, visibility, natural and man-made boundaries and existing customer base. CBAC or an entity affiliated with CBAC will purchase the site and construct the building to be leased to your franchise. If an affiliate of CBAC purchases the site and constructs the building that will be used for your franchise, CBAC will lease the site and building from that affiliate and will sublease the site and building to you. If CBAC purchases the site and constructs the building, CBAC will lease the building and land to you, but you will not have a right of first refusal, an option to purchase or any other right to acquire the land and building. You will have options to extend the lease for three five-year periods subject to the conditions referred to in Item 17 and contained in the Franchise Agreement. If you finance any acquisition or operational aspect of your franchise business you will incur application fees, loan fees, closing costs and other related financing costs. CBAC may alternately lease the facility from an unaffiliated third party instead of purchasing directly, as mentioned in Note 2 to Item 7. (Section 9.05).

2. CBAC will construct the premises and direct you in selecting the decorations for the premises. (Item 7, Note 2 and Section 9.05).

3. Signage will be provided as part of the project cost. You are required to purchase all other fixtures, equipment and office furniture. CBAC will furnish you with specifications for those fixtures, equipment and office furniture. (Item 7, Notes 3 and 4 and Section 9.05).

4. CBAC will assist and consult with you as you recruit, hire and train at least one Service Manager and three technicians. All final hire decisions are made by you, as CBAC will only make recommendations when consulted. CBAC will provide required direct training for your Service Manager. The Service Manager must be approved by CBAC. You will be responsible for hiring all of your employees. During training you will be provided a template for an Employee Handbook/Manual, which is purely a recommendation and not a mandatory document. You are responsible for all content of the Employee Handbook/Manual and for the enforcement of your employment policies (Section 9.03).

5. If CBAC does not select a site that is approved by you on or before ~~150~~180 days from the date you pay CBAC the initial Franchise Fee, you will not be obligated to purchase a franchise from CBAC nor enter into any other business relationship with CBAC. Unless you have otherwise agreed in writing, except for the \$13,500 non-refundable portion of the initial Franchise Fee, any fees that you have previously paid to CBAC in connection with the purchase of the franchise will be returned to you, minus any out of pocket expenses that have been incurred by CBAC. (Item 5 and Section 4.01).

6. We will conduct an initial training program as described in this Item under the heading "Training." (Section 9.03).

7. We will loan to you one copy of our Confidential Operations Manual to use during the term of the Franchise Agreement. The Confidential Operations Manual contains our standard operational procedures, policies, rules and regulations with which you must comply. (Section 6).

### **Time Before Opening**

The time between the first payment of consideration by a franchisee and the opening of the franchise business has ranged from 3 to 48 months, but the average timeframe is typically between 18-24 months. The factors that affect this time include negotiating acceptable purchase terms, resolving site specific title issues, financing delays, building permits, zoning and local ordinances, weather conditions, material shortages, construction delays and delays in the installation of fixtures, equipment and signs. This time period may be closer to six months in the event there is an available location that is about to commence construction or that has already started construction.

### **Post-Opening Obligations**

We have the following obligations to you during the operation of your business:

1. We will assist you (i) in establishing systems to price services and parts you will offer to customers; (ii) in establishing systems to order parts; and (iii) in establishing and maintaining relationships with suppliers of the parts and services you will need for your customers. (Sections 9.07 and 9.08)

2. We will provide you with on-site training during the early weeks your franchise business is open and provide initial training at CBAC's offices. If you need to hire a replacement Service Manager, CBAC will assist and consult with you as you recruit, hire and train the Service Manager. During the initial year of operating your Franchised Business, CBAC performs these services at no additional cost to you. CBAC must approve your initial Service Manager and all replacements. All replacements must also be trained as required by CBAC. (Section 9.03).

3. We will continue to attempt to improve CBAC's procedures and systems for operating the automotive repair and maintenance business. As it develops new procedures and systems, CBAC will provide you with information and when appropriate, training concerning these new systems and procedures. (Section 10.18)

4. We will assist you in negotiating the purchase of parts and materials and in establishing prices to charge your customers for the products and services you furnish them. We will not establish maximum, minimum or other pricing requirements with respect to our Franchisees, unless the pricing requirements have been established in a franchise agreement that has been reviewed and approved by the SBA and listed on the Franchise Registry. (Sections 9.07 and 9.08).

5. We will assist you in establishing systems and procedures for administrative, bookkeeping, accounting, payroll and inventory control matters. (Section 9.04).

6. We will have personnel available to assist you in operating problems that arise after you begin to operate the franchise business. (Section 9.06).



7. We will provide regular coaching with a designated Performance Consultant during your first year in business and on an ongoing basis throughout the life of your franchise at our option.

### **National Marketing Fund**

CBAC has an established National Marketing Fund (“NMF”). You must comply with CBAC’s requirements concerning the NMF. The ~~dual~~ purpose of the NMF is to build brand awareness for Christian Brothers Automotive, drive customer ~~traffice into~~ leads to CBA Automotive Repair Facilities franchises, and ~~to promote and enhance the awareness and perception of the brand, image, identity and/or patronage of “CBA” Automotive Repair Facilities owned/operated by franchisees and by us~~ guest retention. The sums you and other franchisees contribute to the NMF will be deposited in a separate operating bank account and will be segregated on our books. These deposits will not be commingled with our general operating revenues, except for the temporary period between the date a franchisee makes a payment that includes its NMF contribution and the date CBAC transfers that amount to the NMF bank account. We have the authority to require up to \$20,000 per calendar year from each franchisee as the contribution to the NMF (which would be 1.33% of total revenue of a store with \$1,500,000 of gross revenue). The current annual contribution is ~~\$510,000, but will increase in January 2020 which is subject to \$7,500 per location change~~. If we spend less than the total of all contributions to the NMF during any fiscal year, we may accumulate such sums for use in later years. We will furnish to you within 120 days after the end of each of our fiscal years, during which we have established and funded the Marketing Fund, an unaudited report certified as correct by a CBAC officer showing the NMF balance at the beginning of the year, the total amount contributed by franchisees, including CBAC owned franchises, and the amount actually expended for the year and remaining balance or deficit in the NMF at the end of the fiscal year.

During ~~2018~~2019, the NMF was spent approximately in the following manner: ~~23~~44% for Brand Strategy & Development projects; ~~20~~31% for Advertising/Social Media/Reputation Management activities; ~~40% on Advertising & PR Awareness efforts~~; and ~~17~~25% for efforts Supporting Success & Performance. Marketing Systems and Tools. These percentages are likely to change from year to year.

We will work to spend an amount equal to the NMF revenue received or allocated by us for: national, regional or local advertising, ~~public relations, brand awareness/strengthening which includes the production and promotional campaigns (typically in purchase of media (such as digital marketing, direct mail advertising, newspapers, print, radio, outdoor, point of sale and cable and local television)-), public relations, brand awareness and promotional campaigns~~. The advertising/marketing efforts may be developed in-house and/or with the support of a national ~~and/or regional advertising/marketing~~ agency. This sum may also be spent for other items such as: testing new advertising tactics, national discount/offer funding, call performance tracking, online reputation management, online directory listings management, ~~conducting~~ market research, brand strategy ideation, the development of customizable franchisee marketing resources, travel costs for the marketing team to visit with franchisees and attend marketing conferences that provide additional marketing training to keep us up-to-date on the latest marketing trends, performing marketing vendor/solution audits, ~~branded promotional items, the production and purchase of advertising artwork, commercials, musical jingles, print advertisements, point of sale materials,~~

~~media advertising, outdoor advertising artwork, and direct mail brochures, marketing technology and system, website and app development, product development, loyalty programs, social media and branded promotional items.~~ Some of the NMF may also be allocated to reimburse us or our affiliates for the internal expenses of operating a marketing department and administration of our ~~advertising program~~ marketing programs, but we may not allocate more than 15% of all NMF contributions to the internal expenses incurred by us and our affiliates (actual direct costs incurred for the production of advertising is not subject to the 15% limitation). We determine, in our sole discretion, all matters relating to ~~such advertising, public relations and promotional campaigns, the allocation of the national marketing fund.~~ We are not required to allocate or expend NMF ~~Contributions~~ contributions for the benefit of any particular franchisee or group of franchisees on a pro rata or proportional basis. Upon request, we will make available to you an annual accounting of the most up-to-date NMF balance sheet. The NMF is not used to solicit new franchise sales. We do not audit the NMF.

### **Local Advertising**

As of the date of this Disclosure Document, CBAC utilizes the range of 1% to 3% of gross revenue as a suggested metric for determining the amount you should spend on local advertising. This percentage range does not include the NMF ~~or RMG (as described below)~~ contribution. If CBAC establishes a minimum in the future, you must spend that required minimum on local advertising. However, you must receive written approval from the CBAC Marketing Department before you may use any advertising/marketing material or channel (e.g. event sponsorship, print, digital or broadcast media, etc.) that has not been created and/or approved by the CBAC marketing team. Any advertising or marketing materials found to be outside CBAC brand standard guidelines will be deemed out of compliance and considered an unapproved marketing expense. CBAC will furnish you with written suggestions for local advertising, and CBAC's marketing team will be glad to discuss any comments or advertising ideas you have. (Sections 8.04 and 8.05)

### **New Store Opening Advertising**

In preparation for the opening of a new ~~Automotive Repair Facility~~ CBA franchise, we ~~may~~ will require that you work with our marketing team to develop a new store opening plan for the location. The plan may include both pre- and post-opening activities such as the purchase of local market media, direct mail, digital marketing, collateral and signage printing, promotional giveaway items, community non-profit partnerships and hosting a ~~ribbon-cutting~~ grand opening event. In this situation, you should be prepared to spend up to \$20,000 on new store ~~advertising~~ marketing activities recommended and approved by the marketing department. This expenditure is in addition to the suggested amount you may spend on local ~~advertising~~ marketing during your first year in operation.

### **Regional Marketing ~~Groups~~ Group Fund**

As of the date of this Disclosure Document, CBAC has ~~or will be establishing~~ established regional marketing groups ("RMG"). You must participate in ~~any co-operative~~ the regional marketing program for the region ~~or metropolitan area~~ in which your ~~automotive repair facility~~ CBA franchise is located. CBAC may change, dissolve or merge RMGs in its sole discretion. ~~If CBAC establishes a RMG in your region, you will be required to participate.~~ CBAC

has the authority to establish a RMG fund (“RMGF”) ~~and”). We have the authority~~ to require ~~each franchisee in a particular RMG to contribute~~ up to \$20,000 per calendar year ~~from each franchisee as the contribution~~ to the RMGF. ~~If we operate an automotive repair facility located in a region in- (which a RMG has been established, we will participate in this RMG on the same basis, would be 1.33% of total revenue of a store with the same voting rights, as franchisees. RMGs\$1,500,000 of gross revenue).~~ The current annual contribution is \$2,500, which is subject to change.

### **Market-Wide Marketing Co-ops**

~~Franchisees also have the ability to establish a market-wide marketing co-op (“MMC”) subject to our approval. MMCs will be organized according to written governing documents for the exclusiveexclusive purpose of administering regionalmarket-wide advertising programs and developing (subject to our approval) standardized promotional materials for use by the members in regionalmarket-level advertising and promotion-promotion. As of the date of this Disclosure Document, only one MMC is established. You must participate in the MMC in which your automotive repair facility is located. If your automotive repair facility is outside the region or metropolitan area of an existing RMGexisting MMC, but may benefit from the promotios or media coverage of that RMGMMC, your participation in the RMGMMC is optional and will be decided between you and the RMGMMC members. -The RMGsMMCs will be required to prepare annual financial statements available for CBAC’s and the members’ review. If the RMGMMC is using advertising or marketing dollars on tactics that have not been approved by the CBAC marketing department, your store is not required to participate in this RMGthe MMC. Members of the MMC may create, change, dissolve or merge MMCs subject to our approval. If we operate an automove repair facility located in a market in which a MMC has been established we will participate in this MMC on the same basis, with the same voting rights, as franchisees.~~

### **Marketing Exchange Committee**

~~We may, at our discretion, form~~CBAC has a marketing exchange committee made up of franchisees and franchisor representatives. Franchisees will be voted onto the council by franchisees in their region. In order to be nominated, various factors will be considered including performance and length of time operating a CBA franchise. The exchange committee will act in an advisory capacity only and will not have decision making authority. Once a marketing exchange committee has been formed, we reserve the right to change or dissolve it at any time.

### **Promotional Campaigns**

We may periodically conduct promotional campaigns on a national or regional basis to promote products or marketing themes. You must participate in all promotional campaigns that we may establish on a national basis or for the region or metropolitan area in which your automotive repair facility is located. (Section 8.02)

### **Website**

CBAC has established and currently maintains a website for the benefit of the CBA organization. ~~It’s primary and secondary purposes are~~The website is designed to ~~promote the Christian Brothersbuild~~ brand ~~name digitallyawareness for CBA~~ and to drive customer ~~traffic into~~

~~our locations leads to CBA franchises.~~ Your automotive repair facility will be ~~provided a localized micosite featured~~ within the CBAC website structure. ~~You may use and, as of the date of this localized website to~~ Disclosure Document, you may promote your location within your protected service area using only CBAC approved vendors to populate the site with local content and to drive traffic to the site. You will not be allowed to establish a unique website outside of the CBAC website structure with any third party nor will you be allowed to use an unapproved vendor for any search engine marketing tactics.

## **Training**

Prior to opening or taking over operations of your franchise business, the Principal Operator of the franchise must have attended and successfully completed our management training courses to our satisfaction. This training will be conducted through an online training portal, at our offices in Houston, Texas, and field-training at a location we designate. In addition, the Principal Operator's Service Manager must attend and successfully complete our management training course held at our offices in Houston, TX. Training programs are offered periodically as needed to meet the demands of new and existing Principal Operators. We may periodically offer additional training programs to you and your Service Manager, covering such subjects as: new products or procedures, operating techniques, new methods, marketing, bookkeeping, accounting and general operating procedures, the establishment, use, development and improvement of computer systems, and overall skill development. Attendance by you and/or your Service Manager may be mandatory or optional, at our discretion. There is no charge for mandatory training courses, however we may charge for optional training courses. All expenses (such as travel, room and board) that you and your personnel incur while attending or obtaining all training will be borne entirely by you.

Our training staff consists of 25 persons, who have accumulated over 225250 years of experience with CBAC in various operational capacities, and over 325350 years of related automotive experience or education. Currently, our training programs are led by Brad Fink. Mr. Fink has over 4412 years of experience in the automotive repair and maintenance industry. He has served as a Service Manager, General Manager and Multi-unit Christian Brothers Franchisee. We may use additional instructors on our training staff to conduct our training programs. Our additional instructors have Christian Brothers operations experience and strong training and development skills and abilities.

Our training staff also includes existing, established and successful Christian Brothers Automotive franchisees as part of our Certified Training Locations (CTL) and Certified Field Trainer (CFT) programs.

The CTL program supplements the current training program as follows:

The new Principal Operator will train under a CTL at the retail location operated by a CTL Franchisee for four weeks either before or after completing both the online courses and the two weeks training at our offices in Houston, Texas. The new Principal Operator will gain on-the-job

experience by working in an operating CBA facility and learning to perform the duties of a successful CBA team member.

The CFT program supplements the current training program in two ways:

The new Principal Operator will train under a CFT at the retail location operated by the CFT for two weeks either before or after completing both the online courses and the two weeks training at our offices in Houston, Texas. The new Principal Operator will gain on-the-job experience by working in an operating CBA facility and learning to perform the duties of a successful CBA Principal Operator.

The CFT will accompany the new Principal Operator during one week of business operations near the opening of the new repair facility. The CFT will help the new Principal Operator implement the Christian Brothers Automotive systems. The Certified Field Trainer will complete 24 hours of online courses, a day (12 hour) training program at our offices in Houston, Texas, and a 3 day (24 hour) site visit compliance check at the CFT's retail location(s).

Instructional materials include our Confidential Operations Manual, Playbook and related materials. New Principal Operators must complete: 120 hours of online training; a two week (90 hours) training program which will be held at our offices in Houston, Texas or at some other location we designate; a four week (230 hours) training program under the supervision of and at a franchise location under the supervision of a CTL Trainer; and a two week (115 hours) training program under the supervision of and at a franchise location operated by a CFT. All of this training must be completed before any New Principal Operator will be allowed to serve as a Principal Operator of a franchise. The Service Manager must complete online training (48 hours) and a one week (50 hours) training program at our office in Houston, Texas. Both the Principal Operator and Service Manager will be on site at the Principal Operator's location one and a half week prior to the projected business open date. During this time, we will provide training and support programs on location at the place of business and from our offices in Houston, TX (75 hours). The Principal Operator will complete a 3-day (20 hours) course at our office in Houston, Texas between the 8<sup>th</sup> month and 13<sup>th</sup> month of business operation. (Approximate hours that a Principal Operator spends in classroom training and on-the job training are depicted below.)

## **TRAINING PROGRAM**

### **Principal Operator: Self Paced Pre-Training (Online)**

<b>Subject</b>	<b>Hours of Training</b>	<b>Location</b>
Leadership & Business Management	16.0 hour(s)	Franchisee's home or other place of choice.
Organization & Computer Software	16.0 hour(s)	Franchisee's home or other place of choice.
Customer Satisfaction & Service	32.0 hour(s)	Franchisee's home or other place of choice.
Sales	16.0 hour(s)	Franchisee's home or other place of choice.

<b>Subject</b>	<b>Hours of Training</b>	<b>Location</b>
Automotive Systems	16.0 hour(s)	Franchisee's home or other place of choice.
Recordkeeping & Human Resources	16.0 hour(s)	Franchisee's home or other place of choice.
Marketing	8.0 hour(s)	Franchisee's home or other place of choice.

**Principal Operator: In-Office Training [See Note 1]**

<b>Subject</b>	<b>Hours of Training</b>	<b>Location</b>
Leadership & Business Management	24.0 hour(s)	CBAC Headquarters in Houston
Organization & Computer Software	13.0 hour(s)	CBAC Headquarters in Houston
Customer Satisfaction & Service	9.0 hour(s)	CBAC Headquarters in Houston
Sales	28.5 hour(s)	CBAC Headquarters in Houston
Automotive Systems	4.0 hour(s)	CBAC Headquarters in Houston
Recordkeeping & Human Resources	8.0 hour(s)	CBAC Headquarters in Houston
Marketing	3.5 hour(s)	CBAC Headquarters in Houston

**Service Manager: Self Paced Pre-Training (Online)**

<b>Subject</b>	<b>Hours of Training</b>	<b>Location</b>
Leadership & Business Management	3.0 hour(s)	Employee's home or other place of choice.
Organization & Computer Software	16.0 hour(s)	Employee's home or other place of choice.
Customer Satisfaction & Service	8.0 hour(s)	Employee's home or other place of choice.
Sales	8.0 hour(s)	Employee's home or other place of choice.
Automotive Systems	8.0 hour(s)	Employee's home or other place of choice.
Recordkeeping & Human Resources	2.0 hour(s)	Employee's home or other place of choice.



<b>Subject</b>	<b>Hours of Training</b>	<b>Location</b>
Marketing	3.0 hour(s)	Employee's home or other place of choice.

**Service Manager: In-Office Training**

<b>Subject</b>	<b>Hours of Training</b>	<b>Location</b>
Leadership & Business Management	7.5 hour(s)	CBAC Headquarters in Houston
Organization & Computer Software	5.0 hour(s)	CBAC Headquarters in Houston
Customer Satisfaction & Service	7.0 hour(s)	CBAC Headquarters in Houston
Sales	28.5 hour(s)	CBAC Headquarters in Houston
Automotive Systems	1.0 hour(s)	CBAC Headquarters in Houston
Recordkeeping & Human Resources	0.0 hour(s)	CBAC Headquarters in Houston
Marketing	1.0 hour(s)	CBAC Headquarters in Houston

**Principal Operator: Hands-On Training [See Note 2]**

<b>Subject</b>	<b>Hours of Training</b>	<b>Location</b>
Operations & Workflow	90.0 hour(s)	Certified Training Location
Organization & Computer Software	45.0 hour(s)	Certified Training Location
Customer Satisfaction & Service	50.0 hour(s)	Certified Training Location
Sales	30.0 hour(s)	Certified Training Location
Automotive Systems	15.0 hour(s)	Certified Training Location

**Principal Operator: Hands-On Training [See Note 3]**

<b>Subject</b>	<b>Hours of Training</b>	<b>Location</b>
Leadership & Business Management	12.0 hour(s)	Certified Field Trainer's franchise location(s)
Organization & Computer Software	12.0 hour(s)	Certified Field Trainer's franchise location(s)
Customer Satisfaction & Service	30.0 hour(s)	Certified Field Trainer's franchise location(s)

<b>Subject</b>	<b>Hours of Training</b>	<b>Location</b>
Sales	30.0 hour(s)	Certified Field Trainer's franchise location(s)
Automotive Systems	15.0 hour(s)	Certified Field Trainer's franchise location(s)
Recordkeeping & Human Resources	6.0 hour(s)	Certified Field Trainer's franchise location(s)
Marketing	10.0 hour(s)	Certified Field Trainer's franchise location(s)

**Principal Operator & Service Manager On-Site Training [See Note 4]**

<b>Subject</b>	<b>Hours of Training</b>	<b>Location</b>
Leadership & Business Management	2.0 hour(s)	Designated franchise location.
Organization & Computer Software	6.0 hour(s)	Designated franchise location.
Customer Satisfaction & Service	8.0 hour(s)	Designated franchise location.
Sales	24.0 hour(s)	Designated franchise location.
Automotive Systems	2.0 hour(s)	Designated franchise location.
Recordkeeping & Human Resources	16.0 hour(s)	Designated franchise location.
Marketing	2.0 hour(s)	Designated franchise location.
"Pre-Opening Setup & Operations"	15.0 hour(s)	Designated franchise location.

**Principal Operator: In-Office Re-Training [See Note 5]**

<b>Subject</b>	<b>Hours of Training</b>	<b>Location</b>
Leadership & Business Management	10.0 hour(s)	CBAC Headquarters in Houston
Organization & Computer Software	2.0 hour(s)	CBAC Headquarters in Houston
Customer Satisfaction & Service	4.0 hour(s)	CBAC Headquarters in Houston
Sales	2.0 hour(s)	CBAC Headquarters in Houston



Recordkeeping & Human Resources	2.0 hour(s)	CBAC Headquarters in Houston
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### **Notes:**

8. Ninety (90) hours of the training described above will be provided at CBAC's corporate offices prior to you opening your franchise business. You will be required to pay all travel and living expenses for you and for any of your employees who attend any of the initial training.

9. Two hundred thirty (230) hours of the training described above will be provided at the Certified Training Location's Christian Brothers Automotive franchise store prior to you opening your franchise business. You will be required to pay all travel and living expenses for you and for any of your employees who attend with you.

One hundred fifteen (115) hours of the training described above will be provided at the Certified Field Trainer's Christian Brothers Automotive franchise store prior to you opening your franchise business. You will be required to pay all travel and living expenses for you and for any of your employees who attend with you.

Seventy-five (75) hours of the training described above will be provided at the location of the franchise business. The number of hours of each category that will be provided at the different locations will vary depending on the needs of the specific individuals receiving the training. CBAC will make this determination on a case by case basis. You will be required to pay all travel and living expenses for you and for any of your employees who attend any of the initial training.

Twenty (20) hours of the training described above will be provided at CBAC's corporate office after your franchise business has operated between 8 and 13 months. You will be required to pay all travel and living expenses to attend this training.

### **Additional Support Services Provided By CBAC ~~(Article 9)~~**

CBAC will also:

- Provide you with telephone helpline support during normal business hours;
- Make sales/service support materials available to you;
- Provide you with product/service updates as developed;
- Process orders for a portion of your initial supplies;
- Provide you with overall guidance and advice;
- Actively participate and consult in troubleshooting problems;
- Provide you with timely reports regarding your progress; and
- Coordinate telephone and internet services for new buildings.

### **Computer Equipment**

You must purchase and maintain an electronic point of sale cash register system to record gross sales and transaction data. CBAC requires that you purchase the following computer equipment: ~~R.O. Writer software (or any similar software selected by CBAC)~~, Shop Management

Software accounting software (designated by CBAC) and eight (8) personal computers, four (4) tablet computers, two ~~printers and a~~ (2) multi-function printer (MFP) printers (Item 7, Note 3). We will have the right to access all information and financial data recorded by the system for audit and sales verification purposes. The approximate initial cost to you for this equipment is \$26,000~~31,650~~ which is included in the initial equipment cost estimate. We currently do not require that you maintain contracts for hardware and software maintenance, support and upgrade services for the computer equipment.; although CBAC does purchase warranties on the aforementioned devices and equipment. We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. We may require you to bring any computer hardware and software, related peripheral equipment, communications systems into conformity with our then-current standards. We will endeavor to keep these changes infrequent and reasonable in cost, but the Franchise Agreement does not impose a limit as to the number or cost of such changes to the computer equipment.

### **Confidential Operations Manual**

Attached as Exhibit C is a copy of the table of contents of our Confidential Operations Manual as of April 10, 2018, which indicates the total number of pages in the Confidential Operations Manual.

CBAC will grant you online access to our Confidential Operations Manual which contains mandatory and suggested specifications, standards and procedures. This manual is confidential and remains our property. You will be obligated to keep this information confidential (Section 7.01). CBAC will modify the manual from time to time and furnish you with the modifications. You will be required to comply with the modified manual and with the provisions of the Franchise Agreement (Article 6). CBAC will permit you to review the Confidential Operations Manual after signing a franchise agreement.

## **ITEM 12.** **TERRITORY**

### **Franchise Agreement**

In conjunction with the establishment of your franchise you will be granted an exclusive geographic area, consisting of an identifiable geographic territory, which will be designated as your "Territory." You will operate from one location and must receive CBAC's permission before relocating. You will not have the right to operate your franchise outside of your Territory. CBAC will not operate or grant franchises for a similar or competitive business within your area. Except when advertising cooperatively with appropriate franchisees, neither you, nor CBAC can advertise or solicit customers within another franchisee's territory. You may solicit customers outside of your Territory as long as you are not soliciting customers within another franchisee's territory. You must sell all products and services through your CBA location. You are prohibited from selling any products or services through alternative channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing sales. We reserve the right to sell products within and outside your Territory through alternative distribution channels, and you will not receive compensation for such sales. You do not receive the right to acquire additional franchises within your area. There is no minimum sales quota that you must meet to retain the rights to your

Territory, but if your franchise agreement is terminated, you will lose all rights to your Territory. You maintain the rights to your area even though the population increases. The approximate size of a territory will be similar to the area that is in a circle with an approximate 3-mile radius around the location. Your exact territory size will not be a 3-mile radius, and instead will be set in Exhibit A to the Franchise Agreement you enter into with CBAC. The square footage within your franchise territory may vary significantly in size and shape depending on a number of different variables.

CBAC reserves the right to decide on a case by case basis in its sole discretion whether to grant a franchisee the right to acquire, own and operate more than one franchise.

CBAC reserves the right to establish company-owned CBA locations using the CBA trademark and business system at any location outside of your territory, in its sole discretion.

Neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned locations offering similar products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.



Following the first year of operation of your CBA franchise, or in the case of a transfer of the franchise, following the first year of operation by the transferee ("Startup Periods"), the following "Minimum Performance Requirement" must be maintained: a rolling six (6) month positive Net Ordinary Income, meaning the Net Ordinary Income must be equal to or exceed \$1. If the Minimum Performance Requirement is not maintained at any time during the term of the Franchise Agreement following the Startup Periods, we may, in our sole discretion, terminate the Franchise Agreement or we may elect, in lieu of terminating the Franchise Agreement, to allow you to enter into our store in distress program ("Store In Distress Program") by executing the Store In Distress Program Agreement attached to the Franchise Agreement as Exhibit E. "Net Ordinary Income" shall mean Total Income minus Cost of Goods Sold minus Total Expenses. "Total Income" shall mean ordinary income from all sources. "Cost of Goods Sold" shall mean all costs including all transportation, labor, parts, discounts and fees. "Total Expenses" shall mean administrative and overhead expenses before amortization, depreciation and royalty expenses. These definitions are subject to change in our discretion, as set forth in the Confidential Operations Manual from time to time, provided that such definitions are in accordance with prevailing accounting practices in the automotive service and repair industry.

Under the Store In Distress Program your Principal Operator, Service Manager, and additional persons as we may require, must attend continuing education and training programs specified by us, at your cost and expense. Additionally under the Store In Distress Program, you must achieve the following performance requirements or the Franchise Agreement and the Store In Distress Program Agreement will be terminated: by the end of the first three-month period following the signing of the Store In Distress Program Agreement, you must reduce the Deficiency Gap (defined below) by a total of at least 15%; by the end of the second three-month period following the signing of the Store In Distress Program Agreement, you must reduce the Deficiency Gap by a total of at least 40%; by the end of the third three-month period following the signing of the Store In Distress Program Agreement, you must reduce the Deficiency Gap by a total of at least 65%; and by the end of the term of the Store In Distress Program Agreement, you must

achieve an NOI of at least \$10,000. “Deficiency Gap” means the difference between the CBA franchises’ current NOI and \$10,000. “Net Ordinary Income” or “NOI” means Total Income minus Cost of Goods Sold minus Total Expenses. “Total Income” means ordinary income from all sources. “Cost of Goods Sold” means all costs including all transportation, labor, parts, discounts and fees. “Total Expenses” means administrative and overhead expenses before amortization, depreciation and royalty expenses. These definitions are subject to change in our discretion, as set forth in the Confidential Operations Manual from time to time, provided that such definitions are in accordance with prevailing accounting practices in the automotive service and repair industry.

### **ITEM 13. TRADEMARKS**

CBAC grants you the right to operate a site under the name Christian Brothers Automotive - [location name to be inserted] and to use the trade names, trademarks, service marks, logos, trade dress, slogans, product names, and similar items developed by CBAC. By trademark, CBAC means trade names, trademarks, service marks, and logos used to identify your site, and the systems, programs, services and products offered by CBAC. CBAC has registered the following trademarks (and filed all required affidavits) on the Principal Register of the United States Patent and Trademark Office:

Proprietary Mark	Registration Number	Registration Date
 CHRISTIAN BROTHERS AUTOMOTIVE	2995310	September 13, 2005
 <b>Christian Brothers</b> AUTOMOTIVE	4,267,726	January 1, 2013
CHRISTIAN BROTHERS AUTOMOTIVE	4,281,956	January 29, 2013
Nice Difference. ®	4,271,293	January 8, 2013

CBAC has also registered its trademark with the State of Texas.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court concerning the trademarks. There are no pending infringement, opposition or cancellation proceedings. There is no pending material litigation involving the trademarks, which may be relevant to their use in this state or in any other state. We do not know of any prior rights or infringing uses that could materially affect your use of the trademarks in this state or elsewhere.

You must follow our rules when you use this mark and name, as well as other marks, names, trade dress and similar items developed by CBAC. You cannot use a name or mark as part of your corporate or business name, or with modifying words, designs or symbols, except those which CBAC licenses or permits you to use. You may not use CBAC's registered name in connection with the sale of any service or product except as is specifically authorized by CBAC in writing, nor can you use these in a manner not authorized in writing by CBAC. No agreements limit CBAC's right to use or license the use of CBAC's trademarks.

You must notify CBAC immediately when you learn about any actual or possible infringement of or challenge to your use of our trademark. CBAC will take the action we think is appropriate. Although CBAC is not required to defend you against a claim from your use of our mark, we may reasonably defend you against a claim against your authorized use of our trademark, or we may reimburse you for your liability and reasonable costs in connection with defending CBAC's trademark. We will control any litigation or proceeding. To receive reimbursement you must have notified CBAC immediately when you learned of the infringement or challenge. In the event CBAC takes action to defend its trademark and/or to prosecute infringers, you will be obligated to cooperate fully (including participating in any legal proceeding) pursuant to the Franchise Agreement (see Section 5.07).

You must explicitly use and follow CBAC's Brand Manual.

You must modify or discontinue use of a trademark if CBAC modifies or discontinues it. If this happens, the tangible costs of compliance will be an Approved Expense Item (as defined in Section 4.05 (c) of the Franchise Agreement), but such Approved Expense Item will be limited to the costs of changing signs. You must not directly or indirectly contest our right to: our trademarks, trade secrets or business techniques that are part of our business.

CBAC is not aware of any unauthorized uses of its trademarks or trade name that could materially affect your use of CBAC's trademark.

You must immediately give up all rights to use CBAC's trademarks and trade names if your franchise is assigned, terminated, or not renewed for any reason.

#### **ITEM 14.**

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

CBAC does not presently possess any patents or copyrights. However, CBAC anticipates copyrighting certain of its publications and materials in the future, including its Confidential Operations Manual and some of its internal forms.

You do not receive the right to use an item covered by a patent or copyright, but you can use the proprietary information contained in CBAC's Confidential Operations Manual. The Confidential Operations Manual is described in Item 11.

Although CBAC has not filed an application for a copyright registration for its Confidential Operations Manual, it claims a copyright with regard to the information contained therein, and the information is proprietary. Items 7, 8 and 11 of this Franchise Disclosure Document describe limitations on the use of the Confidential Operations Manual and other materials by you and your

employees. You must also promptly tell us when you learn about any actual or threatened unauthorized use of the proprietary information. CBAC is not obligated to take any action, but CBAC will respond to this information as it deems appropriate. You are not allowed to disclose to unauthorized third parties, any information or materials deemed or understood to be proprietary, including promotional materials, software, client lists, product or service information, financial performance information, or advertising expense information.

You may not divulge or use any confidential information concerning our methods or procedures during or after the term of the Franchise Agreement. Information made available to you may not be divulged to any person other than your employees or financial advisors who reasonably need access to such information for fulfilling their employment or contractual responsibilities. All employees or financial advisors to whom the information, or any part of it, is made available must be informed of this obligation of confidence.

Upon our request, you, your Service Manager and any other authorized party of yours who has access to any confidential information must sign a written agreement (on the standard form found in CBAC's Confidential Operations Manual) imposing an obligation of confidence regarding the Confidential Operations Manual or other confidential information (Section 7.01 of the Franchise Agreement). If the franchisee is a corporation, limited liability company or limited partnership, we may require your shareholders, members and limited partners to sign a similar written agreement.

#### **ITEM 15.**

#### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

CBAC requires that the "Principal Operator" or "You" personally supervise the Franchised Business. In addition, the business must also be supervised by your Service Manager. Your Service Manager cannot have an interest in or business relationship with any of CBAC's competitors. The Service Manager may be required to sign a written agreement to maintain the confidentiality of the trade secrets and proprietary information of your franchise and of CBAC, and when and where appropriate, the covenant not to compete described in Item 17 and Section 16. You and your Service Manager must successfully complete our training program.

Your Service Manager will be responsible for assisting you in the day to day operation of your CBAC franchise, but you are obligated to provide supervision of the ongoing conduct of the business, including the Service Manager, to the degree reasonably necessary: (i) to insure the fulfillment of your obligations as the franchisee; (ii) to be aware of the ongoing activities of your Service Manager and employees; and (iii) to assure that any inquiries or complaints of the franchise's customers regarding franchise services or products are immediately addressed, and satisfactorily resolved. You cannot appoint a third party to fulfill your obligations as a franchisee unless you first obtain CBAC's prior written consent. CBAC has complete discretion as to whether or not it will approve such an appointment. If CBAC does approve your appointment, it will not relieve you of any of your obligations to CBAC. You will be completely responsible for assuring that the daily operations of your Franchised Business are managed so that it complies with all of the requirements of the Franchise Agreement and of the Confidential Operations Manual. The Franchised Business must be open from 7:00 AM to 6:00 PM Monday through Friday of each



week. In addition, upon opening, new franchisees will be required to be open for business from 8:00 AM to 2:00 PM on Saturdays, for at least 6 months and until the franchise has satisfied requirements to be closed on Saturdays. You will not be permitted to engage in any enterprises or activities that interfere with your complying with these requirements. Neither you nor your spouse may campaign for or hold a public office. CBAC has determined that to do so may negatively impact the performance of your Franchised Business and the reputation of CBAC and our brand.

Your spouse must sign a spousal acknowledgement to the Franchise Agreement.

Following the first year of operation of your CBA franchise, or in the case of a transfer of the franchise, following the first year of operation by the transferee ("Startup Periods"), the following "Minimum Performance Requirement" must be maintained: a rolling six (6) month positive Net Ordinary Income, meaning the Net Ordinary Income must be equal to or exceed \$1. If the Minimum Performance Requirement is not maintained at any time during the term of the Franchise Agreement following the Startup Periods, we may, in our sole discretion, terminate the Franchise Agreement or we may elect, in lieu of terminating the Franchise Agreement, to allow you to enter into our store in distress program ("Store In Distress Program") by executing the Store In Distress Program Agreement attached to the Franchise Agreement as Exhibit E. "Net Ordinary Income" shall mean Total Income minus Cost of Goods Sold minus Total Expenses. "Total Income" shall mean ordinary income from all sources. "Cost of Goods Sold" shall mean all costs including all transportation, labor, parts, discounts and fees. "Total Expenses" shall mean administrative and overhead expenses before amortization, depreciation and royalty expenses. These definitions are subject to change in our discretion, as set forth in the Confidential Operations Manual from time to time, provided that such definitions are in accordance with prevailing accounting practices in the automotive service and repair industry.

Under the Store In Distress Program your Principal Operator, Service Manager, and additional persons as we may require, must attend continuing education and training programs specified by us, at your cost and expense. Additionally under the Store In Distress Program, you must achieve the following performance requirements or the Franchise Agreement and the Store In Distress Program Agreement will be terminated: by the end of the first three-month period following the signing of the Store In Distress Program Agreement, you must reduce the Deficiency Gap (defined below) by a total of at least 15%; by the end of the second three-month period following the signing of the Store In Distress Program Agreement, you must reduce the Deficiency Gap by a total of at least 40%; by the end of the third three-month period following the signing of the Store In Distress Program Agreement, you must reduce the Deficiency Gap by a total of at least 65%; and by the end of the term of the Store In Distress Program Agreement, you must achieve an NOI of at least \$10,000. "Deficiency Gap" means the difference between the CBA franchises' current NOI and \$10,000. "Net Ordinary Income" or "NOI" means Total Income minus Cost of Goods Sold minus Total Expenses. "Total Income" means ordinary income from all sources. "Cost of Goods Sold" means all costs including all transportation, labor, parts, discounts and fees. "Total Expenses" means administrative and overhead expenses before amortization, depreciation and royalty expenses. These definitions are subject to change in our discretion, as set forth in the Confidential Operations Manual from time to time, provided that such definitions are in accordance with prevailing accounting practices in the automotive service and repair industry.

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

CBAC requires you to offer and sell only those products and services that CBAC has approved.

You must offer all products and services that CBAC designates as required for all of CBAC's franchisees. These required goods and services are currently all goods and services necessary to perform repair and maintenance work on motor vehicles. Parts, supplies and equipment used in your CBAC business must be approved by CBAC (See Item 8).

CBAC has the right to add, delete and change the automotive services that you may or must offer, in our unrestricted discretion, and this may require you to purchase additional equipment. There are no limits on CBAC's right to do so except that the investment required of you (for such additional equipment, supplies, inventory) will not exceed \$40,000 per year.

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

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

**THE FRANCHISE RELATIONSHIP**

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 3.01	The initial term is 15 years, subject to your compliance with all material obligations in the Franchise Agreement.
b. Renewal or extension of the term	Sections 3.02 to 3.08	Subject to the terms in these Sections, you have three 5-year renewal options.
c. Requirements for franchisee to renew or extend	Sections 3.02 to 3.08	These Sections explain qualifications for renewal and the renewal procedures. If you renew your franchise, you will be required to sign a franchise agreement that may have materially different terms than your original franchise agreement.
d. Termination by franchisee	Section 14.02(c)	You may terminate the Franchise Agreement under the terms of a mutual written termination agreement entered into and agreed by you and by CBAC.
e. Termination by franchisor without cause	None	None.
f. Termination by franchisor with cause	Section 14.02	CBAC can terminate the Franchise Agreement if you breach your material obligations.



Provision	Section in Franchise Agreement	Summary
g. “Cause” defined – curable defaults	Section 14.01(a)  Section 14.02(h)	All non-monetary defaults must be cured within 15 days of receiving notice from CBAC.  All past due monetary defaults must be cured within 5 days of receiving written notice from CBAC.
h. “Cause” defined – non-curable defaults	Sections 14.01 and 14.02	Certain defaults such as bankruptcy, the conducting of illegal activities or other violations of the law are significant breaches of your agreements that damage CBAC and result in immediate termination, and CBAC is not required to give you notice or an opportunity to cure.
i. Franchisee’s obligations on termination/non-renewal of your franchise	Section 15 <u>and Section 6 of the Store In Distress Program Agreement</u>	Assign all telephone numbers, email addresses, website URL’s, etc. related to the franchise to CBAC; pay all amounts owed; complete de-identification; return CBAC’s Confidential Operations Manual and other materials; comply with restrictive covenants; and cease use of all CBAC supplies, processes, facilities and procedures.
j. Assignment of contract by franchisor	Section 13.01	There is no restriction on CBAC’s right to assign.
k. “Transfer” by franchisee – defined	Section 13.02	Includes transfer of contract or assets or change of ownership interest.
l. Franchisor approval of transfer by franchisee	Section 13.02	CBAC must approve all transfers but it will not unreasonably withhold its approval.
m. Conditions for franchisor approval of transfer	Section 13.02	New franchisee qualifies for franchise; application costs are paid; transfer fees are paid; training is completed by new franchisee; release signed by you; new franchisee signs all agreements required by CBAC.
n. Franchisor’s right of first refusal to acquire franchisee’s business	Sections 13.02 and 15.08	Section 15.08 sets out the terms of the right of first refusal.
o. Franchisor’s option to purchase franchisee’s business	Sections 13.02 and 15.08 <u>and Section 6 of the Store In Distress Program Agreement</u>	CBAC reserves this option.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
p. Death or disability of franchisee	Sections 13.02, 13.05 and 15.08	Your estate or representative will have to obtain CBAC's approval of a transfer or provide CBAC with the opportunity to purchase your franchise.
q. Non-competition covenants during the term of the franchise	Section 16.01	During the term of the franchise neither you nor any of your partners, principals, employees or contractors are allowed to be involved in other similar businesses.
r. Non-competition covenants after the franchise is terminated or expires	Sections 16.01	There is a covenant that you will not compete with CBAC for a period of three years from the termination date.
s. Modification of the agreement	Sections 6.02 and 18.02	CBAC cannot modify the Franchise Agreement without your consent, but CBAC can unilaterally change the Confidential Operations Manual.
t. Integration/merger clause	Section 18	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 24	All disputes must be arbitrated in Houston, Texas, under the rules of the American Arbitration Association. Mediation is not required but the franchisor and franchisee can agree to engage in the mediation process. Pursuant to the Dispute Resolution Program in Section 24 of the Franchise Agreement, either party may in certain specified circumstances seek injunctive relief from a court of competent jurisdiction.
v. Choice of forum	Section 24.01(c)	All arbitration and any litigation must be in Houston, Texas (subject to state law).
w. Choice of law	Section 20.01(a)	Texas law applies (subject to state law).

## **ITEM 18.**

### **PUBLIC FIGURES**

CBAC does not use any public figures to promote the franchise opportunity.

## ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

We have compiled the following information from our audited financial statements, and from sales reports and financial statements provided by our franchisees. The figures related to our franchisees' results were not obtained from financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP), but are believed to be reliable, however the statements have not been verified beyond receipt of such statements. Written substantiation of the data used in preparing the below figures will be made available to you upon reasonable request. The CBA stores reported below offer substantially the same products and services to the public as you will as a franchisee operating a franchised unit.

**Some units have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.**

**Due to the Coronavirus (COVID-19) pandemic, which is currently ongoing, all CBA franchises have been impacted substantially, yet as of the date of this offering there have been no permanent nor temporary store closures. The figures below are historically accurate for the period reported, but are not representative of figures achieved during the pandemic and likely after the pandemic as the economy normalizes, which figures we cannot predict. As of the date of this offering, the automotive repair business has been classified as an essential business in all of the areas where CBAC has a franchise location that has opened for business. Again, we are not representing that you can expect to achieve the below figures at any time during the term of your Franchise Agreement, and if you rely upon our figures, you must accept the risk of not doing as well.**

The following tables and figures relate to the ~~458~~173 CBA stores that were open and operating for the entire ~~2017~~2018 and ~~2018~~2019 years. This includes ~~one~~two CBA store operated by us, and ~~157~~171 CBA stores operated by franchisees, and does not include the ~~15 CBA stores that were opened in 2017 or the~~ 21 CBA stores that were opened in 2018; ~~or the 19 CBA stores that were opened in 2019.~~ The following tables and figures also relate to the ~~173~~194 CBA stores that were open and operating for the entire ~~2018~~2019 year. This includes ~~one~~2 CBA store operated by us, and ~~172~~192 CBA stores operated by franchisees, and does not include the ~~21~~19 CBA stores that were opened in ~~2018~~2019.

Many factors, including location, management capabilities, local market conditions, and other factors, are unique to each franchise and may significantly impact the financial performance of your franchise.

The expenses identified in this statement may not be the only expenses that you will incur in connection with the operation of your franchise. We encourage you to consult with your own accounting, business, and legal advisors to assist you to identify the expenses you likely will incur in connection with your franchise, to prepare your budgets, and to assess the likely or potential financial performance of your franchise. We also encourage you to contact existing franchise operators to discuss the business.

In developing your budget for your franchise, you are to make necessary allowance for changes in financial results to income, expenses, or both, that may result from operation of your franchise during periods of, or in geographic areas suffering from, economic downturns, inflation, unemployment, or other negative economic influences.

Historical costs do not necessarily correspond to future costs because of factors such as inflation, changes in minimum wage laws, location, financing, construction costs, lease-related costs, and other variables. For example, costs such as rent, cam charges, taxes, interest, insurance and utilities vary from franchise to franchise. All information should be evaluated in light of current market conditions including such cost and price information as may then be available.

#### **Schedule 19.1A - (Franchisee Owned Locations)**

Set forth in this Schedule 19.1A are the average Gross Sales (as defined below in Note 2) for the year ending December 31, ~~2018~~2019 for the ~~172~~192 CBA stores that are franchisee-owned and that were opened for the entire year of ~~2019~~2018, based upon the below indicated sales ranges. This table includes all stores that were open before January 1, ~~2018~~2019, and does not include any of the ~~21~~19 stores that were opened in ~~2018~~2019. When reading the below table, the symbol “>=“ means greater than or equal to and the symbol “<“ means less than.

~~2019~~2018

Sales Ranges	# Stores Included	Median Sales	Average Sales	Highest in Range	Lowest in Range	# Stores Meeting or Exceeding Average Sales	% Stores Meeting or Exceeding Average Sales
>=\$3M	<del>24</del>	<del>\$3,433,167</del> <del>651,141</del>	<del>\$3,433,167</del> <del>831,479</del>	<del>\$3,690,710</del> <del>5,005,771</del>	<del>\$3,175,625</del> <del>017,863</del>	1	<del>50</del> 25.0%
>=\$2.5M and <\$3M	<del>45</del>	<del>\$2,647,859</del> <del>806,043</del>	<del>\$2,691,370</del> <del>746,267</del>	<del>\$2,956,654</del> <del>907,418</del>	<del>\$2,513,108</del> <del>558,138</del>	13	<del>25</del> 60.0%
>=\$2.25M and <\$2.5M	<del>59</del>	<del>\$2,338,641</del> <del>334,955</del>	<del>\$2,343,947</del> <del>339,201</del>	<del>\$2,375,968</del> <del>460,408</del>	<del>\$2,313,073</del> <del>258,382</del>	24	<del>40.0</del> 44.4%
>=\$2M and <\$2.25M	<del>16</del> 12	<del>\$2,132,826</del> <del>131,334</del>	<del>\$2,131,264</del> <del>104,313</del>	<del>\$2,205,732</del> <del>238,756</del>	<del>\$2,009,447</del> <del>005,567</del>	8	<del>50.0</del> 66.7%
>=\$1.75M and <\$2M	<del>15</del> 41	<del>\$1,814,616</del> <del>823,714</del>	<del>\$1,828,480</del> <del>845,122</del>	<del>\$1,944,910</del> <del>991,588</del>	<del>\$1,753,056</del> <del>761,057</del>	719	<del>46.7</del> 3%
>=\$1.5M and <\$1.75M	<del>44</del> 46	<del>\$1,617,015</del> <del>626,675</del>	<del>\$1,612,613</del> <del>632,862</del>	<del>\$1,746,376</del> <del>744,254</del>	<del>\$1,502,337</del> <del>506,168</del>	2322	<del>52.3</del> 47.8%

>=\$1.25M and <\$1.5M	<u>4641</u>	<del>\$1,384,453</del> <u>392,396</u>	<del>\$1,383,968</del> <u>389,497</u>	<del>\$1,493,537</del> <u>894</u>	<del>\$1,256,034</del> <u>276,752</u>	<u>2421</u>	<del>5251.2%</del>
>=\$1M and <\$1.25M	<u>3025</u>	<del>\$1,126,538</del> <u>162,678</u>	<del>\$1,132,140</del> <u>151,353</u>	<del>\$1,239,824</del> <u>243,238</u>	<del>\$1,001,954</del> <u>026,022</u>	<u>1413</u>	<del>46.752.0%</del>
<\$1M	<u>109</u>	<del>\$927,6519</del> <u>18,699</u>	<del>\$868,0819</del> <u>25,468</u>	<del>\$985,6579</del> <u>88,473</u>	<del>\$565,6948</del> <u>13,445</u>	<u>74</u>	<del>70.044.4%</del>
Average Unit							
Volume		<del>\$1,497,937</del>	<del>\$1,558,962</del>				
(AUV)	<u>172192</u>	<u>620,586</u>	<u>661,479</u>			<u>8795</u>	<del>50.649.5%</del>

**Schedule 19.1B - (Franchisee Owned Locations)**

Set forth in this Schedule 19.1B are the average Gross Sales (as defined below in Note 2) for the years ending December 31, ~~2017~~2018 and December 31, ~~2019~~2018 for the ~~157~~171 CBA stores that are franchisee-owned and that were opened for the entire years of ~~2017~~2018 and ~~2018~~2019, based upon the below indicated sales ranges. This table includes all stores that were open before January 1, ~~2017~~2018, and does not include any of the ~~152~~1 stores that were opened in ~~2018~~2017 or the ~~21~~19 stores opened in ~~2018~~2019. When reading the below table, the symbol “>=“ means greater than or equal to and the symbol “<“ means less than.

**2018**

**2019**

Sales Ranges	# Stores Included	Median Sales	Average Sales	Highest in Range	Lowest in Range	# Stores Meeting or Exceeding Average Sales	% Stores Meeting or Exceeding Average Sales
>=\$3M	<del>24</del>	<del>\$3,433,167</del> <del>651,141</del>	<del>\$3,433,167</del> <del>831,479</del>	<del>\$3,690,710</del> <del>5,005,771</del>	<del>\$3,175,625</del> <del>017,863</del>	1	<del>50</del> 25.0%
>=\$2.5M and <\$3M	<del>45</del>	<del>\$2,647,859</del> <del>806,043</del>	<del>\$2,691,370</del> <del>746,267</del>	<del>\$2,956,654</del> <del>907,418</del>	<del>\$2,513,108</del> <del>558,138</del>	<del>13</del>	<del>25</del> 60.0%
>=\$2.25M and <\$2.5M	<del>59</del>	<del>\$2,338,641</del> <del>334,955</del>	<del>\$2,343,947</del> <del>339,201</del>	<del>\$2,375,968</del> <del>460,408</del>	<del>\$2,313,073</del> <del>258,382</del>	<del>24</del>	<del>40.0</del> 44.4%
>=\$2M and <\$2.25M	<del>16</del> 12	<del>\$2,132,826</del> <del>131,334</del>	<del>\$2,131,264</del> <del>104,313</del>	<del>\$2,205,732</del> <del>238,756</del>	<del>\$2,009,447</del> <del>005,567</del>	8	<del>50.0</del> 66.7%
>=\$1.75M and <\$2M	<del>15</del> 40	<del>\$1,814,616</del> <del>829,599</del>	<del>\$1,828,480</del> <del>845,657</del>	<del>\$1,944,910</del> <del>991,588</del>	<del>\$1,753,056</del> <del>761,057</del>	<del>7</del> 19	<del>46.7</del> 47.5%
>=\$1.5M and <\$1.75M	<del>43</del> 40	<del>\$1,619,715</del> <del>623,813</del>	<del>\$1,612,573</del> <del>629,657</del>	<del>\$1,746,376</del> <del>744,254</del>	<del>\$1,502,337</del> <del>506,168</del>	<del>22</del> 18	<del>51.2</del> 45.0%
>=\$1.25M and <\$1.5M	<del>42</del> 36	<del>\$1,391,720</del> <del>387,481</del>	<del>\$1,389,660</del> <del>350</del>	<del>\$1,493,537</del> <del>894</del>	<del>\$1,256,034</del> <del>283,936</del>	<del>21</del> 18	50.0%
>=\$1M and <\$1.25M	<del>25</del> 19	<del>\$1,129,093</del> <del>162,678</del>	<del>\$1,134,069</del> <del>142,997</del>	<del>\$1,239,824</del> <del>241,141</del>	<del>\$1,001,954</del> <del>026,022</del>	<del>12</del> 11	<del>48.0</del> 57.9%
<\$1M	<del>56</del>	<del>\$875,533</del> <del>95</del> <del>1,365</del>	<del>\$839,056</del> <del>94</del> <del>6,770</del>	<del>\$985,657</del> <del>98</del> <del>8,473</del>	<del>\$565,694</del> <del>89</del> <del>7,822</del>	3	<del>60</del> 50.0%
Average Unit Volume (AUV)	<del>157</del> 171	<del>\$1,531,142</del> <del>650,359</del>	<del>\$1,599,569</del> <del>706,366</del>			<del>77</del> 85	<del>49.0</del> 7%

2018



2017

Sales Ranges	# Stores Included	Median Sales	Average Sales	Highest in Range	Lowest in Range	# Stores Meeting or Exceeding Average Sales	% Stores Meeting or Exceeding Average Sales
>=\$3M	<u>12</u>	<del>\$3,459,057</del> <u>435,232</u>	<del>\$3,459,057</del> <u>435,232</u>	<del>\$3,459,057</del> <u>695,384</u>	<del>\$3,459,057</del> <u>175,080</u>	<u>1</u>	<del>100</del> <u>50.0</u> %
>=\$2.5M and <\$3M	<u>34</u>	<del>\$2,781,317</del> <u>648,334</u>	<del>\$2,768,873</del> <u>691,422</u>	<del>\$2,863,246</del> <u>958,267</u>	<del>\$2,662,057</del> <u>510,751</u>	<u>21</u>	<del>66.7</del> <u>25.0</u> %
>=\$2.25M and <\$2.5M	<u>47</u>	<del>\$2,360,945</del> <u>328,047</u>	<del>\$2,354,736</del> <u>331,414</u>	<del>\$2,418,076</del> <u>378,093</u>	<del>\$2,278,977</del> <u>279,830</u>	<u>3</u>	<del>75.0</del> <u>42.9</u> %
>=\$2M and <\$2.25M	<u>1015</u>	<del>\$2,039,746</del> <u>135,679</u>	<del>\$2,080,493</del> <u>135,978</u>	<del>\$2,242,056</del> <u>209,924</u>	<del>\$2,021,050</del> <u>005,528</u>	<u>37</u>	<del>30.0</del> <u>46.7</u> %
>=\$1.75M and <\$2M	<u>1915</u>	<del>\$1,825,268</del> <u>815,255</u>	<del>\$1,840,210</del> <u>827,589</u>	<del>\$1,976,123</del> <u>944,584</u>	<del>\$1,753,304</del> <u>754,206</u>	<u>7</u>	<del>36.8</del> <u>46.7</u> %
>=\$1.5M and <\$1.75M	<u>2944</u>	<del>\$1,566,818</del> <u>618,603</u>	<del>\$1,592,030</del> <u>613,552</u>	<del>\$1,734,409</del> <u>746,674</u>	<del>\$1,503,384</del> <u>500,635</u>	<u>1023</u>	<del>34.5</del> <u>52.3</u> %
>=\$1.25M and <\$1.5M	<u>4445</u>	<del>\$1,341,729</del> <u>386,285</u>	<del>\$1,351,606</del> <u>387,366</u>	<del>\$1,485,696</del> <u>494,066</u>	<del>\$1,254,646</del> <u>257,963</u>	<u>2022</u>	<del>45.5</del> <u>48.9</u> %
>=\$1M and <\$1.25M	<u>3528</u>	<del>\$1,191,310</del> <u>123,223</u>	<del>\$1,118,995</del> <u>133,119</u>	<del>\$1,223,931</del> <u>240,033</u>	<del>\$1,008,644</del> <u>010,429</u>	<u>1612</u>	<del>45.7</del> <u>42.9</u> %
<\$1M	<u>1211</u>	<del>\$909,4139</del> <u>54,266</u>	<del>\$891,91488</del> <u>0,676</u>	<del>\$985,51099</del> <u>9,891</u>	<del>\$574,91656</del> <u>7,555</u>	<u>87</u>	<del>66.7</del> <u>63.6</u> %
Average Unit Volume (AUV)	<u>157171</u>	<del>\$1,381,589</del> <u>505,435</u>	<del>\$1,480,642</del> <u>568,726</u>			<u>6883</u>	<del>43.3</del> <u>48.5</u> %

**Schedule 19.1C - (Corporate Owned Locations)**

Set forth in this Schedule 19.1C is the average Gross Sales (as defined below in Note 2) for the ~~single~~-included CBA owned ~~store~~~~stores~~, based upon the below indicated sales ranges, for the year ending December 31, ~~2018~~2019. When reading the below table, the symbol “>=“ means greater than or equal to and the symbol “<“ means less than.

**2019**

Sales Ranges	# Stores Included	Median Sales	Average Sales	Highest in Range	Lowest in Range	# Stores Meeting or Exceeding Average Sales	% Stores Meeting or Exceeding Average Sales
>=\$3M	0	\$0	\$0	\$0	\$0	0	0.0%
>=\$2.5M and <\$3M	0	\$0	\$0	\$0	\$0	0	0.0%
>=\$2.25M and <\$2.5M	0	\$0	\$0	\$0	\$0	0	0.0%
>=\$2M and <\$2.25M	0	\$0	\$0	\$0	\$0	0	0.0%
>=\$1.75M and <\$2M	0	\$0	\$0	\$0	\$0	0	0.0%
>=\$1.5M and <\$1.75M	0	\$0	\$0	\$0	\$0	0	0.0%
>=\$1.25M and <\$1.5M	<del>0</del> <u>1</u>	<del>\$0</del> <u>\$963,518</u> <del>67,769</del> <u>144,447</u>	<del>\$0</del> <u>\$963,518</u> <del>67,769</del> <u>144,447</u>	<del>\$0</del> <u>\$963,518</u> <del>67,769</del> <u>144,447</u>	<del>\$0</del> <u>\$963,518</u> <del>67,769</del> <u>144,447</u>	<del>0</del> <u>1</u>	<del>0.0%</del> <u>100.0%</u>
>=\$1M and <\$1.25M	0	\$0	\$0	\$0	\$0	0	0.0%
<\$1M	1	<del>\$963,518</del> <u>\$963,518</u> <del>67,769</del> <u>144,447</u>	<del>\$963,518</del> <u>\$963,518</u> <del>67,769</del> <u>144,447</u>	<del>\$963,518</del> <u>\$963,518</u> <del>67,769</del> <u>144,447</u>	<del>\$963,518</del> <u>\$963,518</u> <del>67,769</del> <u>144,447</u>	1	100.0%
<b>Average Unit Volume (AUV)</b>	<del>1</del> <u>12</u>	<del>\$963,518</del> <u>\$963,518</u> <del>144,447</del> <u>144,447</u>	<del>\$963,518</del> <u>\$963,518</u> <del>144,447</del> <u>144,447</u>	<del>\$963,518</del> <u>\$963,518</u> <del>144,447</del> <u>144,447</u>	<del>\$963,518</del> <u>\$963,518</u> <del>144,447</del> <u>144,447</u>	<del>1</del> <u>12</u>	<del>100.0%</del> <u>100.0%</u>

**Schedule 19.2A – (Franchisee Owned Locations)**

Set forth in this Schedule 19.2A are the average Gross Sales (as defined below in Note 2) for the year ending December 31, ~~2018~~2019 for the ~~172~~192 CBA stores that are franchisee-owned and that were opened for the entire year of ~~2018~~2019, based upon the regions indicated below. This table includes all stores that were open by January 1, ~~2018~~2019 and does not include any of the ~~21~~19 stores that were opened in ~~2018~~2019.

**2019**

**2018**

State/Region	# included	Median Sales	Avg Sales	Highest in Range	Lowest in Range	# >= avg	% >= avg
Alabama	4	\$1, <del>323,131</del> 586, 936	\$1, <del>327,737</del> 50 9,407	\$1, <del>551,667</del> 770 557	\$1, <del>113,021</del> 093,1 98	2	50.0%
Arkansas	3	\$1, <del>385,463</del> 382, 565	\$1, <del>436,193</del> 42 6,259	\$1, <del>645,418</del> 586 732	\$1, <del>277,698</del> 309,4 78	1	33.3%
Arizona	<del>25</del>	\$2,099,5491,81 4,671	\$2,099,5491, 898,080	\$2,607,062907 418	\$1,592,035237,9 85	1	<del>50</del> 20.0%
Colorado	<del>10</del> 14	\$2,007,0501,76 1,365	\$2,083,89207 8,712	\$3,690,7105,0 05,771	\$1,282,196438,8 79	4	<del>40.0</del> 28.6%
Florida	6	\$1,611,836795, 313	\$1,779,80292 7,238	\$2,688,6553,0 17,863	\$1,074,898173,0 39	<del>23</del>	<del>33.3</del> 50.0%
Georgia	11	\$1,561,974847, 277	\$1,517,50881 1,653	\$2,092,608629 813	\$956,8241,077,6 06	<del>76</del>	<del>63.6</del> 54.5%
Idaho	1	\$1,531,142772, 944	\$1,531,14277 2,944	\$1,531,142772 944	\$1,531,142772,9 44	1	100.0%
<u>Illinois</u>	<u>1</u>	<u>\$936,809</u>	<u>\$936,809</u>	<u>\$936,809</u>	<u>\$936,809</u>	<u>1</u>	<u>100.0%</u>
Indiana	2	\$1,647,160762, 651	\$1,647,16076 2,651	\$1,693,078764 245	\$1,601,242761,0 57	1	50.0%
Iowa	1	\$961,9491,399, 064	\$961,9491,39 9,064	\$961,9491,399 064	\$961,9491,399,0 64	1	100.0%
Kansas	4	\$1,402,924645, 457	\$1,380,69568 7,439	\$1,480,197991 588	\$1,236,736467,2 54	2	50.0%
<u>Kentucky</u>	<u>1</u>	<u>\$1,173,185</u>	<u>\$1,173,185</u>	<u>\$1,173,185</u>	<u>\$1,173,185</u>	<u>1</u>	<u>100.0%</u>
Louisiana	1	\$1,193,560211, 632	\$1,193,56021 1,632	\$1,193,560211 632	\$1,193,560211,6 32	1	100.0%

State/Region	# included	Median Sales	Avg Sales	Highest in Range	Lowest in Range	# >= avg	% >= avg
Michigan	23	\$1,539,159,567, 241	\$1,539,159,54 3,411	\$1,814,616,920 344	\$1,263,702,142,6 48	12	50.066.7%
Minnesota	2	\$1,337,248,671, 508	\$1,337,248,67 1,508	\$1,384,255,796 966	\$1,290,240,546,0 49	1	50.0%
Missouri	6	\$1,538,559,603, 294	\$1,428,693,54 8,916	\$1,622,618,914 646	\$875,533,1,033,1 93	4	66.7%
Montana	1	\$1,361,681,395, 351	\$1,361,681,39 5,351	\$1,361,681,395 351	\$1,361,681,395,3 51	1	100.0%
Nebraska	1	\$1,009,558,365, 032	\$1,009,558,36 5,032	\$1,009,558,365 032	\$1,009,558,365,0 32	1	100.0%
New Mexico	12	\$1,642,008,750, 184	\$1,642,008,75 0,184	\$1,642,008,938 369	\$1,642,008,561,9 98	1	100.0%
North Carolina	7	\$953,912,1,069, 124	\$1,057,446,22 0,673	\$1,683,794,853 923	\$565,694,905,84 5	32	42.928.6%
Ohio	4	\$1,344,327,741, 406	\$1,253,605,57 9,068	\$1,614,315,849 427	\$711,451,984,03 2	23	50.75.0%
Oklahoma	8	\$1,471,033,580, 485	\$1,447,758,60 9,303	\$1,596,615,904 090	\$1,239,824,358,1 31	54	62.550.0%
Pennsylvania	1	\$953,453,1,424, 074	\$953,453,1,42 4,074	\$953,453,1,424 074	\$953,453,1,424,0 74	1	100.0%
South Carolina	34	\$1,113,433,319, 658	\$1,290,620,48 4,444	\$1,673,800,2,0 21,706	\$1,084,626,276,7 52	1	33.325.0%
Tennessee/MS	12	\$1,270,988,304, 125	\$1,373,004,49 2,319	\$2,196,679,334 955	\$985,657,897,82 2	5	41.7%
Texas	7883	\$1,583,613,628, 492	\$1,650,846,70 2,174	\$3,475,625,741 429	\$1,001,954,813,4 45	3438	43.645.8%
Virginia	2	\$1,393,307	\$1,393,307	\$1,646,144	\$1,140,470	1	50.0%
Washington	1	\$1,204,607,307, 853	\$1,204,607,30 7,853	\$1,204,607,307 853	\$1,204,607,307,8 53	1	100.0%
Wisconsin	1	\$1,129,347	\$1,129,347	\$1,129,347	\$1,129,347	1	100.0%
Average Unit Volume (AUV)	172192	\$1,497,937,616, 805	\$1,558,962,66 2,344			8491	48.847.4%



**Schedule 19.2B – (Franchisee Owned Locations)**

Set forth in this Schedule 19.2B are the average Gross Sales (as defined below in Note 2) for the year ending December 31, ~~2019~~2018 and the year ending December 31, ~~2018~~2017 for the ~~157~~171 CBA stores that are franchisee-owned and that were opened for the entire years of ~~2017~~2018 and ~~2019~~2018, based upon the regions indicated below. These tables include all stores that were open by January 1, ~~2018~~2017, and do not include any of the ~~15 stores that were opened in 2017 or the~~ 21 stores that were opened in 2018 ~~or the 19 stores that were opened in 2019~~.

**2019**

**2018**

State/Region	# included	Median Sales	Avg Sales	Highest in Range	Lowest in Range	# >= avg	% >= avg
Alabama	<del>34</del>	<del>\$1,337,279</del> 586	<del>\$1,333,989</del> 509	<del>\$1,551,667</del> 770	<del>\$1,113,021</del> 093	2	<del>66.7</del> 50.0%
Arkansas	3	<del>\$1,385,463</del> 382	<del>\$1,436,193</del> 426	<del>\$1,645,418</del> 586	<del>\$1,277,698</del> 309	1	33.3%
Arizona	2	<del>\$2,099,549</del> 361	<del>\$2,099,549</del> 361	<del>\$2,607,062</del> 907	<del>\$1,592,035</del> 814	1	50.0%
Colorado	<del>910</del>	<del>\$2,074,509</del> 1,989,180	<del>\$2,172,969</del> 290	<del>\$3,690,710</del> 5,005,771	<del>\$1,548,679</del> 624	<del>32</del>	<del>33.3</del> 20.0%
Florida	6	<del>\$1,611,836</del> 795	<del>\$1,779,802</del> 927	<del>\$2,688,655</del> 3,017,863	<del>\$1,074,898</del> 173	<del>23</del>	<del>33.3</del> 50.0%
Georgia	<del>1011</del>	<del>\$1,562,476</del> 847	<del>\$1,573,576</del> 811	<del>\$2,092,608</del> 629	<del>\$1,075,029</del> 077	<del>46</del>	<del>40.0</del> 54.5%
Idaho	1	<del>\$1,531,142</del> 772	<del>\$1,531,142</del> 772	<del>\$1,531,142</del> 772	<del>\$1,531,142</del> 772	1	100.0%
Indiana	2	<del>\$1,647,160</del> 762	<del>\$1,647,160</del> 762	<del>\$1,693,078</del> 764	<del>\$1,601,242</del> 761	1	50.0%
<u>Iowa</u>	<u>1</u>	<u>\$1,399,064</u>	<u>\$1,399,064</u>	<u>\$1,399,064</u>	<u>\$1,399,064</u>	<u>1</u>	<u>100.0%</u>
Kansas	4	<del>\$1,402,924</del> 645	<del>\$1,380,695</del> 687	<del>\$1,480,197</del> 991	<del>\$1,236,736</del> 467	2	50.0%
<u>Louisiana</u>	<u>1</u>	<u>\$1,211,632</u>	<u>\$1,211,632</u>	<u>\$1,211,632</u>	<u>\$1,211,632</u>	<u>1</u>	<u>100.0%</u>
Michigan	2	<del>\$1,539,159</del> 743	<del>\$1,539,159</del> 743	<del>\$1,814,616</del> 920	<del>\$1,263,702</del> 567	1	50.0%

State/Region	# included	Median Sales	Avg Sales	Highest in Range	Lowest in Range	# >= avg	% >= avg
Minnesota	<del>4</del> 2	<del>\$1,290,240</del> 671,508	<del>\$1,290,240</del> 671,508	<del>\$1,290,240</del> 796,966	<del>\$1,290,240</del> 546,049	1	<del>100</del> 50.0%
Missouri	6	<del>\$1,538,559</del> 603,294	<del>\$1,428,693</del> 548,916	<del>\$1,622,618</del> 914,646	<del>\$875,533</del> 1,033,193	4	66.7%
Montana	1	<del>\$1,361,681</del> 395,351	<del>\$1,361,681</del> 395,351	<del>\$1,361,681</del> 395,351	<del>\$1,361,681</del> 395,351	1	100.0%
Nebraska	1	<del>\$1,009,558</del> 365,032	<del>\$1,009,558</del> 365,032	<del>\$1,009,558</del> 365,032	<del>\$1,009,558</del> 365,032	1	100.0%
New Mexico	1	<del>\$1,642,008</del> 938,369	<del>\$1,642,008</del> 938,369	<del>\$1,642,008</del> 938,369	<del>\$1,642,008</del> 938,369	1	100.0%
North Carolina	<del>6</del> 7	<del>\$1,017,647</del> 069,124	<del>\$1,083,379</del> 220,673	<del>\$1,683,794</del> 853,923	<del>\$565,694</del> 905,845	2	<del>33.3</del> 28.6%
Ohio	<del>2</del> 4	<del>\$1,344,327</del> 741,406	<del>\$1,344,327</del> 579,068	<del>\$1,564,672</del> 849,427	<del>\$1,123,982</del> 984,032	<del>4</del> 3	<del>50</del> 75.0%
Oklahoma	8	<del>\$1,471,033</del> 580,485	<del>\$1,447,758</del> 609,303	<del>\$1,596,615</del> 904,090	<del>\$1,239,824</del> 358,131	<del>5</del> 4	<del>62.5</del> 50.0%
<u>Pennsylvania</u>	<u>1</u>	<u>\$1,424,074</u>	<u>\$1,424,074</u>	<u>\$1,424,074</u>	<u>\$1,424,074</u>	<u>1</u>	<u>100.0%</u>
South Carolina	<del>4</del> 3	<del>\$1,673,800</del> 335,478	<del>\$1,673,800</del> 553,674	<del>\$1,673,800</del> 2,021,706	<del>\$1,673,800</del> 303,838	1	<del>100.0</del> 33.3%
Tennessee/MS	<del>4</del> 12	<del>\$1,220,602</del> 304,125	<del>\$1,377,697</del> 492,319	<del>\$2,196,679</del> 334,955	<del>\$985,657</del> 897,822	5	<del>45.5</del> 41.7%
Texas	77	<del>\$1,592,495</del> 653,630	<del>\$1,659,087</del> 738,147	<del>\$3,175,625</del> 741,429	<del>\$1,001,954</del> 985,747	<del>3</del> 432	<del>44.2</del> 41.6%
<u>Washington</u>	<u>1</u>	<u>\$1,307,853</u>	<u>\$1,307,853</u>	<u>\$1,307,853</u>	<u>\$1,307,853</u>	<u>1</u>	<u>100.0%</u>
-Average Unit Volume (AUV)	<del>4</del> 57171	<del>\$1,531,142</del> 650,359	<del>\$1,599,569</del> 706,366			<del>7</del> 479	<del>47.1</del> 46.2%



2018

2017

State/Region	# included	Median Sales	Avg Sales	Highest in Range	Lowest in Range	# >= avg	% >= avg
Alabama	<u>34</u>	<del>\$1,173,202</del> <u>324,266</u>	<del>\$1,150,281</del> <u>326,948</u>	<del>\$1,292,132</del> <u>553,871</u>	<del>\$985,510</del> <u>1,105,389</u>	2	<del>66.7</del> <u>50.0</u> %
Arkansas	3	<del>\$1,333,345</del> <u>390,355</u>	<del>\$1,343,892</del> <u>439,736</u>	<del>\$1,509,214</del> <u>648,533</u>	<del>\$1,189,116</del> <u>280,321</u>	1	33.3%
Arizona	2	<del>\$1,694,386</del> <u>2,099,919</u>	<del>\$1,694,386</del> <u>2,099,919</u>	<del>\$2,075,458</del> <u>607,433</u>	<del>\$1,313,313</del> <u>592,405</u>	1	50.0%
Colorado	<u>910</u>	<del>\$1,857,729</del> <u>2,008,546</u>	<del>\$2,073,975</del> <u>086,104</u>	<del>\$3,459,057</del> <u>695,384</u>	<del>\$1,112,840</del> <u>284,051</u>	<u>34</u>	<del>33.3</del> <u>40.0</u> %
Florida	6	<del>\$1,624,281</del> <u>612,873</u>	<del>\$1,676,669</del> <u>780,843</u>	<del>\$2,362,858</del> <u>689,235</u>	<del>\$1,067,776</del> <u>075,669</u>	<u>32</u>	<del>50.0</del> <u>33.3</u> %
Georgia	<del>1011</del>	<del>\$1,469,059</del> <u>561,221</u>	<del>\$1,490,398</del> <u>518,607</u>	<del>\$1,845,751</del> <u>2,093,347</u>	<del>\$1,072,393</del> <u>958,297</u>	<u>57</u>	<del>50.0</del> <u>63.6</u> %
Idaho	1	<del>\$1,305,846</del> <u>532,429</u>	<del>\$1,305,846</del> <u>532,429</u>	<del>\$1,305,846</del> <u>532,429</u>	<del>\$1,305,846</del> <u>532,429</u>	1	100.0%
Indiana	2	<del>\$1,529,787</del> <u>648,185</u>	<del>\$1,529,787</del> <u>648,185</u>	<del>\$1,547,496</del> <u>693,627</u>	<del>\$1,512,078</del> <u>602,743</u>	1	50.0%
<u>Iowa</u>	<u>1</u>	<u>\$963,407</u>	<u>\$963,407</u>	<u>\$963,407</u>	<u>\$963,407</u>	<u>1</u>	<u>100.0%</u>
Kansas	4	<del>\$1,126,540</del> <u>404,731</u>	<del>\$1,149,901</del> <u>381,839</u>	<del>\$1,282,905</del> <u>480,842</u>	<del>\$1,063,619</del> <u>237,053</u>	2	50.0%
<u>Louisiana</u>	<u>1</u>	<u>\$1,195,358</u>	<u>\$1,195,358</u>	<u>\$1,195,358</u>	<u>\$1,195,358</u>	<u>1</u>	<u>100.0%</u>
Michigan	2	<del>\$1,427,830</del> <u>541,618</u>	<del>\$1,427,830</del> <u>541,618</u>	<del>\$1,753,304</del> <u>815,255</u>	<del>\$1,102,357</del> <u>267,980</u>	1	50.0%
Minnesota	<del>12</del>	<del>\$1,013,961</del> <u>338,338</u>	<del>\$1,013,961</del> <u>338,338</u>	<del>\$1,013,961</del> <u>386,285</u>	<del>\$1,013,961</del> <u>290,391</u>	1	<del>100.0</del> <u>50.0</u> %
Missouri	6	<del>\$1,320,514</del> <u>539,732</u>	<del>\$1,262,504</del> <u>430,291</u>	<del>\$1,400,457</del> <u>625,991</u>	<del>\$868,236</del> <u>877,647</u>	<u>54</u>	<del>83.3</del> <u>66.7</u> %
Montana	1	<del>\$1,675,521</del> <u>362,272</u>	<del>\$1,675,521</del> <u>362,272</u>	<del>\$1,675,521</del> <u>362,272</u>	<del>\$1,675,521</del> <u>362,272</u>	1	100.0%
Nebraska	1	<del>\$909,141</del> <u>1,010,429</u>	<del>\$909,141</del> <u>1,010,429</u>	<del>\$909,141</del> <u>1,010,429</u>	<del>\$909,141</del> <u>1,010,429</u>	1	100.0%

New Mexico	1	\$1,485,696642, 031	\$1,485,696642, 031	\$1,485,696642, 031	\$1,485,696642, 031	1	100.0%
North Carolina	67	\$983,850954,26 6	\$1,031,304057, 344	\$1,566,818685, 745	\$574,916567,5 55	23	33.342.9%
South Carolina	1	\$1,223,931	\$1,223,931	\$1,223,931	\$1,223,931	1	100.0%
Ohio	24	\$1,229,501346, 957	\$1,229,501255, 640	\$1,549,316616, 584	\$909,686712,0 63	12	50.0%
Oklahoma	8	\$1,346,305472, 158	\$1,314,397447, 888	\$1,579,472596, 374	\$1,105,442240 033	5	62.5%
Pennsylvania	1	\$954,760	\$954,760	\$954,760	\$954,760	1	100.0%
South Carolina	3	\$1,113,918	\$1,291,702	\$1,675,262	\$1,085,925	1	33.3%
Tennessee/MS	112	\$1,255,090271, 428	\$1,277,459372, 549	\$1,826,8872,1 91,863	\$899,916985,5 56	35	27.341.7%
Texas	77	\$1,484,174628, 020	\$1,545,997672, 588	\$2,863,2463,1 75,080	\$843,598999,8 91	3034	39.044.2%
Washington	1	\$1,206,352	\$1,206,352	\$1,206,352	\$1,206,352	1	100.0%
Average Unit Volume (AUV)	157171	\$1,381,589505, 435	\$1,480,642568, 726			6884	43.349.1%

### Schedule 19.2C - (Corporate Owned Locations)

Set forth in this Schedule 19.2C are the average Gross Sales (as defined below in Note 2) for the included CBA ~~stores~~stores, based upon the below indicated regions, for the year ending December 31, 20192018.

<u>State/Region</u>	<u>Number of Included Stores# included</u>	<u>Median Gross Sales</u>	<u>Average Gross Avg Sales</u>	<u>Number of Stores Meeting or Exceeding Average Gross Sales Highest in Range</u>	<u>Percentage of Stores Meeting or Exceeding Average Gross Sales Lowest in Range</u>	<u># &gt;= avg</u>	<u>% &gt;= a</u>
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<b>Missouri</b>	1	<u>\$963,518,867,769</u>	<u>\$963,518,867,769</u>	<u>\$867,769</u>	<u>\$867,769</u>	1	100.0%
<b>Total Texas</b>	1	<u>\$963,518,421,124</u>	<u>\$963,518,421,124</u>	<u>\$1,421,124</u>	<u>\$1,421,124</u>	1	100.0%
<b>Average Unit Volume (AUV)</b>	2	<u>\$1,144,447</u>	<u>\$1,144,447</u>	-	-	2	100.0%

### Schedule 19.3A – (Franchisee Owned Locations)

Included this Schedule 19.3A are ~~172~~192 CBA stores that are franchisee-owned and that were opened for the entire year of ~~2019~~2018. This table includes all stores that were open before January 1, 2019, and does not include any of the ~~21~~19 stores that were opened in ~~2019~~2018. Set forth in this Schedule is a comparison table of Gross Sales and certain expenses for 1 year old, 2 year old, 3 year old, 4 year old and 5+ year old CBA stores for the year ending December 31, ~~2019~~2018. The categories of figures are defined below in Note 2. By way of example, those stores designated as “1<sup>st</sup> year” stores had their first full year of operations during the period from January 1, ~~2019~~2018 to December 31, ~~2019~~2018, those stores designated as “2<sup>nd</sup> year” stores had their second full year of operations during the period from January 1, ~~2019~~2018 to December 31, ~~2019~~2018, those stores designated as “3<sup>rd</sup> year” stores had their third full year of operations during the period from January 1, ~~2019~~2018 to December 31, ~~2019~~2018, and so forth.

Store Designation	Low	Median	High	Average	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
<b>Gross Sales</b>						
1 <sup>st</sup> year ( <del>45</del> <u>21</u> stores)	<del>\$711,451</del> <u>\$13,445</u>	<del>\$1,113,343</del> <u>\$32,678</u>	<del>\$1,614,315</del> <u>\$823,714</u>	<del>\$1,133,937</del> <u>\$53,206</u>	<del>710</del> <u>47</u>	<del>474</del> <u>8</u> %
2 <sup>nd</sup> year ( <del>61</del> <u>5</u> stores)	<del>\$565,694</del> <u>\$984,032</u>	<del>\$1,570,170</del> <u>\$335,478</u>	<del>\$1,791,339</del> <u>\$849,427</u>	<del>\$1,378,052</del> <u>\$392,440</u>	<del>46</del> <u>67</u>	<del>674</del> <u>0</u> %
3 <sup>rd</sup> year ( <del>17</del> <u>6</u> stores)	<del>\$953,912</del> <u>\$18,699</u>	<del>\$1,315,618</del> <u>\$746,409</u>	<del>\$2,606,863</del> <u>\$1,938,369</u>	<del>\$1,425,310</del> <u>\$59,027</u>	<del>64</del> <u>35</u>	<del>356</del> <u>7</u> %
4 <sup>th</sup> year ( <del>12</del> <u>17</u> stores)	<del>\$814,484</del> <u>\$1,069,124</u>	<del>\$1,539,163</del> <u>\$559,184</u>	<del>\$3,690,724</del> <u>\$2,907,418</u>	<del>\$1,763,551</del> <u>\$631,092</u>	<del>37</del> <u>25</u>	<del>254</del> <u>1</u> %
5 <sup>th</sup> year+ ( <del>122</del> <u>133</u> stores)	<del>\$875,533</del> <u>\$897,822</u>	<del>\$1,567,137</del> <u>\$710,388</u>	<del>\$3,175,625</del> <u>\$5,005,771</u>	<del>\$1,618,299</del> <u>\$758,039</u>	<del>55</del> <u>59</u>	<del>454</del> <u>4</u> %
<b>Cost of Goods Sold (COGS)</b>						
1 <sup>st</sup> year ( <del>45</del> <u>21</u> stores)	<del>\$390,057</del> <u>\$388,356</u>	<del>\$501,543</del> <u>\$633,987</u>	<del>\$743,100</del> <u>\$744,556</u>	<del>\$514,232</del> <u>\$599,228</u>	<del>611</del> <u>40</u>	<del>405</del> <u>2</u> %
2 <sup>nd</sup> year ( <del>61</del> <u>5</u> stores)	<del>\$316,266</del> <u>\$431,579</u>	<del>\$648,924</del> <u>\$590,913</u>	<del>\$745,877</del> <u>\$827,752</u>	<del>\$597,946</del> <u>\$615,882</u>	<del>46</del> <u>67</u>	<del>674</del> <u>0</u> %
3 <sup>rd</sup> year ( <del>17</del> <u>6</u> stores)	<del>\$439,394</del> <u>\$431,225</u>	<del>\$594,744</del> <u>\$694,194</u>	<del>\$1,054,472</del> <u>\$851,211</u>	<del>\$610,001</del> <u>\$653,008</u>	<del>64</del> <u>35</u>	<del>356</del> <u>7</u> %
4 <sup>th</sup> year ( <del>12</del> <u>17</u> stores)	<del>\$382,687</del> <u>\$468,494</u>	<del>\$678,613</del> <u>\$679,999</u>	<del>\$1,472,875</del> <u>\$185,360</u>	<del>\$743,109</del> <u>\$701,396</u>	<del>36</del> <u>25</u>	<del>253</del> <u>5</u> %
5 <sup>th</sup> year+ ( <del>122</del> <u>133</u> stores)	<del>\$358,971</del> <u>\$379,683</u>	<del>\$666,231</del> <u>\$700,707</u>	<del>\$1,416,286</del> <u>\$2,013,186</u>	<del>\$698,284</del> <u>\$750,794</u>	<del>52</del> <u>56</u>	<del>434</del> <u>2</u> %
<b>Gross Profit (GP)</b>						
1 <sup>st</sup> year ( <del>45</del> <u>21</u> stores)	<del>\$322,006</del> <u>\$399,622</u>	<del>\$626,729</del> <u>\$778,809</u>	<del>\$873,485</del> <u>\$1,116,624</u>	<del>\$620,822</del> <u>\$753,928</u>	<del>811</del> <u>53</u>	<del>535</del> <u>2</u> %
2 <sup>nd</sup> year ( <del>61</del> <u>5</u> stores)	<del>\$251,043</del> <u>\$433,365</u>	<del>\$910,962</del> <u>\$738,377</u>	<del>\$1,046,848</del> <u>\$070,612</u>	<del>\$781,174</del> <u>\$776,490</u>	<del>47</del> <u>67</u>	<del>674</del> <u>7</u> %
3 <sup>rd</sup> year ( <del>17</del> <u>6</u> stores)	<del>\$514,872</del> <u>\$487,454</u>	<del>\$733,754</del> <u>\$1,050,029</u>	<del>\$1,552,961</del> <u>\$087,061</u>	<del>\$816,440</del> <u>\$905,906</u>	<del>64</del> <u>35</u>	<del>356</del> <u>7</u> %

Store Designation	Low	Median	High	Average	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
4 <sup>th</sup> year ( <del>1521</del> stores)	<del>\$430,610</del> <u>\$600,630</u>	<del>\$885,603</del> <u>\$884,719</u>	<del>\$2,222,509</del> <u>\$1,722,018</u>	<del>\$1,022,061</del> <u>\$929,666</u>	<del>37</del>	<del>254</del> <u>1</u> %
5 <sup>th</sup> year+ ( <del>422</del> <u>133</u> stores)	<del>\$512,770</del> <u>\$485,997</u>	<del>\$895,168</del> <u>\$979,813</u>	<del>\$1,757,340</del> <u>\$2,992,585</u>	<del>\$920,721</del> <u>\$1,010,268</u>	<del>57</del> <u>55</u>	<del>474</del> <u>1</u> %
<b>General and Administrative Expenses (G&amp;A)</b>						
1 <sup>st</sup> year ( <del>1521</del> stores)	<del>\$357,710</del> <u>\$467,414</u>	<del>\$515,053</del> <u>\$619,989</u>	<del>\$663,343</del> <u>\$754,572</u>	<del>\$527,197</del> <u>\$617,835</u>	<del>61</del>	<del>405</del> <u>2</u> %
2 <sup>nd</sup> year ( <del>615</del> stores)	<del>\$575,245</del> <u>\$498,943</u>	<del>\$652,050</del> <u>\$628,850</u>	<del>\$796,850</del> <u>\$795,806</u>	<del>\$674,447</del> <u>\$624,947</u>	<del>38</del>	<del>505</del> <u>3</u> %
3 <sup>rd</sup> year ( <del>176</del> stores)	<del>\$476,755</del> <u>\$486,562</u>	<del>\$608,584</del> <u>\$701,755</u>	<del>\$928,080</del> <u>\$839,871</u>	<del>\$630,788</del> <u>\$687,200</u>	<del>73</del>	<del>415</del> <u>0</u> %
4 <sup>th</sup> year ( <del>1217</del> stores)	<del>\$536,351</del> <u>\$486,515</u>	<del>\$673,630</del> <u>\$660,625</u>	<del>\$1,253,814</del> <u>\$955,675</u>	<del>\$730,877</del> <u>\$675,802</u>	<del>37</del>	<del>254</del> <u>1</u> %
5 <sup>th</sup> year+ ( <del>422</del> <u>133</u> stores)	<del>\$447,746</del> <u>\$472,749</u>	<del>\$653,392</del> <u>\$706,445</u>	<del>\$1,166,047</del> <u>\$498,794</u>	<del>\$666,084</del> <u>\$718,849</u>	<del>52</del> <u>60</u>	<del>434</del> <u>5</u> %
<b>Net Operating Income (NOI) (See Note 1 below)</b>						
1 <sup>st</sup> year ( <del>1521</del> stores)	<del>-\$68,435</del> <u>\$67,791</u>	<del>\$90,689</del> <u>\$126,641</u>	<del>\$306,121</del> <u>\$411,102</u>	<del>\$93,625</del> <u>\$136,099</u>	<del>71</del> <u>0</u>	<del>474</del> <u>8</u> %
2 <sup>nd</sup> year ( <del>615</del> stores)	<del>-\$324,202</del> <u>\$65,571</u>	<del>\$213,157</del> <u>\$149,989</u>	<del>\$275,415</del> <u>\$473,576</u>	<del>\$106,727</del> <u>\$151,545</u>	<del>47</del>	<del>674</del> <u>7</u> %
3 <sup>rd</sup> year ( <del>176</del> stores)	<del>-\$5,437</del> <u>\$890</u>	<del>\$149,964</del> <u>\$274,987</u>	<del>\$663,771</del> <u>\$387,684</u>	<del>\$185,652</del> <u>\$218,786</u>	<del>74</del>	<del>416</del> <u>7</u> %
4 <sup>th</sup> year ( <del>1217</del> stores)	<del>-\$105,740</del> <u>\$11,911</u>	<del>\$240,705</del> <u>\$267,402</u>	<del>\$968,695</del> <u>\$766,366</u>	<del>\$291,184</del> <u>\$253,866</u>	<del>59</del>	<del>425</del> <u>3</u> %
5 <sup>th</sup> year+ ( <del>422</del> <u>133</u> stores)	<del>-\$108,468</del> <u>\$86,856</u>	<del>\$239,220</del> <u>\$266,949</u>	<del>\$720,724</del> <u>\$1,493,791</u>	<del>\$254,637</del> <u>\$291,421</u>	<del>54</del> <u>58</u>	<del>44</del> %
<b>Total Owner Benefit (See Note 2 below)</b>						
1 <sup>st</sup> year ( <del>1521</del> stores)	<del>\$48,269</del> <u>\$0</u>	<del>\$90,000</del> <u>\$140,231</u>	<del>\$250,231</del> <u>\$698</u>	<del>\$95,218</del> <u>\$123,292</u>	<del>61</del> <u>2</u>	<del>405</del> <u>7</u> %
2 <sup>nd</sup> year ( <del>615</del> stores)	<del>\$7260</del> <u>\$231</u>	<del>\$153,296</del> <u>\$115,681</u>	<del>\$187,554</del> <u>\$276,799</u>	<del>\$142,402</del> <u>\$118,508</u>	<del>47</del>	<del>674</del> <u>7</u> %
3 <sup>rd</sup> year ( <del>176</del> stores)	<del>\$57,923</del> <u>\$62,731</u>	<del>\$105,328</del> <u>\$172,224</u>	<del>\$366,631</del> <u>\$237,731</u>	<del>\$124,975</del> <u>\$150,959</u>	<del>84</del>	<del>476</del> <u>7</u> %
4 <sup>th</sup> year ( <del>1217</del> stores)	<del>\$41,308</del> <u>\$60,231</u>	<del>\$162,665</del> <u>\$159,981</u>	<del>\$531,981</del> <u>\$418,231</u>	<del>\$193,928</del> <u>\$159,485</u>	<del>39</del>	<del>255</del> <u>3</u> %
5 <sup>th</sup> year+ ( <del>422</del> <u>133</u> stores)	<del>\$15,000</del> <u>\$23,539</u>	<del>\$146,231</del> <u>\$161,731</u>	<del>\$392,231</del> <u>\$859,981</u>	<del>\$161,552</del> <u>\$184,891</u>	<del>46</del> <u>56</u>	<del>384</del> <u>2</u> %

**Schedule 19.3B – (Corporate Owned Locations)**

Set forth in this Schedule 19.3B is a comparison table of the 5+ year old CBA corporate store for the year ending December 31, ~~2019~~2018. The categories of figures are defined below in Note 2.

Store Designation	Low	Median	High	Average	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
<b>Gross Sales</b>						
5 <sup>th</sup> year + ( <del>1</del> store2 stores)	<del>\$960,596</del> 867,769	<del>\$960,596</del> 1,144,447	<del>\$960,596</del> 1,421,124	<del>\$960,596</del> 1,144,447	1	<del>100</del> 50%
<b>Cost of Goods Sold (COGS)</b>						
5 <sup>th</sup> year + ( <del>1</del> store2 stores)	<del>\$447,147</del> 381,296	<del>\$447,147</del> 531,915	<del>\$447,147</del> 682,535	<del>\$447,147</del> 531,915	1	<del>100</del> 50%
<b>Gross Profit (GP)</b>						
5 <sup>th</sup> year + ( <del>1</del> store2 stores)	<del>\$515,276</del> 486,473	<del>\$515,276</del> 612,531	<del>\$515,276</del> 738,590	<del>\$515,276</del> 612,531	1	<del>100</del> 50%
<b>General and Administrative Expenses (G&amp;A)</b>						
5 <sup>th</sup> year + ( <del>1</del> store2 stores)	<del>\$503,486</del> 434,832	<del>\$503,486</del> 510,802	<del>\$503,486</del> 586,773	<del>\$503,486</del> 510,802	1	<del>100</del> 50%
<b>Net Operating Income (NOI) (Note 2)</b>						
5 <sup>th</sup> year + ( <del>1</del> store2 stores)	<del>\$11,790</del> 51,641	<del>\$11,790</del> 101,729	<del>\$11,790</del> 151,817	<del>\$11,790</del> 101,729	1	<del>100</del> 50%
<b>Total Owner Benefit (Note 3)</b>						
5 <sup>th</sup> year + ( <del>2</del> stores)	<del>\$27,460</del>	<del>\$86,699</del>	<del>\$145,938</del>	<del>\$86,699</del>	<del>1</del>	<del>50</del> %



### **Schedule 19.4A – (Franchisee Owned Locations)**

Set forth in Schedule 19.4A is the Total Owner Benefit (as defined in Note 3) of the top and bottom 20% Total Owner Benefit performers (~~3538~~ stores) for the year ending December 31, ~~2019~~~~2018~~ based on the ~~172~~~~192~~ CBA franchisee owned stores that were opened for the entire year of ~~2019~~~~2018~~. This table includes all stores that were opened by January 1, ~~2019~~~~2018~~, and does not include any of the ~~21~~~~19~~ stores opened in ~~2019~~~~2018~~.

	<u>Low</u>	<u>Median</u>	<u>High</u>	<u>Average</u>	<u>Number of Stores Greater than or equal to Average</u>	<u>Percentage of Stores Greater than or equal to Average</u>
<u>Top 38-Total Owner Benefit out of 192 franchise owned locations</u>	<u>\$237,731</u>	<u>\$274,189</u>	<u>\$859,981</u>	<u>\$320,438</u>	<u>11</u>	<u>28.9%</u>
<u>Bottom 38-Total Owner Benefit out of 192 franchise owned locations</u>	<u>\$0</u>	<u>\$62,483</u>	<u>\$88,849</u>	<u>\$62,880</u>	<u>18</u>	<u>47.4%</u>

	<u>Low</u>	<u>Median</u>	<u>High</u>	<u>Average</u>	<u>Number of Stores Greater than or equal to Average</u>	<u>Percentage of Stores Greater than or equal to Average</u>
<u>Top 35 Total Owner Benefit out of 172 franchise owned locations</u>	<u>\$209,609</u>	<u>\$260,231</u>	<u>\$531,981</u>	<u>\$286,038</u>	<u>12</u>	<u>34.3%</u>
<u>Bottom 35 Total Owner Benefit out of 172 franchise owned locations</u>	<u>\$15,000</u>	<u>\$61,154</u>	<u>\$87,231</u>	<u>\$63,592</u>	<u>17</u>	<u>48.6%</u>

### **Schedule 19.4B – (Franchisee Owned Locations)**

Set forth in Schedule 19.4B is the Total Owner Benefit (as defined in Note 3) of the top and bottom 20% Total Owner Benefit performers (~~3134~~ stores) for the year ending December 31, ~~2019~~~~2018~~ and for the year ending December 31, ~~2018~~~~2017~~ based on the ~~157~~~~171~~ CBA franchisee owned stores that were opened for the entire years of ~~2019~~~~2018~~ and ~~2018~~~~2017~~. This table includes all stores that were opened by January 1, ~~2018~~~~2017~~, and does not include any of the ~~152~~~~1~~ stores that were opened in ~~2018~~~~2017~~ or the ~~21~~~~19~~ stores opened in ~~2019~~~~2018~~.

#### **2019**

	<u>Low</u>	<u>Median</u>	<u>High</u>	<u>Average</u>	<u>Number of Stores Greater than or equal to Average</u>	<u>Percentage of Stores Greater than or equal to Average</u>
<u>Top 34-Total Owner Benefit out of 171 franchise owned locations</u>	<u>\$242,231</u>	<u>\$285,192</u>	<u>\$859,981</u>	<u>\$329,664</u>	<u>10</u>	<u>29.4%</u>
<u>Bottom 34-Total Owner Benefit out of 171 franchise owned locations</u>	<u>\$23,539</u>	<u>\$71,577</u>	<u>\$92,971</u>	<u>\$71,295</u>	<u>17</u>	<u>50.0%</u>

#### **2018**

	Low	Median	High	Average	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
Top <del>31</del> <u>34</u> -Total Owner Benefit out of <del>157</del> <del>franchisee</del> <u>171 franchisee</u> owned locations	<del>\$211,034</del> <u>210,231</u>	<del>\$265,262</del> ,731	\$531,981	<del>\$295,122</del> <u>288,286</u>	12	<del>38.7</del> <u>35.3</u> %
Bottom <del>31</del> <u>34</u> -Total Owner Benefit out of <del>157</del> <u>171</u> franchise owned locations	\$15,000	<del>\$67,030</del> <u>60,851</u>	<del>\$92,119</del> <u>84,174</u>	<del>\$67,044</del> <u>62,762</u>	<del>15</del> <u>16</u>	<del>48.4</del> <u>47.1</u> %

~~2017~~

	Low	Median	High	Average	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
Top <del>31</del> Total Owner Benefit out of <del>157 franchisee owned locations</del>	<del>\$207,847</del>	<del>\$245,421</del>	<del>\$454,382</del>	<del>\$268,669</del>	<del>11</del>	<del>35.5%</del>
Bottom <del>31</del> Total Owner Benefit out of <del>157 franchise owned locations</del>	<del>\$0</del>	<del>\$60,000</del>	<del>\$70,000</del>	<del>\$49,966</del>	<del>25</del>	<del>80.6%</del>

### **Schedule 19.5A – (Franchisee Owned Locations)**

Set forth in Schedule 19.5A is the Shop Labor Rate range and average for the year ending December 31, ~~2019~~2018 for the ~~472~~192 CBA franchisee owned stores that were opened for the entire year of ~~2019~~2018. This table includes all stores that were open by January 1, ~~2018~~2019, and does not include any of the ~~21~~19 stores opened in ~~2019~~2018.

	Low	Median	High	Average	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
Shop Labor Rate	<del>\$102.106.00</del> /hour	<del>\$115.120.00</del> /hour	<del>\$135.17149.00</del> /hour	<del>\$115.52121.83</del> /hour	<del>7688</del>	<del>44.245.8</del> %

### **Schedule 19.5B – (Corporate Owned Location)**

Set forth in Schedule 19.5B is the Shop Labor Rate range and average for the corporate owned ~~location~~locations for the year ending December 31, ~~2019~~2018.

	Low	Median	High	Average	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
Shop Labor Rate	<del>\$120.85</del> 119.88/hour	\$120. <del>85</del> 37/hour	\$120.85/hour	\$120. <del>85</del> 37/hour	1	<del>100</del> 50%

**Schedule 19.6A – (Franchisee Owned Locations)**

Set forth in Schedule 19.6A is the Annual Car Count (customer count) range and average for the year ending December 31, ~~2019~~2018 for the ~~172~~192 CBA franchisee owned stores that were opened for the entire year of ~~2019~~2018. This table includes all stores that were open by January 1, ~~2019~~2018, and does not include any of the ~~21~~19 stores opened in ~~2019~~2018.

	Low	Median	High	Average	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
Annual Car Count	<del>1,993</del> 2,269	<del>3,909</del> 4,040	<del>10,790</del> 16,806	4,028226	<del>79</del> 84	<del>45.9</del> 43.8%

**Schedule 19.6B – (Corporate Owned Locations)**

Set forth in Schedule 19.6B is the Annual Car Count (customer count) range and average for the corporate owned ~~location~~locations for the year ending December 31, ~~2019~~2018.

	Low	Median	High	Average	Number of Stores Greater than or equal to Average	Percentage of Stores Greater than or equal to Average
Annual Car Count	2,626 <del>5</del> 16	2,626 <del>9</del> 65	2,626 <del>3</del> 414	2,626 <del>9</del> 65	1	<del>100</del> 50%

**Schedule 19.7A – (Franchisee Owned Locations)**

Set forth in Schedule 19.7A is the CBAC Chart of Accounts (COA) which makes up the G&A expenses shown above in Schedule 19.3. This schedule displays a range of store level expense data from the ~~172~~192 CBA franchisee owned stores that were open before January 1, ~~2019~~2018 and includes a “low”, “high” and “average” expense amount of each account for the year ending December 31, ~~2019~~2018.

Account Description	Account Number	Low Expense Amount	Median Expense Amount	High Expense Amount	Average Expense Amount	Number of Stores Equal to or Above Average	Percentage of Stores Equal to or Above Average
Small Tools & Equipment	5080	\$0	\$1,457	\$13,241	\$1,691	65	38%
Advertising—Local	6000	\$2,150	\$20,918	\$76,009	\$21,827	83	48%
Advertising—Regional	6001	\$0	\$0	\$9,996	\$6,838	55	32%
Advertising—National	6002	\$3,915	\$6,980	\$8,555	\$6,788	144	84%
Auto Lease	6010	\$0	\$0	\$64	\$0	1	1%
Auto & Truck Expense—Other	6020	-\$697	\$260	\$12,201	\$975	19	11%
Wrapped Shuttle—Car Wash	6021	\$0	\$150	\$1,995	\$235	49	28%
Wrapped Shuttle—Fuel	6022	\$1,132	\$2,668	\$9,771	\$3,107	71	41%
Wrapped Shuttle—Insurance	6023	-\$124	\$1,266	\$11,993	\$1,523	32	19%
Wrapped Shuttle—Int. /Lease	6024	-\$402	\$470	\$2,464	\$598	53	31%
Wrapped Shuttle—Maint & Rpr	6025	-\$565	\$716	\$4,702	\$1,143	45	26%
Wrapped Shuttle—Other	6026	-\$221	\$282	\$25,977	\$909	41	24%
Bad Debt Expense	6030	\$6	\$3,125	\$35,577	\$5,396	55	32%

Account Description	Account Number	Low Expense Amount	Median Expense Amount	High Expense Amount	Average Expense Amount	Number of Stores Equal to or Above Average	Percentage of Stores Equal to or Above Average
Bank Fees	6040	-\$70	\$106	\$2,759	\$192	44	26%
Bank RI/RIE (Returned Check)	6045	-\$641	\$214	\$4,991	\$658	41	24%
Cash (over)/under	6050	-\$197	-\$1	\$3,873	\$26	22	13%
Donations	6060	-\$500	\$304	\$23,692	\$1,330	12	7%
Delivery Expense	6070	\$0	\$218	\$4,023	\$338	19	11%
Dues & Subscriptions	6080	\$633	\$2,111	\$9,860	\$2,276	73	42%
Dues & Subscripts Service	6085	\$5,739	\$11,905	\$21,275	\$12,035	83	48%
Entertainment	6090	\$0	\$141	\$12,574	\$481	18	10%
Gifts	6095	\$0	\$204	\$2,941	\$378	26	15%
Insurance—Workers Comp.	6100	\$351	\$5,706	\$24,852	\$6,693	63	37%
Insurance—Health	6110	\$0	\$22,875	\$59,769	\$23,505	77	45%
Insurance—Garage Liability	6120	\$3,033	\$8,267	\$27,308	\$8,3223	85	49%
Insurance—Officers Life	6130	\$0	\$2,395	\$17,885	\$3,301	58	34%
Insurance—Employee Other	6140	-\$304	\$56	\$2,524	\$282	14	8%
Interest Expense	6200	-\$383	\$13,335	\$125,038	\$14,321	70	41%
Janitorial & Cleaning Expense	6210	\$0	\$940	\$7,200	\$1,410	54	31%

Account Description	Account Number	Low Expense Amount	Median Expense Amount	High Expense Amount	Average Expense Amount	Number of Stores Equal to or Above Average	Percentage of Stores Equal to or Above Average
Laundry/Uniforms Expense	6220	\$209	\$4,968	\$11,872	\$4,829	81	47%
Lawn Expense	6230	\$60	\$3,075	\$13,323	\$3,414	77	45%
Legal & Accounting Expense	6240	\$6,550	\$8,430	\$21,090	\$9,229	39	23%
Licenses & Permits	6250	-\$22	\$153	\$2,810	\$336	35	20%
Miscellaneous Expense	6260	-\$1,245	\$195	\$3,914	\$404	33	19%
Meals In—Employees	6270	\$108	\$3,060	\$20,880	\$3,755	65	38%
Office Supplies & Expense	6280	\$1,225	\$5,309	\$16,173	\$5,870	73	42%
Computer Expense	6300	\$11	\$1,008	\$10,609	\$1,495	53	31%
Penalties	6320	-\$150	\$74	\$1,557	\$153	19	11%
Printing & Postage	6340	-\$49	\$896	\$5,084	\$1,131	65	38%
Recruiting/Employment	6350	-\$450	\$703	\$4,364	\$837	57	33%
Rent Expense	6360	\$120,000	\$169,181	\$251,964	\$164,204	102	59%
Rental/Lease	6370	-\$421	\$923	\$33,983	\$2,143	17	10%
Repairs & Maintenance	6380	\$15	\$6,934	\$32,147	\$6,932	86	50%
Retirement Expense	6390	\$13	\$6,295	\$30,044	\$8,068	19	11%
Salary—Owner	6410	\$0	\$60,231	\$106,365	\$57,364	142	83%
Salary—Office	6420	\$53,882	\$152,421	\$387,196	\$154,918	81	47%



Account Description	Account Number	Low Expense Amount	Median Expense Amount	High Expense Amount	Average Expense Amount	Number of Stores Equal to or Above Average	Percentage of Stores Equal to or Above Average
Salary—Office Vac. Pay	6425	-\$207	\$1,2710	\$11,921	\$1,924	33	19%
Office—PTO	6426	\$0	\$727	\$8,510	\$1,043	42	24%
Salary—Bonus	6430	\$0	\$26,014	\$156,784	\$32,106	61	35%
Security Expense	6500	-\$1,702	\$454	\$2,830	\$557	52	30%
Service—Consult/Contract	6510	\$0	\$430	\$45,000	\$1,736	6	4%
Taxes—FICA	6610	\$22,465	\$39,499	\$99,595	\$41,509	72	42%
Taxes—FUTA/SUTA	6620	-\$1,461	\$0	\$432	-\$118	9	5%
Taxes—Franchise Tax	6640	-\$708	\$2,141	\$8,560	\$2,337	41	24%
Taxes—Property Tax	6650	-\$11,025	\$20,394	\$54,855	\$21,383	73	42%
Taxes—Other Tax	6660	-\$405	\$273	\$14,143	\$1,675	16	9%
Telephone Expense—Shop	6700	\$1,726	\$4,160	\$9,754	\$4,437	70	41%
Telephone Expense—Cellphone	6710	-\$375	\$1,500	\$6,260	\$1,602	26	15%
Travel Expense	6760	\$0	\$3,775	\$15,005	\$4,097	73	42%
Training/Education Expense	6770	\$654	\$1,168	\$9,140	\$1,682	51	30%
Trash Expense	6780	\$112	\$1,220	\$3,903	\$1,382	66	38%
Utilities Expense	6790	\$4,758	\$8,702	\$20,156	\$9,021	76	44%
Totals		\$357,710	\$639,890	\$1,253,814	\$655,214		

**Schedule 19.7B—(Corporate-Owned Location)**

~~Set forth in Schedule 19.7B is the CBAC Chart of Accounts (COA) which is based on the G&A expenses shown above in Schedule 19.3. This schedule displays a range of store level expense data from the corporate-owned store that was open before January 1, 2018 and includes a “low”, “high” and “average” expense amount of each account for the year ending December 31, 2018.~~

Account Description	Account Number	Low Expense Amount	Median Expense Amount	High Expense Amount	Average Expense Amount	Number of Stores Equal to or Above Average	Percentage of Stores Equal to or Above Average
Small Tools & Equipment	5080	<del>\$1,2080</del>	<del>\$1,208782</del>	<del>\$1,20810,118</del>	<del>\$1,2082,198</del>	<del>169</del>	<del>10036%</del>
Advertising - Local	6000	<del>\$18,2692,100</del>	<del>\$18,26922,205</del>	<del>\$18,26992,144</del>	<del>\$18,26924,114</del>	<del>189</del>	<del>10046%</del>
Advertising - Regional	6001	<del>\$6400</del>	<del>\$6408,250</del>	<del>\$64010,161</del>	<del>\$6407,882</del>	<del>157</del>	<del>10030%</del>
Advertising - National	6002	<del>\$6,9801,464</del>	<del>\$6,980</del>	<del>\$6,9808,012</del>	<del>\$6,980783</del>	<del>169</del>	<del>10088%</del>
Auto <del>Lease&amp; Truck Expense - Other</del>	<del>60106020</del>	<del>\$0</del>	<del>\$0543</del>	<del>\$09,395</del>	<del>\$01,295</del>	<del>126</del>	<del>10014%</del>
<del>Auto &amp; Truck Expense—Other</del> <del>Wrapped Shuttle - Car Wash</del>	<del>60206021</del>	<del>\$06</del>	<del>\$0139</del>	<del>\$01,281</del>	<del>\$0218</del>	<del>161</del>	<del>10032%</del>
<del>Wrapped Shuttle - Car Wash</del> <del>Fuel</del>	<del>60216022</del>	<del>\$276455</del>	<del>\$2762,547</del>	<del>\$27612,077</del>	<del>\$2762,911</del>	<del>173</del>	<del>10038%</del>
<del>Wrapped Shuttle - Fuel</del> <del>Insurance</del>	<del>60226023</del>	<del>\$2,478-1,261</del>	<del>\$2,4781,510</del>	<del>\$2,4789,907</del>	<del>\$2,4781,722</del>	<del>129</del>	<del>10015%</del>
<del>Wrapped Shuttle - Insurance</del> <del>Int. /Lease</del>	<del>60236024</del>	<del>\$0-\$75</del>	<del>\$0636</del>	<del>\$02,465</del>	<del>\$0676</del>	<del>158</del>	<del>10030%</del>
<del>Wrapped Shuttle - Int. /Lease</del> <del>Maint &amp; Rpr</del>	<del>60246025</del>	<del>\$0-\$173</del>	<del>\$0648</del>	<del>\$010,334</del>	<del>\$01,108</del>	<del>143</del>	<del>10022%</del>

Account Description	Account Number	Low Expense Amount	Median Expense Amount	High Expense Amount	Average Expense Amount	Number of Stores Equal to or Above Average	Percentage of Stores Equal to or Above Average
Wrapped Shuttle - Maint & Rpr Other	<del>6025</del> 6026	<del>\$38-</del> \$184	<del>\$38</del> 450	<del>\$38</del> 25,932	<del>\$38</del> 1,302	<del>143</del>	<del>100</del> 22%
Wrapped Shuttle - Other Bad Debt Expense	<del>6026</del> 6030	<del>\$2,811-</del> \$886	<del>\$2,811</del> 381	<del>\$2,811</del> 18,281	<del>\$2,811</del> 3,583	<del>167</del>	<del>100</del> 35%
Bad Debt Expense Bank Fees	<del>6030</del> 6040	<del>\$9,760-</del> \$18	<del>\$9,760</del> 104	<del>\$9,760</del> 3,009	<del>\$9,760</del> 243	<del>142</del>	<del>100</del> 22%
Bank Fees RI/RIF (Returned Check)	<del>6040</del> 6045	<del>\$49-</del> \$2,302	<del>\$49</del> 12	<del>\$49</del> 9,843	<del>\$49</del> 626	<del>135</del>	<del>100</del> 18%
Bank RI/RIF (Returned Check) Cash (over)/under	<del>6045</del> 6050	<del>\$0-</del> \$87	<del>\$0-</del> \$1	<del>\$0</del> 441	<del>\$0</del> 7	<del>150</del>	<del>100</del> 26%
Cash (over)/under Donations	<del>6050</del> 6060	<del>\$14-</del> \$6	<del>\$14</del> 380	<del>\$14</del> 27,455	<del>\$14</del> 1,322	<del>115</del>	<del>100</del> 8%
Donations Delivery Expense	<del>6060</del> 6070	<del>\$7</del> 50	<del>\$7</del> 5229	<del>\$7</del> 52,471	<del>\$7</del> 5358	<del>123</del>	<del>100</del> 12%
Delivery Expense Dues & Subscriptions	<del>6070</del> 6080	<del>\$11</del> 7711	<del>\$11</del> 73,383	<del>\$11</del> 79,393	<del>\$11</del> 73,510	<del>191</del>	<del>100</del> 47%
Dues & Subscriptions Subscripts Service	<del>6080</del> 6085	<del>\$1,219</del> 4,049	<del>\$1,219</del> 12,828	<del>\$1,219</del> 21,351	<del>\$1,219</del> 12,625	<del>1103</del>	<del>100</del> 54%
Dues & Subscripts Service Entertainment	<del>6085</del> 6090	<del>\$11,529</del> 0	<del>\$11,529</del> 220	<del>\$11,529</del> 12,471	<del>\$11,529</del> 740	<del>17</del>	<del>100</del> 4%
Entertainment Gifts	<del>6090</del> 6095	\$0	<del>\$0</del> 212	<del>\$0</del> 1,847	<del>\$0</del> 332	<del>129</del>	<del>100</del> 15%

Account Description	Account Number	Low Expense Amount	Median Expense Amount	High Expense Amount	Average Expense Amount	Number of Stores Equal to or Above Average	Percentage of Stores Equal to or Above Average
<del>Gifts Insurance - Workers Comp.</del>	<del>6095610</del> <u>0</u>	<del>\$0147</del>	<del>\$05,952</del>	<del>\$018,820</del>	<del>\$06,780</del>	<del>185</del>	<del>10044%</del>
<del>Insurance - Workers Comp.</del> <del>Health</del>	<del>6100611</del> <u>0</u>	<del>\$5,62654</del>	<del>\$5,62621,859</del>	<del>\$5,62663,057</del>	<del>\$5,62622,994</del>	<del>190</del>	<del>10047%</del>
<del>Insurance - Health</del> <del>Garage Liability</del>	<del>6110612</del> <u>0</u>	<del>\$18,978644</del>	<del>\$18,9788,351</del>	<del>\$18,97822,739</del>	<del>\$18,9788,668</del>	<del>190</del>	<del>10047%</del>
<del>Insurance - Garage Liability</del> <del>Officers Life</del>	<del>6120613</del> <u>0</u>	<del>\$5,205363</del>	<del>\$5,2052,348</del>	<del>\$5,20522,107</del>	<del>\$5,2053,384</del>	<del>163</del>	<del>10033%</del>
<del>Insurance - Officers Life</del> <del>Employee Other</del>	<del>6130614</del> <u>0</u>	<del>\$0-\$351</del>	<del>\$093</del>	<del>\$02,196</del>	<del>\$0264</del>	<del>111</del>	<del>1006%</del>
<del>Insurance - Employee Other</del> <del>Interest Expense</del>	<del>6140620</del> <u>0</u>	<del>\$0-\$3</del>	<del>\$012,265</del>	<del>\$0102,534</del>	<del>\$013,617</del>	<del>176</del>	<del>10040%</del>
<del>Interest</del> <del>Janitorial &amp; Cleaning Expense</del>	<del>6200621</del> <u>0</u>	<del>\$0</del>	<del>\$0906</del>	<del>\$09,095</del>	<del>\$01,370</del>	<del>158</del>	<del>10030%</del>
<del>Janitorial &amp; Cleaning</del> <del>Laundry /Uniforms Expense</del>	<del>6210622</del> <u>0</u>	<del>\$1,611192</del>	<del>\$1,6114,744</del>	<del>\$1,61112,796</del>	<del>\$1,6115,093</del>	<del>181</del>	<del>10042%</del>
<del>Laundry/Uniforms</del> <del>Lawn Expense</del>	<del>6220623</del> <u>0</u>	<del>\$4,857108</del>	<del>\$4,8573,305</del>	<del>\$4,85712,282</del>	<del>\$4,8573,648</del>	<del>181</del>	<del>10042%</del>
<del>Lawn</del> <del>Legal &amp; Accounting Expense</del>	<del>6230624</del> <u>0</u>	<del>\$3,3758,800</del>	<del>\$3,37510,270</del>	<del>\$3,37522,856</del>	<del>\$3,37511,345</del>	<del>144</del>	<del>10023%</del>

Account Description	Account Number	Low Expense Amount	Median Expense Amount	High Expense Amount	Average Expense Amount	Number of Stores Equal to or Above Average	Percentage of Stores Equal to or Above Average
<del>Legal &amp; Accounting Expense</del> <del>Licenses &amp; Permits</del>	<del>62406250</del>	<del>\$11,6750</del>	<del>\$11,675159</del>	<del>\$11,6753,554</del>	<del>\$11,675358</del>	<del>147</del>	<del>10024%</del>
<del>Licenses &amp; Permits</del> <del>Miscellaneous Expense</del>	<del>62506260</del>	<del>\$14510,527</del>	<del>\$145237</del>	<del>\$1454,801</del>	<del>\$145382</del>	<del>142</del>	<del>10022%</del>
<del>Miscellaneous Expense</del> <del>Meals In - Employees</del>	<del>62606270</del>	<del>\$29170</del>	<del>\$293,678</del>	<del>\$2921,547</del>	<del>\$294,365</del>	<del>175</del>	<del>10039%</del>
<del>Meals In - Employees</del> <del>Comp anywide Events</del>	<del>62706275</del>	<del>\$2,3000</del>	<del>\$2,300900</del>	<del>\$2,3006,706</del>	<del>\$2,3001,139</del>	<del>154</del>	<del>10028%</del>
Office Supplies & Expense	6280	<del>\$5,4641,521</del>	<del>\$5,464676</del>	<del>\$5,46415,969</del>	<del>\$5,4646,349</del>	<del>178</del>	<del>10041%</del>
Computer Expense	6300	<del>\$1,27428</del>	<del>\$1,274390</del>	<del>\$1,2749,052</del>	<del>\$1,274651</del>	<del>173</del>	<del>10038%</del>
Penalties	6320	<del>\$7690</del>	<del>\$76939</del>	<del>\$7694,665</del>	<del>\$769282</del>	<del>19</del>	<del>1005%</del>
Printing & Postage	6340	<del>\$57488</del>	<del>\$5741,037</del>	<del>\$5748,525</del>	<del>\$5741,321</del>	<del>163</del>	<del>10033%</del>
Recruiting/Empl oyment	6350	<del>\$1,06511</del>	<del>\$1,065720</del>	<del>\$1,0657,900</del>	<del>\$1,065061</del>	<del>152</del>	<del>10027%</del>
Rent Expense	6360	<del>\$159,49855,400</del>	<del>\$159,498173,896</del>	<del>\$159,498255,743</del>	<del>\$159,498169,746</del>	<del>1112</del>	<del>10058%</del>
Rental/Lease	6370	<del>\$072</del>	<del>\$0883</del>	<del>\$045,482</del>	<del>\$02,408</del>	<del>116</del>	<del>1008%</del>
Repairs & Maintenance	6380	<del>\$7,094273</del>	<del>\$7,0946,051</del>	<del>\$7,09451,190</del>	<del>\$7,094146</del>	<del>177</del>	<del>10040%</del>
Retirement Expense	6390	\$0	<del>\$06,596</del>	<del>\$037,839</del>	<del>\$08,186</del>	<del>125</del>	<del>10013%</del>
Salary - Owner	6410	<del>\$2,59626</del>	<del>\$2,59660,231</del>	<del>\$2,59690,615</del>	<del>\$2,59657,133</del>	<del>162</del>	<del>10084%</del>

Account Description	Account Number	Low Expense Amount	Median Expense Amount	High Expense Amount	Average Expense Amount	Number of Stores Equal to or Above Average	Percentage of Stores Equal to or Above Average
Salary - Office	6420	<del>\$140,457</del> <u>9,887</u>	<del>\$140,457</del> <u>55,141</u>	<del>\$140,457</del> <u>413,428</u>	<del>\$140,457</del> <u>167,168</u>	<del>177</del>	<del>100</del> <u>40</u> %
Salary - Office Vac. Pay	6425	<del>\$630</del> <u>\$554</u>	<del>\$630</del> <u>1,753</u>	<del>\$630</del> <u>10,012</u>	<del>\$630</del> <u>2,322</u>	<del>156</del>	<del>100</del> <u>29</u> %
Office - PTO	6426	<del>\$192</del> <u>\$1,659</u>	<del>\$192</del> <u>1,521</u>	<del>\$192</del> <u>29,302</u>	<del>\$192</del> <u>1,997</u>	<del>156</del>	<del>100</del> <u>29</u> %
Salary - Bonus	6430	<del>\$10,282</del> <u>63</u>	<del>\$10,282</del> <u>29,470</u>	<del>\$10,282</del> <u>224,657</u>	<del>\$10,282</del> <u>36,839</u>	<del>168</del>	<del>100</del> <u>35</u> %
Security Expense	6500	<del>\$270</del> <u>\$168</u>	<del>\$270</del> <u>424</u>	<del>\$270</del> <u>3,815</u>	<del>\$270</del> <u>560</u>	<del>143</del>	<del>100</del> <u>22</u> %
Service - Consult/Contract	6510	<del>\$0</del> <u>\$65</u>	<del>\$0</del> <u>710</u>	<del>\$0</del> <u>144,256</u>	<del>\$0</del> <u>2,614</u>	<del>111</del>	<del>100</del> <u>6</u> %
Taxes - FICA	6610	<del>\$26,344</del> <u>19,040</u>	<del>\$26,344</del> <u>42,211</u>	<del>\$26,344</del> <u>111,554</u>	<del>\$26,344</del> <u>44,667</u>	<del>177</del>	<del>100</del> <u>40</u> %
Taxes - FUTA/SUTA	6620	<del>\$0</del>	<del>\$0</del> <u>\$65</u>	<del>\$0</del> <u>3,228</u>	<del>\$0</del> <u>690</u>	1	<del>100</del> <u>1</u> %
Taxes - Franchise Tax	6640	<del>\$0</del> <u>\$444</u>	<del>\$0</del> <u>2,758</u>	<del>\$0</del> <u>23,180</u>	<del>\$0</del> <u>2,986</u>	<del>144</del>	<del>100</del> <u>23</u> %
Taxes - Property Tax	6650	<del>\$17,887</del> <u>2,776</u>	<del>\$17,887</del> <u>20,811</u>	<del>\$17,887</del> <u>59,535</u>	<del>\$17,887</del> <u>23,509</u>	<del>175</del>	<del>100</del> <u>39</u> %
Taxes - Other Tax	6660	<del>\$0</del> <u>\$50</u>	<del>\$0</del> <u>261</u>	<del>\$0</del> <u>10,052</u>	<del>\$0</del> <u>1,357</u>	<del>114</del>	<del>100</del> <u>7</u> %
Telephone Expense - Shop	6700	<del>\$2,612</del> <u>1,512</u>	<del>\$2,612</del> <u>4,301</u>	<del>\$2,612</del> <u>10,322</u>	<del>\$2,612</del> <u>4,501</u>	<del>182</del>	<del>100</del> <u>43</u> %
Telephone Expense - Cellphone	6710	<del>\$875</del> <u>205</u>	<del>\$875</del> <u>1,500</u>	<del>\$875</del> <u>5,007</u>	<del>\$875</del> <u>1,660</u>	<del>130</del>	<del>100</del> <u>16</u> %
Travel Expense	6760	<del>\$2,704</del> <u>217</u>	<del>\$2,704</del> <u>5,432</u>	<del>\$2,704</del> <u>16,608</u>	<del>\$25,704</del>	<del>187</del>	<del>100</del> <u>45</u> %
Training/Education Expense	6770	<del>\$900</del>	<del>\$900</del> <u>1,392</u>	<del>\$900</del> <u>10,667</u>	<del>\$900</del> <u>1,884</u>	<del>158</del>	<del>100</del> <u>30</u> %

Account Description	Account Number	Low Expense Amount	Median Expense Amount	High Expense Amount	Average Expense Amount	Number of Stores Equal to or Above Average	Percentage of Stores Equal to or Above Average
Trash Expense	6780	<del>\$1,471,138</del>	<del>\$1,471,256</del>	<del>\$1,471,780</del>	<del>\$1,471,441</del>	<del>170</del>	<del>100.36%</del>
Utilities Expense	6790	<del>\$11,265,464</del>	<del>\$11,265,836</del>	<del>\$11,265,179</del>	<del>\$11,265,664</del>	<del>185</del>	<del>100.44%</del>
Totals		<del>\$345,309</del>	<del>\$503,486</del> <del>81,454</del>	<del>\$1,498,794</del>	<del>\$503,486</del> <del>694,619</del>		



**Schedule 19.7B – (Corporate Owned Location)**

Set forth in Schedule 19.7B is the CBAC Chart of Accounts (COA) which is based on the G&A expenses shown above in Schedule 19.3. This schedule displays a range of store level expense data from the corporate owned stores (2) that was open before January 1, 2019 and includes a “low”, “high” and “average” expense amount of each account for the year ending December 31, 2019.

<u>Account Description</u>	<u>Account Number</u>	<u>Low Expense Amount</u>	<u>Median Expense Amount</u>	<u>High Expense Amount</u>	<u>Average Expense Amount</u>	<u>Number of Stores Equal to or Above Average</u>	<u>Percentage of Stores Equal to or Above Average</u>
<u>Small Tools &amp; Equipment</u>	<u>5080</u>	<u>\$463</u>	<u>\$1,250</u>	<u>\$2,037</u>	<u>\$1,250</u>	<u>1</u>	<u>50%</u>
<u>Advertising - Local</u>	<u>6000</u>	<u>\$3,345</u>	<u>\$6,027</u>	<u>\$8,708</u>	<u>\$6,027</u>	<u>1</u>	<u>50%</u>
<u>Advertising - Regional</u>	<u>6001</u>	<u>\$0</u>	<u>\$4,125</u>	<u>\$8,250</u>	<u>\$4,125</u>	<u>1</u>	<u>50%</u>
<u>Advertising - National</u>	<u>6002</u>	<u>\$6,980</u>	<u>\$7,068</u>	<u>\$7,155</u>	<u>\$7,068</u>	<u>1</u>	<u>50%</u>
<u>Auto &amp; Truck Expense - Other</u>	<u>6020</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>2</u>	<u>100%</u>
<u>Wrapped Shuttle - Car Wash</u>	<u>6021</u>	<u>\$52</u>	<u>\$91</u>	<u>\$129</u>	<u>\$91</u>	<u>1</u>	<u>50%</u>
<u>Wrapped Shuttle - Fuel</u>	<u>6022</u>	<u>\$1,012</u>	<u>\$1,291</u>	<u>\$1,571</u>	<u>\$1,291</u>	<u>1</u>	<u>50%</u>
<u>Wrapped Shuttle - Insurance</u>	<u>6023</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>2</u>	<u>100%</u>
<u>Wrapped Shuttle - Int./Lease</u>	<u>6024</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>2</u>	<u>100%</u>
<u>Wrapped Shuttle - Maint &amp; Rpr</u>	<u>6025</u>	<u>\$0</u>	<u>\$119</u>	<u>\$238</u>	<u>\$119</u>	<u>1</u>	<u>50%</u>
<u>Wrapped Shuttle - Other</u>	<u>6026</u>	<u>\$188</u>	<u>\$372</u>	<u>\$556</u>	<u>\$372</u>	<u>1</u>	<u>50%</u>
<u>Bad Debt Expense</u>	<u>6030</u>	<u>\$354</u>	<u>\$8,804</u>	<u>\$17,254</u>	<u>\$8,804</u>	<u>1</u>	<u>50%</u>
<u>Bank Fees</u>	<u>6040</u>	<u>\$2</u>	<u>\$37</u>	<u>\$72</u>	<u>\$37</u>	<u>1</u>	<u>50%</u>
<u>Bank RI/RIF (Returned Check)</u>	<u>6045</u>	<u>\$0</u>	<u>\$467</u>	<u>\$933</u>	<u>\$467</u>	<u>1</u>	<u>50%</u>
<u>Cash (over)/under</u>	<u>6050</u>	<u>\$7</u>	<u>\$166</u>	<u>\$324</u>	<u>\$166</u>	<u>1</u>	<u>50%</u>
<u>Donations</u>	<u>6060</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>2</u>	<u>100%</u>

<u>Account Description</u>	<u>Account Number</u>	<u>Low Expense Amount</u>	<u>Median Expense Amount</u>	<u>High Expense Amount</u>	<u>Average Expense Amount</u>	<u>Number of Stores Equal to or Above Average</u>	<u>Percentage of Stores Equal to or Above Average</u>
<u>Delivery Expense</u>	<u>6070</u>	<u>\$0</u>	<u>\$95</u>	<u>\$190</u>	<u>\$95</u>	<u>1</u>	<u>50%</u>
<u>Dues &amp; Subscriptions</u>	<u>6080</u>	<u>\$976</u>	<u>\$1,246</u>	<u>\$1,516</u>	<u>\$1,246</u>	<u>1</u>	<u>50%</u>
<u>Dues &amp; Subscripts Service</u>	<u>6085</u>	<u>\$8,105</u>	<u>\$9,733</u>	<u>\$11,362</u>	<u>\$9,733</u>	<u>1</u>	<u>50%</u>
<u>Entertainment</u>	<u>6090</u>	<u>\$0</u>	<u>\$607</u>	<u>\$1,213</u>	<u>\$607</u>	<u>1</u>	<u>50%</u>
<u>Gifts</u>	<u>6095</u>	<u>\$0</u>	<u>\$38</u>	<u>\$75</u>	<u>\$38</u>	<u>1</u>	<u>50%</u>
<u>Insurance - Workers Comp.</u>	<u>6100</u>	<u>\$3,092</u>	<u>\$7,484</u>	<u>\$11,877</u>	<u>\$7,484</u>	<u>1</u>	<u>50%</u>
<u>Insurance - Health</u>	<u>6110</u>	<u>\$5,167</u>	<u>\$24,614</u>	<u>\$44,061</u>	<u>\$24,614</u>	<u>1</u>	<u>50%</u>
<u>Insurance - Garage Liability</u>	<u>6120</u>	<u>\$5,522</u>	<u>\$7,337</u>	<u>\$9,152</u>	<u>\$7,337</u>	<u>1</u>	<u>50%</u>
<u>Insurance - Officers Life</u>	<u>6130</u>	<u>\$0</u>	<u>\$1,044</u>	<u>\$2,089</u>	<u>\$1,044</u>	<u>1</u>	<u>50%</u>
<u>Insurance - Employee Other</u>	<u>6140</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>2</u>	<u>100%</u>
<u>Interest Expense</u>	<u>6200</u>	<u>\$0</u>	<u>\$2,083</u>	<u>\$4,167</u>	<u>\$2,083</u>	<u>1</u>	<u>50%</u>
<u>Janitorial &amp; Cleaning Expense</u>	<u>6210</u>	<u>\$984</u>	<u>\$992</u>	<u>\$1,000</u>	<u>\$992</u>	<u>1</u>	<u>50%</u>
<u>Laundry/Uniforms Expense</u>	<u>6220</u>	<u>\$3,757</u>	<u>\$4,721</u>	<u>\$5,685</u>	<u>\$4,721</u>	<u>1</u>	<u>50%</u>
<u>Lawn Expense</u>	<u>6230</u>	<u>\$2,180</u>	<u>\$2,213</u>	<u>\$2,245</u>	<u>\$2,213</u>	<u>1</u>	<u>50%</u>
<u>Legal &amp; Accounting Expense</u>	<u>6240</u>	<u>\$11,645</u>	<u>\$13,098</u>	<u>\$14,550</u>	<u>\$13,098</u>	<u>1</u>	<u>50%</u>
<u>Licenses &amp; Permits</u>	<u>6250</u>	<u>\$140</u>	<u>\$176</u>	<u>\$212</u>	<u>\$176</u>	<u>1</u>	<u>50%</u>
<u>Miscellaneous Expense</u>	<u>6260</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>2</u>	<u>100%</u>
<u>Meals In - Employees</u>	<u>6270</u>	<u>\$1,390</u>	<u>\$1,573</u>	<u>\$1,757</u>	<u>\$1,573</u>	<u>1</u>	<u>50%</u>
<u>Companywide Events</u>	<u>6275</u>	<u>\$0</u>	<u>\$78</u>	<u>\$155</u>	<u>\$78</u>	<u>1</u>	<u>50%</u>
<u>Office Supplies &amp; Expense</u>	<u>6280</u>	<u>\$3,305</u>	<u>\$3,983</u>	<u>\$4,661</u>	<u>\$3,983</u>	<u>1</u>	<u>50%</u>

<u>Account Description</u>	<u>Account Number</u>	<u>Low Expense Amount</u>	<u>Median Expense Amount</u>	<u>High Expense Amount</u>	<u>Average Expense Amount</u>	<u>Number of Stores Equal to or Above Average</u>	<u>Percentage of Stores Equal to or Above Average</u>
Computer Expense	6300	\$226	\$375	\$524	\$375	1	50%
Penalties	6320	\$0	\$0	\$0	\$0	2	100%
Printing & Postage	6340	\$358	\$442	\$526	\$442	1	50%
Recruiting/Employment	6350	\$0	\$13	\$25	\$13	1	50%
Rent Expense	6360	\$146,973	\$152,086	\$157,200	\$152,086	1	50%
Rental/Lease	6370	\$0	\$0	\$0	\$0	2	100%
Repairs & Maintenance	6380	\$1,222	\$2,403	\$3,585	\$2,403	1	50%
Retirement Expense	6390	\$0	\$0	\$0	\$0	2	100%
Salary - Owner	6410	\$17,750	\$34,144	\$50,538	\$34,144	1	50%
Salary - Office	6420	\$106,368	\$125,875	\$145,382	\$125,875	1	50%
Salary - Office Vac. Pay	6425	\$1,370	\$1,662	\$1,954	\$1,662	1	50%
Office - PTO	6426	\$0	\$192	\$384	\$192	1	50%
Salary - Bonus	6430	\$2,574	\$10,550	\$18,526	\$10,550	1	50%
Security Expense	6500	\$324	\$370	\$416	\$370	1	50%
Service - Consult/Contract	6510	\$710	\$710	\$710	\$710	2	100%
Taxes - FICA	6610	\$22,397	\$32,298	\$42,199	\$32,298	1	50%
Taxes - FUTA/SUTA	6620	\$0	\$0	\$0	\$0	2	100%
Taxes - Franchise Tax	6640	\$0	\$0	\$0	\$0	2	100%
Taxes - Property Tax	6650	\$18,816	\$20,415	\$22,014	\$20,415	1	50%
Taxes - Other Tax	6660	-\$25	-\$13	\$0	-\$13	1	50%
Telephone Expense - Shop	6700	\$2,999	\$4,171	\$5,342	\$4,171	1	50%
Telephone Expense - Cellphone	6710	\$190	\$668	\$1,147	\$668	1	50%
Travel Expense	6760	\$898	\$1,378	\$1,858	\$1,378	1	50%

<u>Account Description</u>	<u>Account Number</u>	<u>Low Expense Amount</u>	<u>Median Expense Amount</u>	<u>High Expense Amount</u>	<u>Average Expense Amount</u>	<u>Number of Stores Equal to or Above Average</u>	<u>Percentage of Stores Equal to or Above Average</u>
<u>Training/Education Expense</u>	<u>6770</u>	<u>\$900</u>	<u>\$960</u>	<u>\$1,020</u>	<u>\$960</u>	<u>1</u>	<u>50%</u>
<u>Trash Expense</u>	<u>6780</u>	<u>\$1,277</u>	<u>\$1,475</u>	<u>\$1,674</u>	<u>\$1,475</u>	<u>1</u>	<u>50%</u>
<u>Utilities Expense</u>	<u>6790</u>	<u>\$7,957</u>	<u>\$9,697</u>	<u>\$11,438</u>	<u>\$9,697</u>	<u>1</u>	<u>50%</u>
<u>Totals</u>		<u>\$434,832</u>	<u>\$510,802</u>	<u>\$586,773</u>	<u>\$510,802</u>		

### **Notes:**

1. Schedule 19.1B provides a year over year comparative analysis of the same 157171 franchise-owned stores and how they performed in Gross Sales in the year ending December 31, 20182019 compared to how the same stores performed in the year ending December 31, 20182017. These 157171 stores were open the entire calendar year of 2017 and 2018 and 2019 and do not include stores that were open a partial year in 20182017 or 20182019.

2. Schedule 19.3 provides results for the included CBA stores by age of the business in 6 distinct categories: Gross Sales, Cost of Goods Sold (COGS), Gross Profit (GP), General & Administrative Expenses (G&A), Net Operating Income (NOI) and Total Owner Benefit (TOB) for the year ending December 31, 20182019. Gross Sales is defined as all gross revenue derived from labor, parts and sub-contracted labor/parts and supplies. Cost of Goods Sold (COGS) is defined as all technician labor, parts costs and all sub-contracted labor/parts associated with Gross Sales. Gross Profit (GP) is defined as profit after COGS are paid, but before G&A Expenses are paid. General and Administrative Expenses (G&A) is defined as general overhead expenses for the business including, but not limited to: rent, utilities, office salaries, taxes, etc. NOI is defined as income (earnings) before depreciation, amortization, interest, royalty expense – franchisor and royalty expense – franchisee/owner. 1<sup>st</sup> Year Stores are defined as opened between January 1, 20192017 and December 31, 20192017. 2<sup>nd</sup> Year Stores are defined as opened between January 1, 20162018 and December 31, 20162018. 3<sup>rd</sup> Year Stores are defined as opened between January 1, 20152017 and December 31, 20152017 and 4<sup>th</sup> Year Stores are defined as opened between January 1, 20142016 and December 31, 20142016. 5<sup>th</sup> Year + Stores are defined as opened between August 1, 1982 and December 31, 2013-122015. 8 of the 157192 stores had a negative NOI in 20192017 (ranging from -\$3,325182 NOI to -\$245,53886,856 NOI) including 14 in 1<sup>st</sup> Year Stores, 21 in 2<sup>nd</sup> Year Stores, 20 in 3<sup>rd</sup> Year Stores, 21 in 4<sup>th</sup> Year Stores and 52 in 5 Year + Stores.

3. “Total Owner Benefit” is defined as the sum of the owner’s salary and any cash distribution or bonus the owner took during the calendar year. It does not, however, include the owner’s benefit of major medical health insurance premiums valued at up to approximately \$13,000 per year for a married couple with dependent children nor does it include the owner’s

benefit of principle reduction on any commercial debt service the owner has from the original business loan valued at approximately \$25,000 per year.

4. Other than the preceding financial performance representations, Christian Brothers Automotive Corporation 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 outlet, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to us by contacting ~~Josh Wahl~~Brad Fink at 17725 Katy Freeway, Suite 200, Houston, Texas 77094, (281) 675-~~6119~~6100, the Federal Trade Commission, and the appropriate state regulatory agencies.

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

**Table No. 1**  
**System-wide Outlet Summary**  
**For Calendar Years ~~2016~~2017 to ~~2018~~2019**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Period	Net Change
Franchised				
	<del>2017</del> <u>2016</u>	<del>151</del> <u>157</u>	<del>157</del> <u>172</u>	<del>+61</del> <u>15</u>
	<del>2018</del> <u>2017</u>	<del>157</del> <u>172</u>	<del>172</del> <u>193</u>	<del>+152</del> <u>21</u>
	<del>2018</del> <u>2019</u>	<del>172</del> <u>193</u>	<del>193</del> <u>210</u>	<del>+21</del> <u>17</u>
Company-Owned				
	<del>2017</del> <u>2016</u>	1	1	0
	<del>2018</del> <u>2017</u>	1	1	0
	<del>2018</del> <u>2019</u>	1	<del>1</del> <u>3</u>	<del>0</del> <u>+2</u>
<b>Total Outlets</b>				
	<del>2017</del> <u>2016</u>	<del>152</del> <u>158</u>	<del>158</del> <u>173</u>	<del>+61</del> <u>15</u>
	<del>2018</del> <u>2017</u>	<del>158</del> <u>173</u>	<del>173</del> <u>194</u>	<del>+152</del> <u>21</u>
	<del>2018</del> <u>2019</u>	<del>173</del> <u>194</u>	<del>194</del> <u>213</u>	<del>+21</del> <u>19</u>

**Table No. 2**  
**Transfers of Outlets from Franchisee to New Owners (other than the Franchisor) For**  
**Calendar Years ~~2016~~2017 to ~~2018~~2019**

State	Year	Number of Transfers
Colorado	<del>2016</del>	<del>1</del>
	2017	0
	2018	0
	<u>2019</u>	<u>1</u>
Florida	<del>2016</del>	0
	2017	<u>1</u>
	2018	0
	<u>2019</u>	<del>1</del>
Georgia	<del>2016</del>	<del>1</del>
	2017	3
	2018	0
	<u>2019</u>	<u>1</u>
<del>Mississippi</del>	<del>2016</del>	<del>1</del>
	<del>2017</del>	<del>0</del>
	2018	0
<del>Missouri</del>	<del>2016</del>	<del>1</del>
	<del>2017</del>	<del>0</del>
	2018	0
Nebraska	<del>2016</del>	<del>1</del>
	2017	0
	2018	0
	<u>2019</u>	<u>1</u>
New Mexico	<del>2016</del>	0
	2017	<u>1</u>
	2018	0
	<u>2019</u>	<del>1</del>
North Carolina	<del>2016</del>	0
	2017	<u>1</u>
	2018	0
	<u>2019</u>	<del>1</del>
Ohio	<del>2016</del>	0
	2017	<u>1</u>
	2018	0
	<u>2019</u>	<del>1</del>
Oklahoma	<del>2016</del>	<del>2</del>
	2017	1
	2018	1
	<u>2019</u>	<u>0</u>

<u>Tennessee</u>	<u>2017</u>	<u>0</u>
	<u>2018</u>	<u>0</u>
	<u>2019</u>	<u>1</u>
Texas	<del>2016</del>	4
	2017	9
	2018	2
	<u>2019</u>	<u>10</u>
<b>Total</b>	<del>2016</del>	<del>11</del>
	<b>2017</b>	<b>13</b>
	<b>2018</b>	7
	<u><b>2019</b></u>	<u><b>14</b></u>



**Table No. 3**  
**Status of Franchised Outlets**  
**For Calendar Years ~~2016~~2017 to ~~2018~~2019**

State	Year	Outlets at Start of Year	Outlets Opened	Termi- nations	Non- Renewals	Re- acquired by Franchisor	Ceased Operations: Other Reasons	Outlets at End of the Year
AL	<del>2017</del> 2016	3	<del>0</del> 1	0	0	0	0	<del>34</del>
AL	<del>2018</del> 2017	<del>34</del>	<del>10</del>	0	0	0	0	4
AL	<del>2018</del> 2019	4	0	0	0	0	0	4
AR	<del>2017</del> 2016	3	0	0	0	0	0	3
AR	<del>2018</del> 2017	3	0	0	0	0	0	3
AR	<del>2018</del> 2019	3	<del>0</del> 1	0	0	0	0	<del>34</del>
AZ	<del>2017</del> 2016	<del>12</del>	<del>10</del>	0	0	0	0	2
AZ	<del>2018</del> 2017	2	<del>0</del> 3	0	0	0	0	<del>25</del>
AZ	<del>2018</del> 2019	<del>25</del>	<del>32</del>	0	0	0	0	<del>57</del>
CO	<del>2017</del> 2016	<del>79</del>	<del>21</del>	0	0	0	0	<del>910</del>
CO	<del>2018</del> 2017	<del>910</del>	<del>14</del>	0	0	0	0	<del>1014</del>
CO	<del>2018</del> 2019	<del>1014</del>	<del>45</del>	0	0	0	0	<del>1419</del>
FL	<del>2017</del> 2016	6	0	0	0	0	0	6
FL	<del>2018</del> 2017	6	0	0	0	0	0	6
FL	<del>2018</del> 2019	6	<del>0</del> 1	0	0	0	0	<del>67</del>
GA	<del>2017</del> 2016	10	<del>0</del> 1	0	0	0	0	<del>1011</del>
GA	<del>2018</del> 2017	<del>1011</del>	<del>10</del>	0	0	0	0	11
GA	<del>2018</del> 2019	11	0	0	0	0	0	11
KS	<del>2017</del> 2016	4	0	0	0	0	0	4
KS	<del>2018</del> 2017	4	0	0	0	0	0	4
KS	<del>2018</del> 2019	4	0	0	0	0	0	4
IA	<del>2017</del> 2016	0	<del>0</del> 1	0	0	0	0	<del>01</del>
IA	<del>2018</del> 2017	<del>01</del>	<del>10</del>	0	0	0	0	1
IA	<del>2018</del> 2019	1	<del>0</del> 1	0	0	0	0	1
ID	<del>2017</del> 2016	1	0	0	0	0	0	1
ID	<del>2018</del> 2017	1	0	0	0	0	0	1
ID	<del>2018</del> 2019	1	<del>0</del> 1	0	0	0	0	<del>12</del>
IL	<del>2017</del> 2016	0	0	0	0	0	0	0
IL	<del>2018</del> 2017	0	<del>0</del> 1	0	0	0	0	<del>01</del>
IL	<del>2018</del> 2019	<del>01</del>	<del>12</del>	0	0	0	0	<del>13</del>
IN	<del>2017</del> 2016	2	0	0	0	0	0	2
IN	<del>2018</del> 2017	2	0	0	0	0	0	2
IN	<del>2018</del> 2019	2	<del>0</del> 1	0	0	0	0	<del>23</del>
KY	<del>2017</del> 2016	0	0	0	0	0	0	0
KY	<del>2018</del> 2017	0	<del>0</del> 1	0	0	0	0	<del>01</del>
KY	<del>2018</del> 2019	<del>01</del>	<del>10</del>	0	0	0	0	1
LA	<del>2017</del> 2016	0	<del>0</del> 1	0	0	0	0	<del>01</del>
LA	<del>2018</del> 2017	<del>01</del>	<del>10</del>	0	0	0	0	1
LA	<del>2018</del> 2019	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Termi- nations	Non- Renewals	Re- acquired by Franchisor	Ceased Operations: Other Reasons	Outlets at End of the Year
MI	<del>2017</del> 2016	2	0	0	0	0	0	2
MI	<del>2018</del> 2017	2	<del>0</del> 1	0	0	0	0	<del>2</del> 3
MI	<del>2018</del> 2019	<del>2</del> 3	<del>1</del> 0	0	0	0	0	3
MN	<del>2017</del> 2016	1	<del>0</del> 1	0	0	0	0	<del>1</del> 2
MN	<del>2018</del> 2017	<del>1</del> 2	<del>1</del> 0	0	0	0	0	2
MN	<del>2018</del> 2019	2	0	0	0	0	0	2
MO	<del>2017</del> 2016	6	0	0	0	0	0	6
MO	<del>2018</del> 2017	6	0	0	0	0	0	6
MO	<del>2018</del> 2019	6	0	0	0	0	0	6
MS	<del>2017</del> 2016	1	0	0	0	0	0	1
MS	<del>2018</del> 2017	1	0	0	0	0	0	1
MS	<del>2018</del> 2019	1	0	0	0	0	0	1
MT	<del>2017</del> 2016	1	0	0	0	0	0	1
MT	<del>2018</del> 2017	1	0	0	0	0	0	1
MT	<del>2018</del> 2019	1	0	0	0	0	0	1
NE	<del>2017</del> 2016	1	0	0	0	0	0	1
NE	<del>2018</del> 2017	1	0	0	0	0	0	1
NE	<del>2018</del> 2019	1	0	0	0	0	0	1
NC	<del>2017</del> 2016	<del>5</del> 6	1	0	0	0	0	<del>6</del> 7
NC	<del>2018</del> 2017	<del>6</del> 7	<del>1</del> 0	0	0	0	0	7
NC	<del>2018</del> 2019	7	0	0	0	0	0	7
NM	<del>2017</del> 2018	<del>0</del> 1	<del>1</del> 0	0	0	0	0	1
NM	2018	1	<del>0</del> 1	0	0	0	0	<del>1</del> 2
NM	<del>2018</del> 2019	<del>1</del> 2	<del>1</del> 0	0	0	0	0	2
OH	<del>2017</del> 2016	2	<del>0</del> 2	0	0	0	0	<del>2</del> 4
OH	<del>2017</del> 2018	<del>2</del> 4	<del>2</del> 0	0	0	0	0	4
OH	<del>2018</del> 2019	4	0	0	0	0	0	4
OK	<del>2017</del> 2016	8	0	0	0	0	0	8
OK	<del>2018</del> 2017	8	0	0	0	0	0	8
OK	<del>2018</del> 2019	8	0	0	0	0	0	8
PA	<del>2017</del> 2016	0	<del>0</del> 1	0	0	0	0	<del>0</del> 1
PA	<del>2018</del> 2017	<del>0</del> 1	<del>1</del> 0	0	0	0	0	1
PA	<del>2018</del> 2019	1	<del>0</del> 1	0	0	0	0	<del>1</del> 2
SC	<del>2017</del> 2016	1	<del>0</del> 2	0	0	0	0	<del>1</del> 3
SC	<del>2018</del> 2017	<del>1</del> 3	<del>2</del> 1	0	0	0	0	<del>3</del> 4
SC	<del>2018</del> 2019	<del>3</del> 4	<del>1</del> 0	0	0	0	0	4
TN	<del>2017</del> 2016	10	<del>0</del> 1	0	0	0	0	<del>10</del> 11
TN	<del>2018</del> 2017	<del>10</del> 11	<del>1</del> 0	0	0	0	0	11
TN	<del>2018</del> 2019	11	0	0	0	0	0	11
TX	<del>2017</del> 2016	<del>7</del> 677	1	0	0	0	0	<del>7</del> 778
TX	<del>2018</del> 2017	<del>7</del> 778	<del>1</del> 6	0	0	0	0	<del>7</del> 884
TX	<del>2018</del> 2019	<del>7</del> 884	<del>6</del> 3	0	0	<del>0</del> 1	0	<del>8</del> 486
VA	<del>2017</del> 2016	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations: Other Reasons	Outlets at End of the Year
VA	<del>2018</del> 2017	0	<del>0</del> 2	0	0	0	0	<del>0</del> 2
VA	<del>2018</del> 2019	<del>0</del> 2	<del>2</del> 0	0	0	0	0	2
WA	<del>2017</del> 2016	0	<del>0</del> 1	0	0	0	0	<del>0</del> 1
WA	<del>2018</del> 2017	<del>0</del> 1	<del>1</del> 0	0	0	0	0	1
WA	<del>2018</del> 2019	1	0	0	0	0	0	1
WI	<del>2017</del> 2016	0	0	0	0	0	0	0
WI	<del>2018</del> 2017	0	<del>0</del> 1	0	0	0	0	<del>0</del> 1
WI	<del>2018</del> 2019	<del>0</del> 1	<del>1</del> 0	0	0	0	0	1
<b>Totals</b>	<del>2017</del> 2016	<del>15</del> 157	<del>6</del> 15	0	0	0	0	<del>15</del> 7172
<b>Totals</b>	<del>2018</del> 2017	<del>15</del> 7172	<del>15</del> 21	0	0	0	0	<del>17</del> 2193
	<del>2018</del> 2019	<del>17</del> 2193	<del>2</del> 118	0	0	<del>0</del> 1	0	<del>19</del> 3210

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Calendar Years ~~2016~~2017 to ~~2018~~2019**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired <del>From</del> from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
<del>MO</del>	<del>2016</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>
<del>MO</del>	2017	<del>1</del> 0	0	0	0	0	<del>1</del> 0
<del>MO</del>	2018	<del>1</del> 0	0	0	0	0	<del>1</del> 0
<b>Totals</b>	<del>2016</del> 2019	<del>1</del> 0	<del>0</del> 1	0	0	0	1
<del>MO</del>	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
	<del>2019</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>
<del>TX</del>	<del>2017</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
	<del>2018</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>
	<del>2019</del>	<del>0</del>	<del>0</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>1</del>
<b>Totals</b>	<del>2017</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>
	<del>2018</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>1</del>
	<del>2019</del>	<del>1</del>	<del>1</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>3</del>

**Table No. 5**  
**Projected Openings As of December 31, ~~2018~~2019**

State	Franchise Committed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company- Owned Outlet in the Next Fiscal Year
<del>AL</del>	<del>2</del>	<del>2</del>	<del>0</del>
AR	<del>21</del>	1	0
AZ	<del>53</del>	<del>31</del>	0
CO	6	<del>53</del>	0
FL	<del>14</del>	<del>21</del>	0
GA	<del>34</del>	<del>13</del>	0
<del>IA</del> IL	1	1	0
<del>ID</del>	<del>1</del>	<del>1</del>	<del>0</del>
<del>IL</del>	<del>2</del>	<del>2</del>	<del>1</del>
IN	1	1	0
LA	2	<del>02</del>	0
MI	<del>21</del>	<del>01</del>	0
MN	<del>01</del>	<del>10</del>	0
NC	<del>21</del>	0	0
OK	1	1	0
PA	<del>21</del>	1	0
TN	<del>01</del>	1	0
TX	<del>67</del>	<del>25</del>	0
<del>VA</del>			
<b>Total</b>	<b>37</b>	<b><del>23</del>24</b>	<b><del>10</del></b>

Exhibit D lists the name of all current franchisees and the addresses and telephone numbers of their outlets as of December 31, ~~2018~~2019. A list of franchisees who signed a Franchise Agreement ~~as of December 31, 2017~~, but their outlets are not operational as of December 31, ~~2018~~2019, is also included in Exhibit D.

Exhibit G lists the last known contact information of the franchisees who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during ~~2018~~2019 or who has not communicated with us within ten weeks of the date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with CBAC. You may wish to speak with current and

former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Currently, there are no trademark-specific franchisee organizations associated with us.

## **ITEM 21.**

### **FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit A are our audited consolidated financial statements, which include consolidated balance sheets as of December 31, ~~2018~~2019, December 31, ~~2017~~2018 and December 31, ~~2016~~2017, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the fiscal years then ended, and related notes. Our fiscal year end is December 31<sup>st</sup>.

## **ITEM 22.**

### **CONTRACTS**

Attached as Exhibit B is our current form of Franchise Agreement.

Attached as Exhibit D to the Franchise Agreement is our current form of Commercial Sub-Lease Agreement.

Attached as Exhibit E to the Franchise Agreement is our current form of Store in Distress Program Agreement.

Attached as Exhibit F to the Franchise Agreement is our current form of Franchisee Disclosure Acknowledgment Statement.

Attached as Exhibit F is our current form of Nonuse and Nondisclosure Agreement.

Attached as Exhibit H is our current form of Assignment and Assumption Agreement.

Attached as Exhibit K is our current form of Receipt and Acknowledgement Agreement.

Attached as Exhibit K-4 is our current form of Receipt and Acknowledgement Agreement (with financing provisions).

Attached as Exhibit L is our current form of General Release Agreement.

Attached as Exhibit M is our current form of Promissory Note.

Attached as Exhibit N is our current form of Financing Letter Agreement.

## **ITEM 23.**

### **RECEIPTS**

You will find copies of a detachable receipt in Exhibits ~~OM~~-1 and ~~OM~~-2 at the very end of this Disclosure Document.

**EXHIBIT A**  
**FINANCIAL STATEMENTS OF CBAC**

Attached as Exhibit A are the audited Financial Statements of CBAC as of December 31,  
2019, 2018, and 2017, ~~and 2016~~.

**Christian Brothers Automotive Corporation**  
Consolidated Financial Statements and Supplementary Information  
For the Years Ended December 31, 2019 and 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Christian Brothers Automotive Corporation  
Houston, Texas

We have audited the accompanying consolidated financial statements of Christian Brothers Automotive Corporation (a Texas Subchapter S corporation), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

To the Board of Directors of  
Christian Brothers Automotive Corporation  
Re: Independent Auditors' Report

## **Opinion**

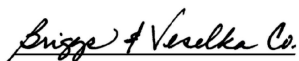
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Christian Brothers Automotive Corporation as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in *Note 4* to the consolidated financial statements, Christian Brothers Automotive Corporation had gross gains realized on sales of leased properties of \$15,696,908 and \$9,346,012 that are offset with expenses paid to the owners of variable interest entity equity interests of \$11,964,063 and \$7,317,985 for 2019 and 2018, respectively. Our opinion is not modified with respect to that matter.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the 2019 consolidated financial statements as a whole. The supplementary information contained in Schedules I and II is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of individual companies, and it is not a required part of the 2019 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the 2019 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 consolidated financial statements or to the 2019 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the 2019 consolidated financial statements as a whole.

  
Briggs & Veselka Co.  
Houston, Texas

April 14, 2020

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 6,378,297	\$ 4,319,642
Accounts receivable	3,966,554	2,305,929
Prepaid expenses and other assets	3,526,446	5,699,800
Current portion of notes receivable	<u>1,083,019</u>	<u>775,920</u>
Total current assets	14,954,316	13,101,291
Leased properties, net	89,400,086	78,970,139
Property and equipment, net	1,198,256	1,025,213
Goodwill, net	892,333	-
Notes receivable, net of current portion	2,445,726	247,323
Deferred rent receivable	<u>17,295,482</u>	<u>15,324,280</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 126,186,199</b></u>	<u><b>\$ 108,668,246</b></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 7,289,524	\$ 5,606,499
Accounts payable – related party	-	196,000
Accrued expenses	283,424	96,397
State taxes payable	167,018	79,172
Distributions payable	105,632	-
Unearned revenues	6,316,569	3,742,377
Current portion of long-term debt	1,700,106	1,285,060
Current portion of subordinated debt	63,523	-
Other current liabilities	<u>584,581</u>	<u>626,389</u>
Total current liabilities	16,510,377	11,631,894
Deferred gain on sale of leased properties	8,066,006	7,188,396
Deferred rent payable	19,463,030	17,344,501
Lines of credit	5,989,975	5,346,831
Long-term debt, net of current portion and unamortized loan fees	52,385,020	46,885,659
Subordinated debt, net of current portion	<u>17,782,723</u>	<u>16,282,723</u>
Total liabilities	120,197,131	104,680,004
Shareholders' equity		
Common stock; \$1 par value; 1,000,000 shares authorized; 12,772 shares issued and 11,363 outstanding in 2019; 12,772 shares issued and 12,026 outstanding in 2018	12,772	12,772
Additional paid-in capital	1,654,485	1,654,485
Treasury stock; 1,409 shares at cost for 2019; 746 shares at cost for 2018	(2,400,000)	(1,350,000)
Retained earnings	<u>6,721,811</u>	<u>3,670,985</u>
Total shareholders' equity	<u>5,989,068</u>	<u>3,988,242</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><b>\$ 126,186,199</b></u>	<u><b>\$ 108,668,246</b></u>

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

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Revenues	\$ 64,089,569	\$ 53,138,660
Cost of revenues	<u>29,586,057</u>	<u>25,955,161</u>
Gross profit	34,503,512	27,183,499
Selling, general and administrative expenses	<u>29,627,463</u>	<u>23,046,949</u>
Income from operations	4,876,049	4,136,550
Other income (expense)		
Gains on sale-leaseback transactions	685,221	591,375
Gains on sale of leased properties <i>(Note 4)</i>	15,696,908	9,346,012
Expenses paid to owners of VIE equity interests <i>(Note 4)</i>	(11,964,063)	(7,317,985)
Interest income	121,188	37,074
Interest expense	(3,145,582)	(2,985,964)
Net miscellaneous income	<u>927,451</u>	<u>715,221</u>
Total other income, net	<u>2,321,123</u>	<u>385,733</u>
Net income before state income taxes	7,197,172	4,522,283
State income tax expense	<u>(341,684)</u>	<u>(266,815)</u>
NET INCOME	<u>\$ 6,855,488</u>	<u>\$ 4,255,468</u>

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

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Total Shareholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE, DECEMBER 31, 2017	12,772	\$ 12,772	\$ 1,654,485	(122)	\$ (350,000)	\$ 1,193,350	\$ 2,510,607
Net income	-	-	-	-	-	4,255,468	4,255,468
Distributions	-	-	-	-	-	(1,777,833)	(1,777,833)
Purchase of treasury stock	-	-	-	(624)	(1,000,000)	-	(1,000,000)
BALANCE, DECEMBER 31, 2018	12,772	12,772	1,654,485	(746)	(1,350,000)	3,670,985	3,988,242
Adoption of ASC 606 ( <i>Note 2</i> ) at January 1, 2019	-	-	-	-	-	(2,008,339)	(2,008,339)
Net income	-	-	-	-	-	6,855,488	6,855,488
Distributions	-	-	-	-	-	(1,796,323)	(1,796,323)
Sale of treasury stock	-	-	-	601	1,000,000	-	1,000,000
Purchase of treasury stock	-	-	-	(1,264)	(2,050,000)	-	(2,050,000)
BALANCE, DECEMBER 31, 2019	12,772	\$ 12,772	\$ 1,654,485	(1,409)	\$ (2,400,000)	\$ 6,721,811	\$ 5,989,068

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

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Net income	\$ 6,855,488	\$ 4,255,468
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization expense	1,664,625	1,418,890
Bad debt expense	1,003,401	789,285
Net gains on sale of leased properties	(3,732,845)	(2,028,027)
Gain on sale-leaseback transactions	(685,221)	(591,375)
Amortization of loan fees	52,261	43,816
Changes in operating assets and liabilities:		
Accounts receivable	(1,664,026)	(438,474)
Prepaid expenses and other assets	2,185,853	(1,752,573)
Deferred rent receivable	(1,971,202)	(1,943,186)
Accounts payable	1,683,025	628,178
Accounts payable – related party	(196,000)	196,000
Accrued expenses	187,027	(78,998)
State taxes payable	87,846	7,303
Unearned revenues	565,853	(451,111)
Other current liabilities	(41,808)	117,031
Deferred gain on sale of leased properties	877,610	490,799
Deferred rent payable	<u>2,118,529</u>	<u>2,207,241</u>
Net cash from operating activities	8,990,416	2,870,267
Cash flows from investing activities		
Collections of notes receivable	1,745,634	1,279,438
Issuance of notes receivable	(4,251,136)	(277,576)
Business combination, net	(200,000)	-
Purchase of property and equipment	(402,518)	(339,280)
Proceeds from sale of leased properties	43,504,066	28,054,778
Purchase of leased properties	<u>(50,855,929)</u>	<u>(41,744,083)</u>
Net cash from investing activities	(10,459,883)	(13,026,723)
Cash flows from financing activities		
Borrowings on long-term debt and subordinated debt	49,323,332	38,673,007
Payments on long-term debt and subordinated debt	(42,697,663)	(27,196,134)
Net proceeds from lines of credit	643,144	2,110,176
Payments of distributions	(1,690,691)	(1,777,833)
Purchase of treasury stock	<u>(2,050,000)</u>	<u>(1,000,000)</u>
Net cash from financing activities	<u>3,528,122</u>	<u>10,809,216</u>
Net change in cash and cash equivalents	2,058,655	652,760
Cash and cash equivalents, beginning of year	<u>4,319,642</u>	<u>3,666,882</u>
Cash and cash equivalents, end of year	<u>\$ 6,378,297</u>	<u>\$ 4,319,642</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 3,098,321	\$ 2,942,148
State income taxes paid	\$ 253,838	\$ 259,512
Noncash investing and financing activities:		
Distributions payable	\$ 105,632	\$ -
Reissuance of treasury stock, included in accounts receivable	\$ 1,000,000	\$ -
Note payable issued for business combination	\$ 800,000	\$ -

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

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

Christian Brothers Automotive Corporation (CBAC), a Texas Subchapter S corporation, is a national franchisor of automobile repair establishments located throughout the United States of America. CBAC was formed in August 1982 and had 213 and 192 independent franchises in operation at December 31, 2019 and 2018, respectively. In addition to franchising operations, CBAC engages in the business of investing in, owning, and selling the real estate and facilities from which its franchise locations operate. These real estate sales are typically made to third-parties, some of which are under sale-leaseback agreements. Service revenue is generated from CBAC's subsidiaries and consists of revenue on parts and labor.

**Basis of Consolidation** – In accordance with accounting principles generally accepted in the United States of America (GAAP), CBAC consolidates all wholly-owned subsidiaries and variable interest entities (VIEs), for which CBAC has determined to be the primary beneficiary (collectively, the "Company"). All significant intercompany transactions and balances have been eliminated upon consolidation.

The accounts of the wholly-owned subsidiaries CBA O'Fallon, LLC (O'Fallon), CBA Lockport, LLC (Lockport) and CBA Hijo Fundador (Frisco) are consolidated in the accompanying consolidated financial statements. The subsidiaries O'Fallon, Lockport and Frisco were originally formed as independent franchises of CBAC, but were eventually acquired by the Company.

In June 2009, the Financial Accounting Standards Board (FASB) issued an amendment to the accounting and disclosure requirements for VIEs. This amendment changed how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether the reporting entity is required to consolidate another entity is based on, among other things, the purpose and design of the other entity and the reporting company's ability to direct the activities of the other entity that most significantly impact its economic performance.

In accordance with GAAP, the accounts of the following VIEs are consolidated in the accompanying consolidated financial statements for 2019: CBH Properties Investments, LLC (Investments); CBH Properties S Katy, LP (S Katy); CBH Properties San Pedro, LLC (San Pedro); CBH Properties Horsham, LLC (Horsham); CBH Properties Thornton, LLC (Thornton); CBH Properties Mandeville, LLC (Mandeville); CBH Properties Avon, LLC (Avon); CBH Properties Virginia Beach, LLC (Virginia Beach); CBH Properties Evans, LLC (Evans); CBH Properties Lititz, LLC (Lititz); CBH Properties Peoria-Thunderbird, LLC (Peoria-Thunderbird); CBH Properties Sun Prairie, LLC (Sun Prairie); CBH Properties Cascade Township, LLC (Cascade Township); CBH Properties Commerce City, LLC (Commerce City); CBH Properties Albuquerque-Ventura, LLC (Albuquerque-Ventura); CBH Properties Richmond-Huguenot Park, LLC (Richmond-Huguenot Park); CBH Properties South Parker, LLC (South Parker); CBH Properties Litchfield Park, LLC (Litchfield Park); CBH Properties Ft. Collins, LLC (Ft. Collins); CBH Properties Little Elm, LLC (Little Elm); CBH Properties West Chicago, LLC (West Chicago); CBH Properties Leander, LLC (Leander); CBH Properties Crestwood, LLC (Crestwood); CBH Properties Rockrimmon, LLC (Rockrimmon); CBH Properties Loveland-CO, LLC (Loveland); CBH Properties Lexington, LLC (Lexington); CBH Properties Fayetteville, LLC (Fayetteville); CBH Properties Keller, LLC (Keller); CBH Properties Kingwood, LLC (Kingwood); CBH Properties Bolingbrook, LLC (Bolingbrook); CBH Properties Gilbert-Spectrum, LLC (Gilbert-Spectrum); CBH Properties Broomfield, LLC (Broomfield); CBH Properties Clive, LLC (Clive); CBH Properties Lockport, LLC (Lockport); CBH Properties Barrington, LLC (Barrington); CBH Properties North Scottsdale, LLC (North Scottsdale); CBH Properties Lumsden, LLC (Lumsden); CBH Properties Rosenberg, LLC (Rosenberg); CBH Properties Greenwood, LLC (Greenwood); CBH Properties Spring Stuebner, LLC (Spring Stuebner); CBH Properties West Happy Valley, LLC (West Happy Valley); CBH Properties Apollo Beach, LLC (Apollo Beach); CBH Properties Baton Rouge, LLC (Baton Rouge); CBH Properties Canton, LLC (Canton); CBH Properties Carmel, LLC (Carmel); CBH Properties East Edmond, LLC (East Edmond); CBH Properties Lafayette LA, LLC (Lafayette); CBH Properties Maple Grove, LLC (Maple Grove); CBH Properties Meridian, LLC (Meridian); CBH Properties Mesa, LLC (Mesa); CBH Properties Montgomery, LLC (Montgomery); CBH Properties Mount Juliet, LLC (Mount Juliet); CBH Properties Norcross, LLC (Norcross); and CBH Properties Pearland, LLC (Pearland).

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**Basis of Presentation** – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with GAAP.

**Limited Liability Entities** – Certain VIEs of the Company are structured as limited liability companies or partnerships throughout the United States of America. Members of the limited liability companies are not liable for any debt, obligations, or other liability of the Company unless they have expressly guaranteed certain debt. All limited liability entities have one class of units or equal limited partnership rights, except for the following limited liability companies: Mandeville, Horsham, North Scottsdale, and Lititz. These entities have Class A and Class B units. Class A units have preferential rights for liquidating the entity or capital gain proceeds. Operating cash flows are distributed to Class B units prior to Class A units. As of December 31, 2019 and 2018, there were no Class A units issued in any of the entities. CBAC has no equity interest in the VIEs, and as such the VIEs equity is not included in the total equity of the Company.

**Cash and Cash Equivalents** – The Company considers all short-term investments with an original maturity of three months or less from date of purchase to be cash and cash equivalents.

**Revenue Recognition** – The Company’s revenues consist of franchise fee revenue, royalty fees, rental revenue, accounting revenue, and service revenue.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)*, as amended by subsequent ASUs (collectively, Accounting Standards Codification (ASC) 606) which amends the existing accounting standards for revenue recognition and establishes principles for recognizing revenue upon the transfer of promised goods or services to customers based on the expected consideration to be received in exchange for those goods or services. The Company adopted this ASU as of January 1, 2019, using the modified retrospective method. This method allows the standard to be applied retrospectively through a cumulative catch up adjustment recognized upon adoption. As such, comparative information in the Company’s financial statements has not been restated and continues to be reported under the accounting standards in effect for those periods. See *Note 2* for further information on transition to ASC 606 and the newly required disclosures.

This standard does not impact the Company’s recognition of royalties from stores operated by franchisees as those are recognized at the time the underlying sales occur. The royalty fees are calculated either based on an agreed-upon percentage of each franchisee’s net cash flow, or as a percentage of gross sales in a few instances related to multi-unit owners.

Rental, accounting and service revenues are also not impacted by this standard as those revenues are accounted for under the scope of ASC 840, *Leases*. For lease agreements with escalating payments, the Company records rental revenue on a straight-line basis over the term of the lease. Deferred rent receivable represents the rent recorded on a straight-line basis in excess of the amounts received in accordance with the lease agreement. Rental payments received in advance are included in unearned revenue on the consolidated balance sheets.

The standard does change the timing in which the Company recognizes the franchise fee revenue. The Company’s policy through December 31, 2018, was to recognize franchise fees when a franchise location opens to the general public. Franchise fees are collected in installments; the first installment is collected at the signing of the franchise agreement and the remainder is collected when construction commences. Since franchise fees are received prior to opening, they are deferred and included in unearned revenues on the consolidated balance sheets. Beginning in January 2019, a portion of franchise fees has been recognized when a franchise location opens to the general public, and the remainder has been deferred and recognized over the term of the franchise agreement.



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**Accounts Receivable and Allowance for Doubtful Accounts** – Accounts receivable consist of amounts due from franchisees for rental, accounting and royalty revenues. Accounts receivable are estimated at their net realizable value. Management periodically reviews all accounts receivable to determine if any are considered uncollectible based upon the age of the receivable and the creditworthiness of the parties involved. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. The allowance for doubtful accounts was \$-0- at December 31, 2019 and 2018.

**Leased Properties** – Properties leased to franchisees are presented at cost. The cost of ordinary maintenance and repairs is charged to operations, while renewals and replacements are capitalized. Depreciation is computed at rates sufficient to amortize the cost of the assets over their estimated useful lives using the straight-line method. The estimated useful life for building and improvements depreciation is 39 years.

**Property and Equipment** – Property and equipment are recorded at cost. Depreciation is computed at rates considered sufficient to amortize the costs of the assets over their estimated useful lives using the straight-line method. Expenditures for replacements and improvements are capitalized, and routine repairs and maintenance are charged to expense as incurred. Disposals are removed at cost less accumulated depreciation, and any resulting gain or loss is reflected in operations.

Depreciation and amortization are based on the following estimated useful lives:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Office equipment	3 - 5 years
Furniture and fixtures	5 years
Vehicles	5 years

Leasehold improvements are depreciated over the shorter of lease term or estimated useful life.

**Goodwill** – Goodwill represents the excess of the purchase price over the fair market value of net assets acquired in a business combination. In accordance with FASB ASC 350, *Intangible – Goodwill and Other*, which offers eligible private companies a simplified alternative approach to account for goodwill. Goodwill recorded by the Company has and will be amortized on a straight-line basis over a life of 10 years. Goodwill is tested for impairment at the entity level if an event occurs or circumstances indicating that the fair value of the entity may be below its carrying amount. Gross carrying amount of goodwill at December 31, 2019 and 2018 was \$902,500 and \$-0-, respectively. Accumulated amortization totaled \$10,167 and \$-0- at December 31, 2019 and 2018, respectively. In 2019 and 2018, the Company recorded amortization expense of \$10,167 and \$-0-, respectively. No impairment loss was recognized as of December 31, 2019.

**Impairment of Long-Lived Assets** – The Company reviews the carrying value of long-lived assets to be used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others.

If such factors indicate a potential impairment, the Company would assess the recoverability of an asset by determining if the carrying amount of the asset exceeds its estimated undiscounted net cash flow, excluding interest. Any impairment would be measured as the difference between the asset's carrying amount and its estimated fair value. There were no impairments recorded for 2019 and 2018.

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**Deferred Gain on Sale of Leased Properties** – The gains on the sales of certain properties which are subsequently leased back to the Company are deferred and amortized using the straight-line method over the life of the lease.

**Deferred Rent Payable** – The Company records rent expense on a straight-line basis over the lease term. Deferred rent payable represents the rent recorded on a straight-line basis in excess of the amounts paid in accordance with the lease agreement.

**Loan Fees** – Costs associated with obtaining financing are capitalized and presented net of long-term debt and amortized to interest expense over the term of the loan using the straight-line method which approximates the effective interest method. Total unamortized loan fees at December 31, 2019 and 2018 were \$162,443 and \$198,088, respectively.

**Income Taxes** – CBAC and the subsidiaries structured as limited liability entities are treated as pass-through entities for federal income tax purposes. Consequently, federal income taxes are not payable by, or provided for these entities. Partners and members of the limited liability entities are taxed individually based on their share of Company equity. The Company's net income or loss is allocated among the partners and members in accordance with the partnership or operating agreement.

Uncertain tax positions are recognized in the financial statements only if that position is more-likely-than-not of being sustained upon examination by taxing authorities based on technical merits of the position. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. At December 31, 2019 and 2018, there were no uncertain tax positions recorded. For 2019 and 2018, the Company did not recognize any interest or penalty expense related to uncertain tax positions or income taxes. The Company does not expect the amounts of unrecognized tax benefits to significantly increase or decrease within the next 12 months.

The Company files income tax returns in the U.S. federal jurisdiction and 30 state jurisdictions. Total state income tax expense of \$341,684 and \$266,815 for 2019 and 2018, respectively, are recorded on the consolidated statements of income.

**Fair Value of Financial Instruments** – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard characterizes inputs used in determining fair value according to a hierarchy that prioritizes those inputs based upon the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

- **Level 1** – Inputs represent quoted prices in active markets for identical assets or liabilities.
- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (for example, quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in markets not considered to be active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs).
- **Level 3** – Inputs that are not observable from objective sources, such as management's internally developed assumptions used in pricing an asset or liability (for example, an estimate of future cash flows used in management's internally developed present value of future cash flows model that underlies the fair value measurement).

The Company is required to disclose the fair value of certain financial instruments as a result of its total assets exceeding \$100,000,000 at December 31, 2019 and 2018. Fair value is subject to financial market fluctuations within an available market and the economy as a whole and, thus, fair values at the date of valuation should not be assumed to reflect current fair values at the time of this report. The Company considers the carrying value of the financial instruments, as presented on the face of the financial statements, to approximate the fair value.

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The carrying amount of cash and cash equivalents, receivables, and accounts payable and accrued expenses reported on the consolidated balance sheets approximate fair value due to their short-term maturities. The carrying value of the lines of credit and long-term debt on the consolidated balance sheets approximate fair value because those financial instruments bear variable interest rates or rates that approximate current market rates for notes with similar maturities and credit quality.

**Advertising Costs** – The Company expenses advertising costs as they are incurred. Total advertising costs for 2019 and 2018 were \$147,795 and \$187,573, respectively.

**Taxes Collected From Customers and Remitted to Governmental Authorities** – Taxes collected from customers and remitted to governmental authorities are reported on a net basis.

**Concentration of Credit Risk** – Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. At times, the Company maintains deposits in federally insured financial institutions in excess of federally insured limits. Management monitors the credit ratings and concentration of risk with these financial institutions on a continuing basis to safeguard cash deposits.

**Use of Estimates** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to changes relate to the determination of the useful lives of property and equipment and leased properties and impairment testing of long-lived assets.

**Reclassifications** – Certain reclassifications have been made to the prior period's financial statements to conform to the current period financial statement presentation. The reclassifications had no effect on net income or shareholders' equity.

**Recent Accounting Pronouncements** – In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the consolidated balance sheet as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. In November 2019, the FASB issued ASU 2019-10, which provides a one-year deferral of the effective dates of ASU No. 2016-02. Accordingly, the guidance is effective for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021 for nonpublic companies. The standard may be early adopted and requires a modified retrospective transition approach to apply. The Company is assessing the method of adoption and the impact this new accounting guidance will have on the financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU replace the incurred loss model for recognition of credit losses with a methodology that reflects expected credit losses over the life of the loan and requires consideration of a broader range of reasonable and supportable information to calculate credit loss estimates. In November 2019, the FASB issued ASU 2019-10, which provides a one-year deferral of the effective dates of ASU No. 2016-13. Accordingly, the guidance is effective for fiscal years beginning after December 15, 2022 for nonpublic companies. The Company is assessing the method of adoption and the impact this new accounting guidance will have on the financial statements and related disclosures.

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In January 2018, the FASB issued ASU No. 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*. The ASC aims to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated balance sheet and disclosing key information about leasing transactions. The FASB has been assisting stakeholders with implementation questions and issues as organizations prepare to adopt Topic 842. This standard is effective upon the adoption of ASU No. 2016-02. The Company is assessing the method of adoption and the impact this new accounting guidance will have on the financial statements and related disclosures.

In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an alternative transition method by allowing companies to initially apply the new leases guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. This standard is effective upon the adoption of ASU No. 2016-02. The Company is assessing the method of adoption and the impact this new accounting guidance will have on the financial statements and related disclosures.

In October 2018, the FASB issued ASU No. 2018-17: *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The amendment reduces the cost and complexity of financial reporting associated with consolidation of VIEs. Under the new standard, a private company could make an accounting policy election to not apply VIE guidance to legal entities under common control (including common control leasing arrangements) when certain criteria are met. This accounting policy election must be applied by a private company to all current and future legal entities under common control that meet the criteria for applying the alternative. Additionally, a private company electing the alternative is required to provide detailed disclosures about its involvement with, and exposure to, the legal entity under common control. The ASU also amends the guidance for determining whether a decision-making fee is a variable interest. The amendments require organizations to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety. The amendments in this ASU are effective for a private company for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, early adoption is permitted. The Company is assessing the method of adoption and the impact this new accounting guidance will have on the financial statements and related disclosures.

## **NOTE 2 – REVENUES**

The new revenue recognition standard is intended to clarify the principles of recognizing revenue from contracts with customers and to improve financial reporting by creating common revenue recognition for GAAP. ASC 606 supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance. Entities are required to apply the following steps when recognizing revenue under ASC 606: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. This ASC also requires additional disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts.

The following presents the Company's revenues, disaggregated by major business activity for 2019:

Franchise	\$ 2,989,492
Rental	32,434,477
Royalty	21,446,374
Sales and service	<u>7,219,226</u>
Total revenues	<u>\$ 64,089,569</u>

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On January 1, 2019, the cumulative adjustment recorded upon adoption of ASC 606 consisted of franchise fees previously recognized as revenues when the store opened and now deferred over the remaining terms of the franchise agreements was \$2,008,339 and is recorded within unearned revenue on the consolidated balance sheet.

*Practical Expedients and Exemptions* – Upon adoption of ASC 606, the Company elected the practical expedient to not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less, (ii) contracts for which the Company recognizes revenue at the amount to which the Company has the right to invoice for services performed and (iii) contracts for which the variable consideration is allocated entirely to a wholly unsatisfied promise to transfer a distinct good or service that forms a part of a single performance obligation.

**NOTE 3 – VARIABLE INTEREST ENTITIES**

CBAC has entered into operating lease agreements and guarantees debt on several entities under common control, as listed in *Note 1*. The debt for all of the VIEs is also partially guaranteed by a shareholder of CBAC. Each of these entities has been determined to be a VIE in which CBAC is the primary beneficiary.

The purpose of the VIEs is to grow the franchise system, for investment purposes, and to collect rents. The Company manages its investment portfolio and sells real estate when market conditions are favorable. The VIEs are thinly capitalized and the lease agreements between the VIE and CBAC are the sole income for the VIE until the real estate is sold to a third-party or franchisee and a gain realized. CBAC's maximum exposure to loss from involvement with these entities is limited to the difference between the fair value of the real estate purchased and constructed and the fair value of the guarantee on the debt at the date of default. The fair value of the guarantee has not been estimated as of December 31, 2019 and 2018, as none of the debt agreements are in default or more-likely-than-not of being in default at year-end.

Due to the consolidation of these VIEs, the following accounts are included in the consolidated balance sheets at December 31:

	<u>2019</u>	<u>2018</u>
Accounts receivable	\$ 119,887	\$ 515,243
Leased properties, net	<u>71,777,052</u>	<u>60,331,167</u>
Total assets	<u>\$ 71,896,939</u>	<u>\$ 60,846,410</u>
Accounts payable and accrued expenses	\$ 4,733,086	\$ 3,492,188
Current portion of long-term debt	1,131,715	995,841
Long-term debt, net of current portion and unamortized loan fees	49,148,138	40,906,381
Subordinated debt	<u>16,884,000</u>	<u>15,452,000</u>
Total liabilities	<u>71,896,939</u>	<u>60,846,410</u>
Total liabilities and VIE's equity	<u>\$ 71,896,939</u>	<u>\$ 60,846,410</u>

The liabilities recognized as a result of consolidating the VIEs do not represent additional claims on CBAC's general assets. The creditors of the VIEs have claims on the assets of the VIEs, supported by guarantees by CBAC. The assets recognized as a result of consolidating the VIEs are the property of the VIEs and are not available to CBAC for any other purpose. Income generated from the activities of the VIEs are payable to the equity owners of the VIEs and are, therefore, accrued as expenses during the period generated.

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**NOTE 4 – EMPHASIS OF MATTER**

In 2007, the shareholders of CBAC began forming VIEs for purposes of purchasing and constructing real estate for leasing to CBAC for future franchise locations and for investment purposes. After the buildings are constructed and leased to CBAC, the real estate is often sold to a third-party, or in rare instances to franchisees, and leased to CBAC who subleases the property to the franchisee creating a sale-leaseback transaction.

In accordance with employment agreements with members of management and shareholders of CBAC (CBAC employment agreements), equity interests in these entities were granted to them allowing participation in any tax gains realized on the sale of the real estate. Management of CBAC locates potential franchisees, oversees the purchase and construction of the real estate, and secures and administers the financing from financial institutions and related parties.

At the date of grant, typically at formation, the equity has no fair value. The equity interests are granted requiring no or minimal capital contributions and are thinly capitalized.

The members and the partners of the VIEs are paid their equitable share determined by partnership and operating agreements of the VIEs of the tax gain on the sale of the real estate in accordance with CBAC employment agreements. Management considers these expenses paid to the owners of the VIE equity interests as a cost of selling the real estate for their services in locating, purchasing, constructing, and administering the real estate and reduces the gain realized by the amounts obligated to the equity holders of the VIEs.

As of December 31, 2019 and 2018, gross gains realized on sale of leased properties were \$15,696,908 and \$9,346,012, respectively. Expenses paid to the owners of VIE equity interests were \$11,964,063 and \$7,317,985 for 2019 and 2018, respectively, which are included in the consolidated statements of income. In accordance with GAAP, gains realized on the sale of real estate that are subsequently leased back to the seller are deferred and amortized over the life of the lease. See *Note 12* for sale-leaseback transactions with net gains amortized as of December 31, 2019.

**NOTE 5 – BUSINESS COMBINATION**

On October 31, 2019, the Company completed the acquisition of the wholly-owned subsidiary Frisco from an independent franchisee. The Frisco acquisition was accounted for as a business combination pursuant to FASB ASC 805, *Business Combinations*. Consideration was \$200,000 in cash and the issuance of \$800,000 note payable to the former franchisee. The purchase price allocation is based upon preliminary information and is subject to change when additional information is obtained. Goodwill recognized largely results from established relationships with its customers, independent contractors, vendors and employees, which do not qualify for separate recognition.

The Company has determined the transaction is a business combination and recorded the following fair values of assets acquired at the acquisition date:

Property and equipment	\$ 85,000
Other assets	<u>12,500</u>
	97,500
Total purchase price	<u>1,000,000</u>
Goodwill	<u>\$ 902,500</u>

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The fair values were determined using the income and market approach which included multiple assumptions such as revenue growth rates, gross margin, and weighted-average cost of capital. Property and equipment fair values were determined using a combination of the income and cost approaches. The goodwill on the business combination of \$902,500 represents the excess of the identifiable net assets acquired over the purchase price.

**NOTE 6 – NOTES RECEIVABLE**

Notes receivable includes amounts due from franchisees for working capital advances, franchise fees, and the purchase of equipment. The notes bear interest at a rate of -0-% to 10% per year, with principal and interest payable monthly with terms ranging from on demand to 10 years.

Future payments from notes receivable are as follows:

For the Year Ending December 31,	Amount
2020	\$ 1,083,019
2021	415,896
2022	303,148
2023	311,176
2024	319,619
Thereafter	<u>1,095,887</u>
Total	<u>\$ 3,528,745</u>

**NOTE 7 – LEASED PROPERTIES**

Leased properties consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 29,155,499	\$ 26,251,499
Buildings and improvements	<u>65,213,443</u>	<u>57,880,735</u>
	94,368,942	84,132,234
Less: accumulated depreciation	<u>(4,968,856)</u>	<u>(5,162,095)</u>
Total leased properties, net	<u>\$ 89,400,086</u>	<u>\$ 78,970,139</u>

Total depreciation expense for 2019 and 2018 was \$1,339,982 and \$1,128,475, respectively. Interest capitalized for 2019 and 2018 was \$1,798,445 and \$980,087, respectively.

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**NOTE 8 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Office and equipment	\$ 1,428,454	\$ 1,173,268
Furniture and fixtures	942,318	903,546
Vehicles	69,846	25,956
Leasehold improvements	<u>466,966</u>	<u>317,295</u>
	2,907,584	2,420,065
Less: accumulated depreciation	<u>(1,709,328)</u>	<u>(1,394,852)</u>
Total property and equipment, net	<u>\$ 1,198,256</u>	<u>\$ 1,025,213</u>

Total depreciation expense for 2019 and 2018 was \$314,476 and \$290,415, respectively.

**NOTE 9 – FUTURE LEASE REVENUES**

The following is a schedule of future rental revenues based on initial lease terms of 15 years for 186 franchises who lease facilities from the Company:

<u>For the Year Ending December 31,</u>	<u>In Operation</u>	<u>New Franchises</u>	<u>Total</u>
2020	\$ 28,312,065	\$ 3,043,603	\$ 31,355,668
2021	28,178,132	3,962,765	32,140,897
2022	27,863,375	4,022,207	31,885,582
2023	27,086,230	4,082,540	31,168,770
2024	26,616,739	4,143,778	30,760,517
Thereafter	<u>124,219,075</u>	<u>43,287,717</u>	<u>167,506,792</u>
Totals	<u>\$ 262,275,616</u>	<u>\$ 62,542,610</u>	<u>\$ 324,818,226</u>

**NOTE 10 – LINES OF CREDIT**

Lines of credit consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Effective October 31, 2013, the Company executed an agreement with a bank for a construction line of credit with a maximum principal amount of \$1,300,000 matured on January 2018 and subsequently renewed through October 4, 2022. Interest is due monthly at the rate of one-month London Inter-bank Offered Rate (LIBOR) plus 2.75% (4.55% at December 31, 2019). The construction line of credit is secured by all new construction and real estate purchased with loan proceeds and cross-collateralized with existing real estate purchased with debt from the same financial institution. The Company did not have outstanding borrowings against the credit line at December 31, 2019.	\$ -	1,000,000



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	<u>2019</u>	<u>2018</u>
Effective December 20, 2015, the Company entered into a Master Loan Agreement with a bank to extend a line of credit for business operation purposes. The agreement was amended and restated on June 21, 2018 with maximum principal amount of \$10,500,000 maturing on October 4, 2022. Interest is due monthly at the rate of one-month LIBOR plus 3.25% (5.05% at December 31, 2019). The line is secured by certain real estate. CBAC and CBH Properties Hallmark, LLC are the only guarantors.	<b>4,800,621</b>	3,477,477
Effective June 22, 2016, the Company executed an agreement with a bank for a construction line of credit with a maximum principal amount of \$2,000,000 matured on June 22, 2019 and subsequently renewed through June 30, 2020. Interest is due monthly at the prime rate plus 1% (5.75% at December 31, 2019). The construction line of credit is secured by all new construction and real estate purchased with loan proceeds and cross-collateralized with existing real estate purchased with debt from the same financial institution as well as a guaranty agreement executed by Mark A. Carr, CEO and Mark A. Carr 2008 Irrevocable Trust. The Company has full intention of renewing the construction line of credit prior to maturity.	<u><b>1,189,354</b></u>	<u>869,354</u>
Total lines of credit	<u><b>\$ 5,989,975</b></u>	<u><b>\$ 5,346,831</b></u>

The debt balance associated with those lines of credit have been classified accordingly as long-term in the consolidated balance sheets.

Future payments on lines of credit are as follows:

<u>For the Year Ending December 31,</u>	<u>Amount</u>
2020	\$ -
2021	1,189,354
2022	<u>4,800,621</u>
Total	<u><b>\$ 5,989,975</b></u>

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 11 – LONG-TERM AND SUBORDINATED DEBT**

Long-term debt and subordinated debt were as follows at December 31:

	<u>2019</u>	<u>2018</u>
Notes payable to various financial institutions, secured by real estate and certain accounts receivable, and/or assets of the subsidiaries; interest rates ranging from 1.68% to 5.05%; with monthly or quarterly principal and interest payments ranging between \$2,423 and \$10,624; maturing on various dates through October 2024.	\$ 4,320,866	\$ 4,102,263
Effective December 20, 2011, the Company executed an agreement with a bank for a construction loan with a maximum principal amount of \$7,500,000, maturing on October 4, 2022. Interest is due monthly at the rate of LIBOR plus 3.25% (5.05% at December 31, 2019). Secured by all new construction and real estate purchased with loan proceeds and cross-collateralized with existing real estate purchased with debt from the same financial institution.	1,564,325	2,934,325
Notes payable to various financial institutions, secured by assets of CBAC; interest rates ranging from 4.00% to 6.25%; with monthly or quarterly principal and interest payments ranging between \$7,440 and \$21,258; maturing on various dates through March 2028.	47,631,053	41,332,219
Subordinated notes payable to an affiliate of a shareholder, unsecured, with a 8.0% interest rate; with a monthly principal and interest payment of \$1,042. There was no payment in 2019. Principal and unpaid interest is due on April 15, 2021.	26,723	24,723
Subordinated notes payable to related parties, including shareholders, directors, members, partners and affiliates of shareholders; secured by land and/or assets of CBAC; bearing interest from 4.5% to 10.0%; with monthly or quarterly principal and interest payments ranging between \$3,083 and \$12,748; maturing on various dates through December 2024.	18,550,848	16,258,000
	72,093,815	64,651,530
Less: current portion	(1,763,629)	(1,285,060)
Less: loan fees, net	(162,443)	(198,088)
Total long-term debt and subordinated debt, net of current portion and unamortized loan fees	<u>\$ 70,167,743</u>	<u>\$ 63,168,382</u>

In connection with certain notes payable, the Company has agreed to various covenants including reporting requirements and maintenance of certain financial ratios. The Company was in compliance with these covenants at December 31, 2019 and 2018.

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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Future payments on long-term debt and subordinated debt are as follows:

For the Year Ending December 31,	Long-Term Debt	Subordinated Debt	Total
2020	\$ 1,700,106	\$ 63,523	\$ 1,763,629
2021	4,315,981	317,496	4,633,477
2022	12,182,530	1,516,189	13,698,719
2023	18,448,225	5,764,780	24,213,005
2024	15,441,664	10,472,555	25,914,219
Thereafter	<u>1,427,738</u>	<u>443,028</u>	<u>1,870,766</u>
Totals	<u>\$ 53,516,244</u>	<u>\$ 18,577,571</u>	<u>\$ 72,093,815</u>

**NOTE 12 – SALE-LEASEBACK TRANSACTIONS**

During prior periods, the Company had entered into 20 sale-leaseback agreements of land and buildings on leased properties. The Company deferred \$1,562,831 in real estate gains in the current year for recognition in future periods. This deferred amount is recognized into income over the life of each respective lease. Gains recognized in the 2019 and 2018 consolidated statements of income related to the amortization of deferred gain on real estate were \$685,221 and \$591,375, respectively, included in gains on sale-leaseback transactions. Total deferred gain on sale of real estate at December 31, 2019 and 2018 was \$8,066,006 and \$7,188,396, respectively.

**NOTE 13 – SHAREHOLDERS' EQUITY**

During 2009, the Company performed a stock conversion. For every voting common share outstanding, the Company converted such common share into a 0.1 voting common share and a 0.9 nonvoting common share. The majority shareholder of the Company sold his nonvoting shares to his irrevocable trust.

During 2019, the Company purchased 1,264 shares which were held as treasury shares. The cost of the treasury shares purchased was \$2,050,000. The Company sold 601 treasury shares to current member of management and minority owner for \$1,000,000, and proceeds was collected subsequent to year-end on January 21, 2020.

During 2018, the Company purchased 624 treasury shares. The cost of the treasury shares purchased was \$1,000,000.

During 2019, the Company declared \$1,796,323 in distributions on common stock and paid \$1,690,691 in the current year. During 2018, the Company declared and paid \$1,777,833 in distributions on common stock.

**NOTE 14 – OPERATING LEASES**

The Company leases its office facilities and leased properties under noncancelable operating leases which expire in various years through 2039. Rent expense for 2019 and 2018 was \$28,778,200 and \$25,458,182, respectively, included in cost of revenues.

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

The following is a schedule of future minimum lease payments for operating leases with initial or remaining noncancelable lease terms in excess of one year:

For the Year Ending December 31,	Existing Franchises	New Franchises	Total
2020	\$ 25,897,178	\$ 3,898,230	\$ 29,795,408
2021	25,995,751	3,898,230	29,893,981
2022	26,299,998	3,898,230	30,198,228
2023	26,648,321	3,898,230	30,546,551
2024	26,628,922	3,921,634	30,550,556
Thereafter	<u>136,731,593</u>	<u>41,929,121</u>	<u>178,660,714</u>
Totals	<u>\$ 268,201,763</u>	<u>\$ 61,443,675</u>	<u>\$ 329,645,438</u>

**NOTE 15 – EMPLOYEE BENEFIT PLAN**

In January 2013, the Company established a 401(k) plan (the “Plan”) for all eligible employees. Employees are permitted to defer a portion of their compensation. The Company matches employee contributions up to 4% of their salary. Employees are immediately vested in employer contributions. Company contributions to the Plan totaled \$265,669 and \$235,184 in 2019 and 2018, respectively.

**NOTE 16 – COMMITMENTS AND CONTINGENCIES**

**Litigation** – From time-to-time, the Company is subject to various litigation and other claims in the normal course of business. The Company establishes liabilities in connection with legal actions that management deems to be probable and estimable. No amounts have been accrued in the financial statements with respect to any matters.

**Commitments** – During 2019 and subsequent to year-end, the Company entered into loan purchase agreements with a bank where the Company promises and agrees to purchase the loan from the lender, if the note is in default, delinquent (in any payment of either principal or interest), or matured. The amount to be paid by the Company for the purchase of the loan shall be the sum of the unpaid principal balance of the note, plus all accrued and unpaid interest through the purchase date. The original amount of the loan during 2019 was \$1,630,000. No amounts have been accrued in the financial statements related to these loan purchase agreements as of December 31, 2019.

**NOTE 17 – SUBSEQUENT EVENTS**

Subsequent to year-end, many countries around the world, including the United States, were impacted by the coronavirus (the “virus” or COVID-19) outbreak. While the virus is continuing to evolve, its implications could involve interruptions to production and supply chains, unavailability of personnel, and reductions in sales, earnings or productivity. In addition, the Company may be impacted by the broader effects of COVID-19 as a result of negative impact the virus has had on the global economy and major financial markets. At this time, management is not aware of any material risk to the Company’s financial statements and cannot quantify the extent the virus may have on the Company’s financial information.

In response to the COVID-19 pandemic, the U.S. Small Business Administration (the “SBA”) is making available low-interest rate loans to qualified small businesses, including under its Paycheck Protection Program (the “PPP”). On April 13, 2020, in order to supplement its cash balance, the Company was approved for a loan (SBA loan) in the amount of \$2,363,100. The SBA loan bears interest at 1% and matures April 13, 2022.

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans guaranteed under the PPP. The PPP and loan forgiveness are intended to provide economic relief to small businesses, such as the Company, that are adversely impacted under the COVID-19 Emergency Declaration issued by President Trump on March 13, 2020. No assurance can be given that the Company will qualify for and/or receive any loan forgiveness from the PPP.

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through April 14, 2020, the date the financial statements were available to be issued. Except as disclosed, there are no subsequent events that required adjustment or disclosure.

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**SCHEDULE I – CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 2019**

	Christian Brothers Automotive Corporation	Subsidiaries	Variable Interest Entities	Total	Eliminating Entries	Consolidated Total
<b>ASSETS</b>						
Current assets						
Cash and equivalents	\$ 6,066,803	\$ 311,494	\$ -	\$ 6,378,297	\$ -	\$ 6,378,297
Accounts receivable	4,052,462	18,324	119,887	4,190,673	(224,119)	3,966,554
Prepaid expenses and other assets	5,074,849	26,597	-	5,101,446	(1,575,000)	3,526,446
Current portion of notes receivable	<u>1,083,019</u>	<u>-</u>	<u>-</u>	<u>1,083,019</u>	<u>-</u>	<u>1,083,019</u>
Total current assets	<u>16,277,133</u>	<u>356,415</u>	<u>119,887</u>	<u>16,753,435</u>	<u>(1,799,119)</u>	<u>14,954,316</u>
Leased properties, net	17,671,717	-	71,777,052	89,448,769	(48,683)	89,400,086
Property and equipment, net	881,008	317,248	-	1,198,256	-	1,198,256
Franchise fees, net	-	65,000	-	65,000	(65,000)	-
Goodwill, net	-	892,333	-	892,333	-	892,333
Notes receivable, net of current portion	3,998,843	-	-	3,998,843	(1,553,117)	2,445,726
Deferred rent receivable	<u>17,398,133</u>	<u>-</u>	<u>-</u>	<u>17,398,133</u>	<u>(102,651)</u>	<u>17,295,482</u>
<b>TOTAL ASSETS</b>	<u>\$ 56,226,834</u>	<u>\$ 1,630,996</u>	<u>\$ 71,896,939</u>	<u>\$ 129,754,769</u>	<u>\$ (3,568,570)</u>	<u>\$ 126,186,199</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Current liabilities						
Accounts payable	\$ 1,535,212	\$ 153,055	\$ 5,825,376	\$ 7,513,643	\$ (224,119)	\$ 7,289,524
Accrued expenses	1,334,158	41,556	(1,092,290) <sup>(1)</sup>	283,424	-	283,424
State taxes payable	167,018	-	-	167,018	-	167,018
Distributions payable	105,632	-	-	105,632	-	105,632
Unearned revenues	6,316,569	-	-	6,316,569	-	6,316,569
Current portion of long-term debt	568,391	-	1,131,715	1,700,106	-	1,700,106
Current portion of subordinated debt	-	63,523	-	63,523	-	63,523
Other current liabilities	<u>583,685</u>	<u>896</u>	<u>-</u>	<u>584,581</u>	<u>-</u>	<u>584,581</u>
Total current liabilities	<u>10,610,665</u>	<u>259,030</u>	<u>5,864,801</u>	<u>16,734,496</u>	<u>(224,119)</u>	<u>16,510,377</u>
Deferred gain on sale of leased properties	8,066,006	-	-	8,066,006	-	8,066,006
Deferred rent payable	19,463,030	-	-	19,463,030	-	19,463,030
Lines of credit	5,989,975	10,000	-	5,999,975	(10,000)	5,989,975
Long-term debt, net of current portion and unamortized loan fees	5,154,557	1,265,442	49,148,138	55,568,137	(3,183,117)	52,385,020
Subordinated debt, net of current portion	<u>898,723</u>	<u>-</u>	<u>16,884,000</u>	<u>17,782,723</u>	<u>-</u>	<u>17,782,723</u>
Total liabilities	<u>50,182,956</u>	<u>1,534,472</u>	<u>71,896,939</u>	<u>123,614,367</u>	<u>(3,417,236)</u>	<u>120,197,131</u>
Shareholders' equity						
Common stock	12,772	-	-	12,772	-	12,772
Additional paid-in capital	1,654,485	-	-	1,654,485	-	1,654,485
Treasury stock	(2,400,000)	-	-	(2,400,000)	-	(2,400,000)
Retained earnings	<u>6,776,621</u>	<u>96,524</u>	<u>-</u>	<u>6,873,145</u>	<u>(151,334)</u>	<u>6,721,811</u>
Total shareholders' equity	<u>6,043,878</u>	<u>96,524</u>	<u>-</u>	<u>6,140,402</u>	<u>(151,334)</u>	<u>5,989,068</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 56,226,834</u>	<u>\$ 1,630,996</u>	<u>\$ 71,896,939</u>	<u>\$ 129,754,769</u>	<u>\$ (3,568,570)</u>	<u>\$ 126,186,199</u>

(1) This represents temporary offset VIE equity due to VIE not recording equity on the Company's financial as net income or loss is not attributable to the Company (see Note 3).

*See independent auditors' report.*

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**SCHEDULE II – CONSOLIDATING STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Christian Brothers Automotive Corporation	Subsidiaries	Variable Interest Entities	Total	Eliminating Entries	Consolidated Total
Revenues	\$ 62,666,476	\$ 1,582,620	\$ 1,888,675	\$ 66,137,771	\$ (2,048,202)	\$ 64,089,569
Cost of revenues	<u>30,636,875</u>	<u>891,457</u>	<u>93,373</u>	<u>31,621,705</u>	<u>(2,035,648)</u>	<u>29,586,057</u>
Gross profit	32,029,601	691,163	1,795,302	34,516,066	(12,554)	34,503,512
Selling, general and administrative expenses	<u>25,980,795</u>	<u>606,588</u>	<u>3,028,327</u>	<u>29,615,710</u>	<u>11,753</u>	<u>29,627,463</u>
Income (loss) from operations	6,048,806	84,575	(1,233,025)	4,900,356	(24,307)	4,876,049
Other income (expense)						
Gain on sale-leaseback transactions	685,221	-	-	685,221	-	685,221
Gains on sale of leased properties	-	-	15,733,838	15,733,838	(36,930)	15,696,908
Expenses paid to owners of VIE equity interests	-	-	(11,964,063)	(11,964,063)	-	(11,964,063)
Interest income	121,188	-	-	121,188	-	121,188
Interest expense	(493,429)	(10,968)	(2,641,185)	(3,145,582)	-	(3,145,582)
Net miscellaneous income (expense)	<u>802,726</u>	<u>(2,295)</u>	<u>104,435</u>	<u>904,866</u>	<u>22,585</u>	<u>927,451</u>
Total other income (expense), net	<u>1,115,706</u>	<u>(13,263)</u>	<u>1,233,025</u>	<u>2,335,468</u>	<u>(14,345)</u>	<u>2,321,123</u>
Net income before state income taxes	7,164,512	71,312	-	7,235,824	(38,652)	7,197,172
State income tax expense	<u>(341,684)</u>	<u>-</u>	<u>-</u>	<u>(341,684)</u>	<u>-</u>	<u>(341,684)</u>
NET INCOME	<u>\$ 6,822,828</u>	<u>\$ 71,312</u>	<u>\$ -</u>	<u>\$ 6,894,140</u>	<u>\$ (38,652)</u>	<u>\$ 6,855,488</u>

*See independent auditors' report.*

**Christian Brothers Automotive Corporation**  
Consolidated Financial Statements and Supplementary Information  
For the Years Ended December 31, 2018 and 2017



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Christian Brothers Automotive Corporation  
Houston, Texas

We have audited the accompanying consolidated financial statements of Christian Brothers Automotive Corporation (a Texas Subchapter S corporation), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

To the Board of Directors of  
Christian Brothers Automotive Corporation  
Re: Independent Auditors' Report

## **Opinion**

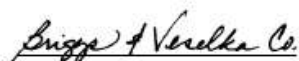
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Christian Brothers Automotive Corporation as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in *Note 3* to the consolidated financial statements, Christian Brothers Automotive Corporation had gross gains realized on sales of leased properties of \$9,346,012 and \$4,721,856 that are offset with expenses paid to the owners of variable interest entity equity interests of \$7,317,985 and \$3,598,750 for 2018 and 2017, respectively. Our opinion is not modified with respect to that matter.

## **Report on Consolidating Information**

Our audit was conducted for the purpose of forming an opinion on the 2018 consolidated financial statements as a whole. The supplementary information contained in Schedules I and II is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of individual companies, and it is not a required part of the 2018 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the 2018 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2018 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the 2018 consolidated financial statements as a whole.



Briggs & Veselka Co.  
Houston, Texas

April 5, 2019

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 4,319,642	\$ 3,666,882
Accounts receivable	2,305,929	2,656,740
Prepaid expenses and other assets	5,699,800	3,947,227
Current portion of notes receivable	<u>775,920</u>	<u>1,557,559</u>
Total current assets	13,101,291	11,828,408
Leased properties, net	78,970,139	63,789,907
Property and equipment, net	1,025,213	976,348
Notes receivable, net of current portion	247,323	467,546
Deferred rent receivable	<u>15,324,280</u>	<u>13,381,094</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 108,668,246</b></u>	<u><b>\$ 90,443,303</b></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 5,606,499	\$ 4,978,321
Accounts payable – related party	196,000	-
Accrued expenses	96,397	175,395
State taxes payable	79,172	71,869
Unearned revenues	3,742,377	4,193,488
Current portion of long-term debt	1,285,060	1,789,899
Other current liabilities	<u>626,389</u>	<u>509,358</u>
Total current liabilities	11,631,894	11,718,330
Deferred gain on sale of leased properties	7,188,396	6,697,597
Deferred rent payable	17,344,501	15,137,260
Lines of credit	5,346,831	3,236,655
Long-term debt, net of current portion and of loan fees	46,885,659	37,967,131
Subordinated debt	<u>16,282,723</u>	<u>13,175,723</u>
Total liabilities	104,680,004	87,932,696
Shareholders' equity		
Common stock; \$1 par value; 1,000,000 shares authorized; 12,772 shares issued and 12,026 outstanding in 2018; 12,772 shares issued and 12,650 outstanding in 2017	12,772	12,772
Additional paid-in capital	1,654,485	1,654,485
Treasury stock; 746 shares at cost for 2018; 122 shares at cost for 2017	(1,350,000)	(350,000)
Retained earnings	<u>3,670,985</u>	<u>1,193,350</u>
Total shareholders' equity	<u>3,988,242</u>	<u>2,510,607</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><b>\$ 108,668,246</b></u>	<u><b>\$ 90,443,303</b></u>

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

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Revenues	\$ 53,138,660	\$ 44,748,468
Cost of revenues	<u>25,955,161</u>	<u>22,918,817</u>
Gross profit	27,183,499	21,829,651
Selling, general and administrative expenses	<u>23,046,949</u>	<u>19,821,460</u>
Income from operations	4,136,550	2,008,191
Other income (expense)		
Gains on sale-leaseback transactions	591,375	519,885
Gains on sale of leased properties ( <i>Note 3</i> )	9,346,012	4,721,856
Expenses paid to owners of VIE equity interests ( <i>Note 3</i> )	(7,317,985)	(3,598,750)
Interest income	37,074	17,346
Interest expense	(2,985,964)	(1,624,276)
Net miscellaneous income	<u>715,221</u>	<u>392,564</u>
Total other income, net	<u>385,733</u>	<u>428,625</u>
Net income before state income taxes	4,522,283	2,436,816
State income tax expense	<u>(266,815)</u>	<u>(165,688)</u>
NET INCOME	<u>\$ 4,255,468</u>	<u>\$ 2,271,128</u>

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

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Total Shareholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE, DECEMBER 31, 2016	12,443	\$ 12,443	\$ 1,078,960	(122)	\$ (350,000)	\$ 222,222	\$ 963,625
Net income	-	-	-	-	-	2,271,128	2,271,128
Issuance of common stock	329	329	179,671	-	-	-	180,000
Distributions	-	-	-	-	-	(1,300,000)	(1,300,000)
Purchase of treasury stock	-	-	-	(624)	(604,146)	-	(604,146)
Sale of treasury stock	-	-	395,854	624	604,146	-	1,000,000
BALANCE, DECEMBER 31, 2017	12,772	12,772	1,654,485	(122)	(350,000)	1,193,350	2,510,607
Net income	-	-	-	-	-	4,255,468	4,255,468
Distributions	-	-	-	-	-	(1,777,833)	(1,777,833)
Purchase of treasury stock	-	-	-	(624)	(1,000,000)	-	(1,000,000)
BALANCE, DECEMBER 31, 2018	12,772	\$ 12,772	\$ 1,654,485	(746)	\$ (1,350,000)	\$ 3,670,985	\$ 3,988,242

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

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Net income	\$ 4,255,468	\$ 2,271,128
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	1,418,890	969,582
Bad debt expense	789,285	506,876
Net gains on sale of leased properties	(2,028,027)	(1,123,106)
Gain on sale-leaseback transactions	(591,375)	(519,885)
Amortization of loan fees	43,816	13,813
Changes in operating assets and liabilities:		
Accounts receivable	(438,474)	(1,440,966)
Prepaid expenses and other assets	(1,752,573)	(2,365,314)
Deferred rent receivable	(1,943,186)	(1,312,062)
Accounts payable	628,178	3,854,335
Accounts payable – related party	196,000	-
Accrued expenses	(78,998)	(411,883)
State taxes payable	7,303	(75,778)
Unearned revenues	(451,111)	1,256,120
Other current liabilities	117,031	46,649
Deferred gain on sale of leased properties	490,799	967,176
Deferred rent payable	<u>2,207,241</u>	<u>1,394,883</u>
Net cash from operating activities	2,870,267	4,031,568
Cash flows from investing activities		
Collections of notes receivable	1,279,438	2,570,467
Issuance of notes receivable	(277,576)	(4,059,308)
Purchase of property and equipment	(339,280)	(288,387)
Proceeds from sale of leased properties	28,054,778	16,260,398
Purchase of leased properties	<u>(41,744,083)</u>	<u>(38,923,267)</u>
Net cash from investing activities	(13,026,723)	(24,440,097)
Cash flows from financing activities		
Borrowings on long-term debt and subordinated debt	38,673,007	37,114,686
Payments on long-term debt and subordinated debt	(27,196,134)	(15,943,327)
Net proceeds from lines of credit	2,110,176	982,350
Payments of distributions	(1,777,833)	(1,300,000)
Proceeds from issuance of common stock	-	180,000
Proceeds from reissuance of treasury stock	-	1,000,000
Purchase of treasury stock	<u>(1,000,000)</u>	<u>(604,146)</u>
Net cash from financing activities	<u>10,809,216</u>	<u>21,429,563</u>
Net change in cash and cash equivalents	652,760	1,021,034
Cash and cash equivalents, beginning of year	<u>3,666,882</u>	<u>2,645,848</u>
Cash and cash equivalents, end of year	<u>\$ 4,319,642</u>	<u>\$ 3,666,882</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 2,985,964	\$ 1,624,276
State income taxes paid	\$ 259,512	\$ 241,466

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

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

Christian Brothers Automotive Corporation (CBAC), a Texas Subchapter S corporation, is a national franchisor of automobile repair establishments located throughout the United States. CBAC was formed in August 1982 and had 192 and 172 independent franchises in operation at December 31, 2018 and 2017, respectively. In addition to franchising operations, CBAC engages in the business of investing in, owning, and selling the real estate and facilities from which its franchise locations operate. These real estate sales are typically made to third-parties, some of which are under sale-leaseback agreements. Service revenue is generated from CBAC's subsidiaries and consists of revenue on parts and labor.

**Basis of Presentation** – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Basis of Consolidation** – In accordance with GAAP, CBAC consolidates all wholly-owned subsidiaries and variable interest entities (VIEs), for which CBAC has determined to be the primary beneficiary (collectively, the "Company"). All significant intercompany transactions and balances have been eliminated upon consolidation.

The accounts of the wholly-owned subsidiary CBA O'Fallon, LLC (O'Fallon) are consolidated in the accompanying consolidated financial statements. The subsidiary was originally formed as an independent franchise of CBAC, but was eventually acquired by the Company.

In June 2009, the Financial Accounting Standards Board (FASB) issued an amendment to the accounting and disclosure requirements for VIEs. This amendment changed how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether the reporting entity is required to consolidate another entity is based on, among other things, the purpose and design of the other entity and the reporting Company's ability to direct the activities of the other entity that most significantly impact its economic performance.

In accordance with GAAP, the accounts of the following VIEs are consolidated in the accompanying consolidated financial statements for 2018: CBH Properties Investments, LLC; CBH Properties S Katy, LP (S Katy); CBH Properties Huntersville, LLC (Huntersville); CBH Properties San Pedro, LLC (San Pedro); CBH Properties Holland, LLC (Holland); CBH Properties Greenville, LLC (Greenville); CBH Properties Horsham, LLC (Horsham); CBH Properties Thornton, LLC (Thornton); CBH Properties Mandeville, LLC (Mandeville); CBH Properties Avon, LLC (Avon); CBH Properties Coddle Creek, LLC (Coddle Creek); CBH Properties Lincoln-Meridian, LLC (Lincoln-Meridian); CBH Properties Virginia Beach, LLC (Virginia Beach); CBH Properties Evans, LLC (Evans); CBH Properties Lititz, LLC (Lititz); Xaris Properties, LLC (Fulshear); CBH Properties Ankeny, LLC (Ankeny); CBH Properties Westminister, LLC (Westminister); CBH Properties Forney, LLC (Forney); CBH Properties Fall Creek, LLC (Fall Creek); CBH Properties Miramesa, LLC (Miramesa); CBH Properties Gilbert-Baseline, LLC (Gilbert-Baseline); CBH Properties Peoria-Thunderbird, LLC (Peoria-Thunderbird); CBH Properties Sun Prairie, LLC (Sun Prairie); CBH Properties Cascade Township, LLC (Cascade Township); CBH Properties Commerce City, LLC (Commerce City); CBH Properties Albuquerque, LLC (Albuquerque); CBH Properties Richmond Huguenot Park, LLC (Richmond Huguenot Park); CBH Properties South Parker, LLC (South Parker); CBH Properties Litchfield Park, LLC (Litchfield Park); CBH Properties Ft. Collins, LLC (Ft. Collins); CBH Properties Little Elm, LLC (Little Elm); CBH Properties West Chicago, LLC (West Chicago); CBH Properties Leander LLC (Leander); CBH Properties Crestwood, LLC (Crestwood); CBH Properties Rockrimmon, LLC (Rockrimmon); CBH Properties Loveland CO, LLC (Loveland); CBH Properties Lexington, LLC (Lexington); CBH Properties Fayetteville, LLC (Fayetteville); CBH Properties Keller, LLC (Keller); CBH Properties Kingwood, LLC (Kingwood); CBH Properties Bolingbrook, LLC (Bolingbrook); CBH Properties Gilbert-Spectrum, LLC (Gilbert-Spectrum); CBH Properties Broomfield, LLC (Broomfield); CBH Properties Clive, LLC (Clive); CBH Properties Lockport, LLC (Lockport); and CBH Properties Barrington, LLC (Barrington).



**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**Limited Liability Entities** – Certain VIEs of the Company are structured as limited liability companies or partnerships throughout the United States. Members of the limited liability companies are not liable for any debt, obligations, or other liability of the Company unless they have expressly guaranteed certain debt. All limited liability entities have one class of units or equal limited partnership rights, except for the following limited liability companies: Lititz, Mandeville, and Fulshear. These entities have Class A and Class B units. Class A units have preferential rights for liquidating the entity or capital gain proceeds. Operating cash flows are distributed to Class B units prior to Class A units. As of December 31, 2018 and 2017, there were no Class A units issued in any of the entities. CBAC has no equity interest in the VIEs, and as such the VIEs equity is not included in the total equity of the Company.

**Cash and Cash Equivalents** – The Company considers all short-term investments with an original maturity of three months or less from date of purchase to be cash and cash equivalents.

**Revenue Recognition** – Franchise fees are recognized when a franchise location opens to the general public. Franchise fees are collected in installments; the first installment is collected at the signing of the franchise agreement and the remainder is collected when construction commences. Since franchise fees are received prior to opening, they are deferred and included in unearned revenues on the consolidated balance sheets.

Rent and accounting revenues are recognized as they are earned. For lease agreements with escalating payments, the Company records rental revenue on a straight-line basis over the term of the lease. Deferred rent receivable represents the rent recorded on a straight-line basis in excess of the amounts received in accordance with the lease agreement. Rental payments received in advance are included in unearned revenue on the consolidated balance sheets.

Royalty fees are recognized as earned. The fees are calculated either based on an agreed-upon percentage of each franchisee's net cash flow, or as a percentage of gross sales in a few instances related to multi-unit owners.

Service revenue is recognized when service work is completed.

**Accounts Receivable and Allowance for Doubtful Accounts** – Accounts receivable consist of amounts due from franchisees for rental, accounting and royalty revenues. Accounts receivable are estimated at their net realizable value. Management periodically reviews all accounts receivable to determine if any are considered uncollectible based upon the age of the receivable and the creditworthiness of the parties involved. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. The allowance for doubtful accounts was \$-0- at December 31, 2018 and 2017.

**Leased Properties** – Properties leased to franchisees are presented at cost. The cost of ordinary maintenance and repairs is charged to operations, while renewals and replacements are capitalized. Depreciation is computed at rates sufficient to amortize the cost of the assets over their estimated useful lives using the straight-line method. The estimated useful life for building and improvements depreciation is 39 years.

**Property and Equipment** – Property and equipment are recorded at cost. Depreciation is computed at rates considered sufficient to amortize the costs of the assets over their estimated useful lives using the straight-line method. Expenditures for replacements and improvements are capitalized, and routine repairs and maintenance are charged to expense as incurred. Disposals are removed at cost less accumulated depreciation, and any resulting gain or loss is reflected in operations.

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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Depreciation and amortization are based on the following estimated useful lives:

<u>Assets</u>	<u>Life</u>
Office equipment	3 - 5 years
Furniture and fixtures	5 years
Vehicles	5 years

Leasehold improvements are depreciated over the shorter of lease term or estimated useful life.

**Impairment of Long-Lived Assets** – The Company reviews the carrying value of long-lived assets to be used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others.

If such factors indicate a potential impairment, the Company would assess the recoverability of an asset by determining if the carrying amount of the asset exceeds its estimated undiscounted net cash flow, excluding interest. Any impairment would be measured as the difference between the asset's carrying amount and its estimated fair value. There were no impairments recorded for 2018 and 2017.

**Deferred Gain on Sale of Leased Properties** – The gains on the sales of certain properties which are subsequently leased back to the Company are deferred and amortized using the straight-line method over the life of the lease.

**Deferred Rent Payable** – The Company records rent expense on a straight-line basis over the lease term. Deferred rent payable represents the rent recorded on a straight-line basis in excess of the amounts paid in accordance with the lease agreement.

**Loan Fees** – Costs associated with obtaining financing are capitalized and presented net of long-term debt and amortized to interest expense over the term of the loan using the straight-line method which approximates the effective interest method. Total unamortized loan fees at December 31, 2018 and 2017 were \$198,088 and \$75,389, respectively.

**Income Taxes** – CBAC and the subsidiaries structured as limited liability entities are treated as pass-through entities for federal income tax purposes. Consequently, federal income taxes are not payable by, or provided for these entities. Partners and members of the limited liability entities are taxed individually based on their share of Company equity. The Company's net income or loss is allocated among the partners and members in accordance with the partnership or operating agreement.

Uncertain tax positions are recognized in the financial statements only if that position is more-likely-than-not of being sustained upon examination by taxing authorities based on technical merits of the position. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. At December 31, 2018 and 2017, there were no uncertain tax positions recorded. For 2018 and 2017, the Company did not recognize any interest or penalty expense related to uncertain tax positions or income taxes. The Company does not expect the amounts of unrecognized tax benefits to significantly increase or decrease within the next 12 months.

The Company files income tax returns in the U.S. federal jurisdiction and 25 state jurisdictions. Total state income tax expense of \$266,815 and \$165,688 for 2018 and 2017, respectively, are recorded on the consolidated statements of income.

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**Fair Value of Financial Instruments** – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard characterizes inputs used in determining fair value according to a hierarchy that prioritizes those inputs based upon the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

- **Level 1** – Inputs represent quoted prices in active markets for identical assets or liabilities.
- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (for example, quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in markets not considered to be active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs).
- **Level 3** – Inputs that are not observable from objective sources, such as management’s internally developed assumptions used in pricing an asset or liability (for example, an estimate of future cash flows used in management’s internally developed present value of future cash flows model that underlies the fair value measurement).

The Company is required to disclose the fair value of certain financial instruments as a result of its total assets exceeding \$100,000,000 at December 31, 2018. Fair value is subject to financial market fluctuations within an available market and the economy as a whole and, thus, fair values at the date of valuation should not be assumed to reflect current fair values at the time of this report. The Company considers the carrying value of the financial instruments, as presented on the face of the financial statements, to approximate the fair value.

The carrying amount of cash and cash equivalents, receivables, and accounts payable and accrued expenses reported on the consolidated balance sheets approximate fair value due to their short-term maturities. The carrying value of the lines of credit and long term debt on the consolidated balance sheets approximate fair value because those financial instruments bear variable interest rates or rates that approximate current market rates for notes with similar maturities and credit quality.

**Advertising Costs** – The Company expenses advertising costs as they are incurred. Total advertising costs for 2018 and 2017 were \$187,573 and \$94,781, respectively.

**Taxes Collected From Customers and Remitted to Governmental Authorities** – Taxes collected from customers and remitted to governmental authorities are reported on a net basis.

**Concentration of Credit Risk** – Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. At times, the Company maintains deposits in federal insured financial institutions in excess of federally insured limits. Management monitors the credit ratings and concentration of risk with these financial institutions on a continuing basis to safeguard cash deposits.

**Use of Estimates** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to changes relate to the determination of the useful lives of property and equipment and leased properties and impairment testing of long-lived assets.

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**Reclassifications** – Certain reclassifications have been made to the prior period’s financial statements to conform to the current period financial statement presentation. The reclassifications had no effect on net income or shareholders’ equity.

**Recent Accounting Pronouncements** – In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*, establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This update provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services and will supersede most of the existing revenue recognition guidance, including industry-specific guidance.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue From Contracts With Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of ASU No. 2014-09 for all entities by one year. Therefore, ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2018, for nonpublic entities. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. The Company is currently assessing the impact this new accounting standard and its subsequent amendments will have on the financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the consolidated balance sheets as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The guidance is effective beginning after December 15, 2019, for nonpublic companies. The standard may be early adopted and requires a modified retrospective transition approach to apply. The Company is evaluating the effect that ASU No. 2016-02 will have on the financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue From Contracts With Customers (Topic 606): Principal Versus Agent Consideration*. The standard addresses the implementation guidance on principal versus agent considerations in the new revenue recognition standard. The ASU clarifies how an entity should identify the unit of accounting (i.e. the specified good or service) for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. The ASU is effective for fiscal years beginning after December 15, 2018, with early adoption permitted beginning after December 15, 2016. The Company does not anticipate that adoption of this standard will have a material impact on the financial statements and related disclosures.

In April 2016, the FASB issued ASU No. 2016-10, *Revenue From Contracts With Customers (Topic 606): Identifying Performance Obligations and Licensing*. The amendments clarify aspects relating to the identification of performance obligations and improve the operability and understandability of the licensing implementation guidance. The amendments are effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact the adoption of this standard would have on the financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU replace the incurred loss model for recognition of credit losses with a methodology that reflects expected credit losses over the life of the loan and requires consideration of a broader range of reasonable and supportable information to calculate credit loss estimates. The amendments are effective for nonpublic companies for fiscal years beginning after December 15, 2020. The Company is currently evaluating the impact of the adoption of this standard would have on the financial statements and related disclosures.

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This update provides guidance on how to record eight specific cash flow issues, and how the predominant principle should be applied when cash receipts and cash payments have more than one class of cash flows. This standard is effective for fiscal years beginning after December 15, 2018 and interim periods beginning after December 15, 2019, with early adoption permitted. Adoption will be applied retrospectively to all periods presented. The Company is currently evaluating the impact this guidance will have on the financial statements and related disclosures.

In January 2018, the FASB issued ASU No. 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*. The Accounting Standards Codification aims to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing transactions. The FASB has been assisting stakeholders with implementation questions and issues as organizations prepare to adopt Topic 842. This standard is effective upon the adoption of ASU No. 2016-02. The new pronouncement will not have any material impact on the financial statements and related disclosures.

In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an alternative transition method by allowing companies to initially apply the new leases guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. This standard is effective upon the adoption of ASU No. 2016-02. The Company is currently evaluating the impact of this update on its financial statements and related disclosures.

In October 2018, the FASB issued ASU No. 2018-17: *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The amendment reduces the cost and complexity of financial reporting associated with consolidation of VIEs. Under the new standard, a private company could make an accounting policy election to not apply VIE guidance to legal entities under common control (including common control leasing arrangements) when certain criteria are met. This accounting policy election must be applied by a private company to all current and future legal entities under common control that meet the criteria for applying the alternative. Additionally, a private company electing the alternative is required to provide detailed disclosures about its involvement with, and exposure to, the legal entity under common control. The ASU also amends the guidance for determining whether a decision-making fee is a variable interest. The amendments require organizations to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety. The amendments in this ASU are effective for a private company for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, early adoption is permitted. The Company is currently evaluating the impact of this update on its financial statements and related disclosures.

## **NOTE 2 – VARIABLE INTEREST ENTITIES**

CBAC has entered into operating lease agreements and guarantees debt on several entities under common control, as listed in *Note 1*. The debt for all of the VIEs is also guaranteed by a shareholder of CBAC. Each of these entities has been determined to be a VIE in which CBAC is the primary beneficiary.

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
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The purpose of the VIEs is to grow the franchise system, for investment purposes, and to collect rents. The Company manages its investment portfolio and sells real estate when market conditions are favorable. The VIEs are thinly capitalized and the lease agreements between the VIE and CBAC are the sole income for the VIE until the real estate is sold to a third-party or franchisee and a gain realized. CBAC's maximum exposure to loss from involvement with these entities is limited to the difference between the fair value of the real estate purchased and constructed and the fair value of the guarantee on the debt at the date of default. The fair value of the guarantee has not been estimated as of December 31, 2018 and 2017, as none of the debt agreements are in default or more-likely-than-not of being in default at year-end.

Due to the consolidation of these VIEs, the following accounts are included in the consolidating balance sheets at December 31:

	<u>2018</u>	<u>2017</u>
Accounts receivable	\$ 515,243	\$ 157,734
Leased properties, net	<u>60,331,167</u>	<u>42,417,388</u>
Total assets	<u>\$ 60,846,410</u>	<u>\$ 42,575,122</u>
Accounts payable and accrued expenses	\$ 3,492,188	\$ 3,331,116
Current portion of long-term debt	995,841	592,851
Long-term debt, net of current portion and of loan fees	40,906,381	26,731,155
Subordinated debt	<u>15,452,000</u>	<u>11,920,000</u>
Total liabilities	<u>60,846,410</u>	<u>42,575,122</u>
Total liabilities and VIE's equity	<u>\$ 60,846,410</u>	<u>\$ 42,575,122</u>

The liabilities recognized as a result of consolidating the VIEs do not represent additional claims on CBAC's general assets. The creditors of the VIEs have claims on the assets of the VIEs, supported by guarantees by CBAC. The assets recognized as a result of consolidating the VIEs are the property of the VIEs and are not available to CBAC for any other purpose. Income generated from the activities of the VIEs are payable to the equity owners of the VIEs and are, therefore, accrued as expenses during the period generated.

**NOTE 3 – EMPHASIS OF MATTER**

In 2007, the shareholders of CBAC began forming VIEs for purposes of purchasing and constructing real estate for leasing to CBAC for future franchise locations and for investment purposes. After the buildings are constructed and leased to CBAC, the real estate is often sold to a third-party, or in rare instances to franchisees, and leased to CBAC who subleases the property to the franchisee creating a sale-leaseback transaction.

In accordance with employment agreements with members of management and shareholders of CBAC (CBAC employment agreements), equity interests in these entities were granted to them allowing participation in any tax gains realized on the sale of the real estate. Management of CBAC locates potential franchisees, oversees the purchase and construction of the real estate, and secures and administers the financing from financial institutions and related parties.

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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At the date of grant, typically at formation, the equity has no fair value. The equity interests are granted requiring no or minimal capital contributions and are thinly capitalized.

The members and the partners of the VIEs are paid their equitable share determined by partnership and operating agreements of the VIEs of the tax gain on the sale of the real estate in accordance with CBAC employment agreements. Management considers these expenses paid to the owners of the VIE equity interests as a cost of selling the real estate for their services in locating, purchasing, constructing, and administering the real estate and reduces the gain realized by the amounts obligated to the equity holders of the VIEs.

In accordance with GAAP, gains realized on the sale of real estate that are subsequently leased back to the seller are deferred and amortized over the life of the lease. As of December 31, 2018 and 2017, gross gains realized on sale-leaseback transactions were \$9,346,012 and \$4,721,856, respectively. Expenses paid to the owners of VIE equity interests were \$7,317,985 and \$3,598,750 for 2018 and 2017, respectively, which are included in the consolidated statements of income. See *Note 10* for sale-leaseback transactions with net gains amortized as of December 31, 2018.

**NOTE 4 – NOTES RECEIVABLE**

Notes receivable includes amounts due from franchisees for working capital advances, franchise fees, and the purchase of equipment. The notes bear interest at a rate of -0-% to 10% per year, with principal and interest payable monthly with terms ranging from on demand to five years.

Future payments from notes receivable are as follows:

For the Year Ending December 31,	Amount
2019	\$ 775,920
2020	33,413
2021	141,615
2022	<u>72,295</u>
Total	<u>\$ 1,023,243</u>

**NOTE 5 – LEASED PROPERTIES**

Leased properties consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 26,251,499	\$ 24,354,757
Buildings and improvements	<u>57,880,735</u>	<u>43,943,401</u>
	84,132,234	68,298,158
Less: accumulated depreciation	<u>(5,162,095)</u>	<u>(4,508,251)</u>
Total leased properties, net	<u>\$ 78,970,139</u>	<u>\$ 63,789,907</u>

Total depreciation expense for 2018 and 2017 was \$1,128,475 and \$706,662, respectively. Interest capitalized for 2018 and 2017 was \$980,087 and \$762,125, respectively.

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	<u><b>2018</b></u>	<u>2017</u>
Office and equipment	\$ 1,173,268	\$ 1,036,660
Furniture and fixtures	903,546	725,515
Vehicles	25,956	25,956
Leasehold improvements	<u>317,295</u>	<u>292,654</u>
	<u>2,420,065</u>	2,080,785
Less: accumulated depreciation	<u>(1,394,852)</u>	<u>(1,104,437)</u>
Total property and equipment, net	<u><u>\$ 1,025,213</u></u>	<u>\$ 976,348</u>

Total depreciation expense for 2018 and 2017 was \$290,415 and \$262,920, respectively.

**NOTE 7 – FUTURE LEASE REVENUES**

The following is a schedule of future rental revenues based on initial lease terms of 15 years for 167 franchises who lease facilities from the Company:

<u>For the Year Ending December 31,</u>	<u>In Operation</u>	<u>New Franchises</u>	<u>Total</u>
2019	\$ 24,802,341	\$ 3,401,684	\$ 28,204,025
2020	24,246,901	3,867,848	28,114,749
2021	24,060,360	3,917,496	27,977,856
2022	23,692,207	3,967,888	27,660,095
2023	22,855,917	4,023,983	26,879,900
Thereafter	<u>107,295,025</u>	<u>41,299,381</u>	<u>148,594,406</u>
Totals	<u><u>\$ 226,952,753</u></u>	<u><u>\$ 60,478,280</u></u>	<u><u>\$ 287,431,031</u></u>

**NOTE 8 – LINES OF CREDIT**

Lines of credit consisted of the following at December 31:

	<u><b>2018</b></u>	<u>2017</u>
Effective February 28, 2014, the Company executed an agreement with a bank for a construction line of credit with a maximum principal amount of \$900,000, maturing February 28, 2018 and subsequently renewed through February 28, 2019. Interest is due monthly at the prime rate plus 0.5% with a minimum rate of 4.75% (but not greater than 18.00%) per annum; 5.75% at December 31, 2018. Secured by rights to payments under franchise agreements, general intangibles, chattel paper, and guaranty agreement executed by Mark A. Carr, CEO. This line of credit was paid off in August 2018.	\$ -	\$ 513,729



**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Effective July 24, 2013, the Company executed an agreement with a bank for a construction line of credit with a maximum principal amount of \$1,360,000, maturing July 24, 2016 and subsequently renewed through July 24, 2019. Interest is due monthly at the prime rate plus 0.6% with a minimum rate of 3.85% (but not greater than 18.00%) per annum; 3.85% at December 31, 2018. The construction line is secured by all new construction and real estate purchased with loan proceeds and cross-collateralized with existing real estate purchased with debt from the same financial institution. This line of credit was paid off in December 2018.	-	200,000
Effective October 31, 2013, the Company executed an agreement with a bank for a construction line of credit with a maximum principal amount of \$1,300,000 maturing January 2, 2018 and subsequently renewed through October 4, 2022. Interest is due monthly at the rate of LIBOR plus 2.75% (5.38% at December 31, 2018). The construction line of credit is secured by all new construction and real estate purchased with loan proceeds and cross-collateralized with existing real estate purchased with debt from the same financial institution.	1,000,000	891,280
Effective June 22, 2016, the Company executed an agreement with a bank for a construction line of credit with a maximum principal amount of \$2,000,000 maturing June 22, 2019 and subsequently renewed through June 30, 2020. Interest is due monthly at the prime rate plus 1% (6.50% at December 31, 2018). The construction line of credit is secured by all new construction and real estate purchased with loan proceeds and cross-collateralized with existing real estate purchased with debt from the same financial institution as well as a guaranty agreement executed by Mark A. Carr, CEO and Mark A. Carr 2008 Irrevocable Trust.	869,354	1,631,646
Effective December 20, 2015, the Company entered into a Master Loan Agreement with a bank to extend a line for business operation purpose. The agreement was amended and restated on June 21, 2018 with maximum principal amount of \$10,500,000 maturing October 4, 2022. Interest is due monthly at the prime rate plus 1%. (4.75% at December 31, 2018). The line is secured by certain real estate. CBAC and CBH Properties Hallmark, LLC are the only Guarantors.	<u>3,477,477</u>	-
Total lines of credit	<u>\$ 5,346,831</u>	<u>\$ 3,236,655</u>

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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The debt balance associated with those lines of credit have been classified accordingly as long-term in the consolidated balance sheets.

Future payments on lines of credit are as follows:

For the Year Ending December 31,	Amount
2019	\$ -
2020	869,354
2021	-
2022	<u>4,477,477</u>
Total	<u>\$ 5,346,831</u>

**NOTE 9 – LONG-TERM AND SUBORDINATED DEBT**

Long-term debt and subordinated debt was as follows at December 31:

	<u>2018</u>	<u>2017</u>
Notes payable to various financial institutions, secured by real estate and certain accounts receivable, and/or assets of the subsidiaries; interest rates ranging from 1.68% to 4.25%; with monthly or quarterly principal and interest payments ranging between \$2,423 and \$10,624; maturing on various dates through April 2023.	\$ 4,102,263	\$ 7,779,477
Effective December 20, 2011, the Company executed an agreement with a bank for a construction line with a maximum principal amount of \$7,500,000, maturing June 30, 2020. Interest is due monthly at the rate of LIBOR plus 3.25% (5.88% at December 31, 2018). Secured by all new construction and real estate purchased with loan proceeds and cross-collateralized with existing real estate purchased with debt from the same financial institution.	2,934,325	3,976,555
Effective December 31, 2014, the Company executed a refinancing agreement on an existing construction line with a bank at a maximum principal amount of \$5,875,000, maturing June 3, 2020. Interest is due monthly at the rate of LIBOR plus 3.25% (3.43% at December 31, 2018). Secured by all new construction and real estate purchased with loan proceeds and cross-collateralized with existing real estate purchased with debt from the same financial institution. This loan was paid off in 2018.	-	755,881

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Notes payable to various financial institutions, secured by assets of CBAC; interest rates ranging from 4.00% to 6.25%; with monthly or quarterly principal and interest payments ranging between \$2,139 and \$17,310; maturing on various dates through March 2028.	<b>41,332,219</b>	27,320,506
Subordinated notes payable to an affiliate of a shareholder, unsecured, with a 8.0% interest rate; with a monthly principal and interest payment of \$1,042, maturing on April 15, 2021.	<b>24,723</b>	29,723
Subordinated notes payable to related parties, including shareholders, directors, members, partners and affiliates of shareholders; secured by land and/or assets of CBAC; bearing interest of 10.0%; with monthly or quarterly principal and interest payments ranging between \$2,542 and \$12,748; maturing on various dates through December 2023.	<b>16,258,000</b>	13,146,000
	<b>64,651,530</b>	53,008,142
Less: current portion	<b>(1,285,060)</b>	(1,789,899)
Less: loan fees, net	<b>(198,088)</b>	(75,389)
Total long-term debt and subordinated debt, net of current portion, net of loan fees	<b><u>\$ 63,168,382</u></b>	<b><u>\$ 51,142,854</u></b>

In connection with certain notes payable, the Company has agreed to various covenants including reporting requirements and maintenance of certain financial ratios. The Company was in compliance with these covenants at December 31, 2018 and 2017.

Future payments on long-term debt and subordinated debt are as follows:

<u>For the Year Ending December 31,</u>	<u>Long-Term Debt</u>	<u>Subordinated Debt</u>	<u>Total</u>
2019	\$ 1,285,060	\$ -	\$ 1,285,060
2020	9,148,550	-	9,148,550
2021	3,143,584	1,583,723	4,727,307
2022	21,122,832	6,337,000	27,459,832
2023	13,324,948	8,362,000	21,686,948
Thereafter	<u>343,833</u>	<u>-</u>	<u>343,833</u>
Totals	<b><u>\$ 48,368,807</u></b>	<b><u>\$ 16,282,723</u></b>	<b><u>\$ 64,651,530</u></b>

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**NOTE 10 – SALE-LEASEBACK TRANSACTIONS**

During prior periods, the Company had entered into 19 sale-leaseback agreements of land and buildings on leased properties. The Company deferred \$1,082,175 in real estate gains in the current year for recognition in future periods. This deferred amount is recognized into income over the life of each respective lease. Gains recognized in the 2018 and 2017 consolidated statements of income related to the amortization of deferred gain on real estate were \$591,375 and \$519,885, respectively, included in gains on sale-leaseback transactions. Total deferred gain on sale of real estate at December 31, 2018 and 2017 was \$7,188,396 and \$6,697,597, respectively.

**NOTE 11 – SHAREHOLDERS' EQUITY**

During 2009, the Company performed a stock conversion. For every voting common share outstanding, the Company converted such common share into a 0.1 voting common share and a 0.9 nonvoting common share. The majority shareholder of the Company sold his nonvoting shares to his irrevocable trust.

During 2018, the Company repurchased 624 treasury shares. The cost of the treasury shares purchased was \$1,000,000.

During 2017, certain members of management vested and purchased ownership interests in the Company, and other owners were allocated additional shares to eliminate dilution. The Company issued an additional 3.29 shares voting and 325.71 shares nonvoting \$1 par value shares and recorded \$179,671 in additional paid-in capital. During 2017, the Company purchased 624 shares which were held as treasury shares. The cost of the treasury shares purchased was \$604,146. The Company sold treasury shares to current members of management and minority owners for \$1,000,000, of which \$395,854 was recorded to additional paid-in capital which were allocated based on current ownership percentages to eliminate dilution.

During 2018, the Company declared and paid \$1,777,833 in distributions on common stock. During 2017, the Company declared and paid \$1,300,000 in distributions on common stock.

**NOTE 12 – OPERATING LEASES**

The Company leases its office facilities and leased properties under noncancelable operating leases which expire in various years through 2033. Rent expense for 2018 and 2017 was \$25,458,182 and \$22,404,177, respectively, included in cost of revenues.

The following is a schedule of future minimum lease payments for operating leases with initial or remaining noncancelable lease terms in excess of one year:

For the Year Ending December 31,	Existing Franchises	New Franchises	Total
2019	\$ 22,884,704	\$ 2,313,600	\$ 25,198,304
2020	23,203,080	2,313,600	25,516,680
2021	23,301,653	2,313,600	25,615,253
2022	23,612,699	2,313,600	25,926,299
2023	23,937,774	2,330,049	26,267,823
Thereafter	128,478,554	23,792,871	152,271,425
Totals	<u>\$ 245,418,464</u>	<u>\$ 35,377,320</u>	<u>\$ 280,795,784</u>

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**NOTE 13 – EMPLOYEE BENEFIT PLAN**

In January 2013, the Company established a 401(k) plan (the “Plan”) for all eligible employees. Employees are permitted to defer a portion of their compensation. The Company matches employee contributions up to 4% of their salary. Employees are immediately vested in employer contributions. Company contributions to the Plan totaled \$235,184 and \$222,898 in 2018 and 2017, respectively.

**NOTE 14 – LITIGATION**

From time-to-time, the Company is subject to various litigation and other claims in the normal course of business. The Company establishes liabilities in connection with legal actions that management deems to be probable and estimable. No amounts have been accrued in the financial statements with respect to any matters.

**NOTE 15 – SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through April 5, 2019, the date which the financial statements were available to be issued.

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**SCHEDULE I – CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 2018**

	Christian Brothers Automotive Corporation	Subsidiaries	Variable Interest Entities	Total	Eliminating Entries	Consolidated Total
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 4,275,637	\$ 44,005	\$ -	\$ 4,319,642	\$ -	\$ 4,319,642
Accounts receivable	2,188,279	24,462	515,243	2,727,984	(422,055)	2,305,929
Prepaid expenses and other assets	5,694,938	4,862	-	5,699,800	-	5,699,800
Current portion of notes receivable	<u>775,920</u>	<u>-</u>	<u>-</u>	<u>775,920</u>	<u>-</u>	<u>775,920</u>
Total current assets	12,934,774	73,329	515,243	13,523,346	(422,055)	13,101,291
Leased properties, net	18,332,775	-	60,331,167	78,663,942	306,197	78,970,139
Property and equipment, net	980,938	44,275	-	1,025,213	-	1,025,213
Franchise fees, net	-	65,000	-	65,000	(65,000)	-
Notes receivable, net of current portion	832,323	-	-	832,323	(585,000)	247,323
Deferred rent receivable	<u>15,436,962</u>	<u>-</u>	<u>-</u>	<u>15,436,962</u>	<u>(112,682)</u>	<u>15,324,280</u>
<b>TOTAL ASSETS</b>	<u>\$ 48,517,772</u>	<u>\$ 182,604</u>	<u>\$ 60,846,410</u>	<u>\$ 109,546,786</u>	<u>\$ (878,540)</u>	<u>\$ 108,668,246</u>

*See independent auditors' report.*

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**SCHEDULE I – CONSOLIDATING BALANCE SHEET (CONTINUED)**  
**DECEMBER 31, 2018**

	Christian Brothers Automotive Corporation	Subsidiaries	Variable Interest Entities	Total	Eliminating Entries	Consolidated Total
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Current liabilities						
Accounts payable	\$ 1,117,349	\$ 61,415	\$ 4,543,593	\$ 5,722,357	\$ (115,858)	\$ 5,606,499
Accounts payable – related party	196,000	-	-	196,000	-	196,000
Accrued expenses	1,135,739	12,063	\$ (1,051,405)	96,397	-	96,397
State taxes payable	79,172	-	-	79,172	-	79,172
Unearned revenues	3,742,377	-	-	3,742,377	-	3,742,377
Current portion of long-term debt	289,219	-	995,841	1,285,060	-	1,285,060
Other current liabilities	626,389	-	-	626,389	-	626,389
Total current liabilities	7,186,245	73,478	4,488,029	11,747,752	(115,858)	11,631,894
Deferred gain on sale of leased properties	7,188,396	-	-	7,188,396	-	7,188,396
Deferred rent payable	17,344,501	-	-	17,344,501	-	17,344,501
Lines of credit	5,346,831	15,000	-	5,361,831	(15,000)	5,346,831
Long-term debt, net of current portion and loan fees	6,545,364	68,914	40,906,381	47,520,659	(635,000)	46,885,659
Subordinated debt	830,723	-	15,452,000	16,282,723	-	16,282,723
Total liabilities	44,442,060	157,392	60,846,410	105,445,862	(765,858)	104,680,004
Shareholders' equity						
Common stock	12,772	-	-	12,772	-	12,772
Additional paid-in capital	1,654,485	-	-	1,654,485	-	1,654,485
Treasury stock	(1,350,000)	-	-	(1,350,000)	-	(1,350,000)
Retained earnings	3,758,455	25,212	-	3,783,667	(112,682)	3,670,985
Total shareholders' equity	4,075,712	25,212	-	4,100,924	(112,682)	3,988,242
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 48,517,772</b>	<b>\$ 182,604</b>	<b>\$ 60,846,410</b>	<b>\$ 109,546,786</b>	<b>\$ (878,540)</b>	<b>\$ 108,668,246</b>

*See independent auditors' report.*

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**SCHEDULE II – CONSOLIDATING STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Christian Brothers Automotive Corporation	Subsidiaries	Variable Interest Entities	Total	Eliminating Entries	Consolidated Total
Revenues	\$ 52,345,412	\$ 962,424	\$ 1,260,586	\$ 54,568,422	\$ (1,429,762)	\$ 53,138,660
Cost of revenues	<u>26,724,392</u>	<u>607,853</u>	<u>43,000</u>	<u>27,375,245</u>	<u>(1,420,084)</u>	<u>25,955,161</u>
Gross profit	25,621,020	354,571	1,217,586	27,193,177	(9,678)	27,183,499
Selling, general and administrative expenses	<u>21,666,726</u>	<u>357,922</u>	<u>1,022,301</u>	<u>23,046,949</u>	<u>-</u>	<u>23,046,949</u>
Income from operations	3,954,294	(3,351)	195,285	4,146,228	(9,678)	4,136,550
Other income (expense)						
Gain on sale-leaseback transactions	591,375	-	-	591,375	-	591,375
Gains on sale of leased properties	-	-	9,346,012	9,346,012	-	9,346,012
Expenses paid to owners of VIE equity interests	-	-	(7,317,985)	(7,317,985)	-	(7,317,985)
Interest income	37,074	-	-	37,074	-	37,074
Interest expense	(764,807)	-	(2,221,157)	(2,985,964)	-	(2,985,964)
Net miscellaneous income (expense)	<u>718,622</u>	<u>(18,100)</u>	<u>(2,155)</u>	<u>698,367</u>	<u>16,854</u>	<u>715,221</u>
Total other income (expense), net	<u>582,264</u>	<u>(18,100)</u>	<u>(195,285)</u>	<u>368,879</u>	<u>16,854</u>	<u>385,733</u>
Net income (loss) before state income taxes	4,536,558	(21,451)	-	4,515,107	7,176	4,522,283
State income tax expense	<u>(266,815)</u>	<u>-</u>	<u>-</u>	<u>(266,815)</u>	<u>-</u>	<u>(266,815)</u>
NET INCOME (LOSS)	<u>\$ 4,269,743</u>	<u>\$ (21,451)</u>	<u>\$ -</u>	<u>\$ 4,248,292</u>	<u>\$ 7,176</u>	<u>\$ 4,255,468</u>

*See independent auditors' report.*



**EXHIBIT B**  
**FRANCHISE AGREEMENT**

Attached as Exhibit B is the Franchise Agreement.

**CHRISTIAN BROTHERS AUTOMOTIVE  
CORPORATION**

**FRANCHISE AGREEMENT**

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Franchise Agreement (Ver 04180420)

Franchisee: [franchisee]

Franchisor: Christian Brothers Automotive Corporation

Property: [location]

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Franchise Agreement (Ver 04180420)

Franchisee: [franchisee]

Franchisor: Christian Brothers Automotive Corporation

Property: [location]

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### ADDENDA

- A. Ratification of Franchise Agreement
- B. Spouse's Consent To Franchise Agreement

Franchise Agreement (Ver 04180420)

Franchisee: [franchisee]

Franchisor: Christian Brothers Automotive Corporation

Property: [location]

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## **FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the “Agreement”) is made effective as of the \_\_\_\_ day of \_\_\_\_\_, 201\_ (the “Effective Date”), between CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION, a Texas corporation with its principal office at 17725 Katy Freeway, Suite 200, Houston, Texas 77094 (the “Franchisor” or “CBAC”) and [FRANCHISEE], whose principal place of business is [address], a \_\_\_\_\_ formed in the State of \_\_\_\_\_ (the “Franchisee”).

WHEREAS, Franchisor is the owner of the trademarks, trade names, service marks, copyrights and logo-types listed in Exhibit “B” (the “Marks”); and of certain techniques, know-how, trade secrets and procedures (the “Know-How”), all of which are used in connection with the establishment and operation of an automotive repair business including processes and techniques for selling and marketing such services, and quality control techniques and training programs; and

WHEREAS, Franchisor as the result of great expenditure of time and effort has developed an effective system of establishing and operating the automotive repair business including business forms; software; bookkeeping and accounting materials and techniques; management and control systems; pricing and purchasing systems; office procedures; site selection techniques; staffing procedures; and, in general, a style, system, technique and method of business operation and procedure developed through and by reason of Franchisor’s business experience (collectively the “System”); and

WHEREAS, Franchisor continues to expend time, skill and money to investigate and, if Franchisor deems it desirable, to develop and integrate into the System new procedures, systems, products, and services; and

WHEREAS, Franchisee has applied to obtain a license to operate one Christian Brothers Automotive Corporation franchise in the Territory described in Section 2.01 of this Agreement for the purpose of offering and selling Franchisor's services and products under the Marks, Know-How and System; and

WHEREAS, the parties wish to enter into an Agreement upon the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE COVENANTS AND AGREEMENTS CONTAINED HEREIN AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH IS HEREBY ACKNOWLEDGED, FRANCHISOR AND FRANCHISEE AGREE AS FOLLOWS:

1. GRANT OF FRANCHISE AND LICENSE.

1.01 Grant of Franchise. Franchisor hereby grants to Franchisee, and Franchisee accepts, a non-exclusive license to operate one (1) Christian Brothers Automotive Corporation franchise (the "Franchised Business") and, to use solely in connection therewith, the Marks, Know-How and System (as they may be changed or developed from time to time), in the Territory (as defined in Section 2.01 hereof) pursuant to the terms of this Agreement.

1.02 Grant of License. Franchisor grants to Franchisee, and Franchisee accepts, a nonexclusive license to use and display the Marks in connection with the operation of the Franchised Business, and the Services (as defined below) in and only in the Territory described below pursuant to the terms of this Agreement. "Services" shall mean the services authorized by Franchisor to be offered or provided by Franchisee in connection with the Franchised Business, including the sale of products authorized by Franchisor.

2. TERRITORY.

- 2.01 Territorial Grant. The territory granted to Franchisee by Franchisor which is subject to the terms of this Agreement shall be the area designated on Exhibit “A” attached to this Agreement (the “Territory”). Except as expressly provided to the contrary herein, Franchisee shall have the sole and exclusive right to solicit the sale of the Services within the Territory.
- 2.02 Franchisor Restrictions. Franchisor will not operate a Franchisor-owned outlet of the type franchised hereunder or grant a franchise for the operation of a similar or competitive business in the Territory, except as provided in Section 2.04 of this Agreement (“Rights Reserved By Franchisor”).
- 2.03 Franchisee Restrictions. Franchisee shall sell the Services in the Territory, in accordance with the terms of this Agreement. Franchisee shall not, without Franchisor’s express written consent, solicit, sell or perform any Services outside the Territory. Should Franchisee receive an inquiry or request for the performance of any Services outside of the Territory, it must promptly refer such customer to the Franchisor or to any franchisee of Franchisor to whom such territory has been assigned.
- 2.04 Rights Reserved by Franchisor. The Franchisor has the right to grant other franchises outside of the Territory as Franchisor deems appropriate. Franchisor reserves the right to offer and sell at wholesale all products which comprise, or may in the future comprise a part of the Services and System, which products may be resold at retail to the general public by Franchisor both within and outside of the Territory. Franchisor further reserves the right, both within and outside of the Territory, to sell at both wholesale and retail all products and services which do not comprise a part of the System.

3. TERM AND RENEWAL.

3.01 Initial Term. The initial term (“Initial Term”) of this Agreement shall be for a period of fifteen (15) years from the Opening Date (as hereinafter defined) of the Franchised Business, unless sooner terminated in accordance with the provisions of this Agreement. The “Opening Date” shall be the date designated by the Franchisor as the date the Franchised Business must be opened and operating. If no date is designated by the Franchisor then the Opening Date will be the date the franchise was open to the public for business.

3.02 Renewal Terms. If, at the conclusion of the Initial Term of this Agreement, Franchisee has complied in all respects with the requirements and the conditions precedent to renewal set forth in Sections 3.03, 3.04 and 3.05, then Franchisee shall have the right, but not the obligation, to enter into a renewal agreement (the “Renewal Agreement”) for one additional consecutive term of five (5) years (the “Renewal Term”). The Renewal Term shall commence upon the date of the expiration of the Initial Term hereof. If, at the conclusion of the Renewal Term, Franchisee has complied in all respects with the requirements and the conditions precedent to renewal set forth in Sections 3.03, 3.04 and 3.05, then Franchisee will have the right to enter into a second renewal agreement (the “Second Renewal Agreement”) for an additional term of five (5) years (the “Second Renewal Term”). The Second Renewal Term will commence upon the date of the expiration of the Renewal Term. If at the conclusion of the Second Renewal Term, Franchisee has complied in all respects with the requirements and the conditions precedent to renewal set forth in Sections 3.03, 3.04 and 3.05, then Franchisee will have the right to enter into a third renewal agreement (the “Third Renewal Agreement”) for an additional term of five (5)

years (the “Third Renewal Term”). The Third Renewal Term will commence upon the date of the expiration of the Second Renewal Term. In connection with entering into any of the renewal agreements for any of the renewal terms described in this Section 3.02, the provisions of Sections 3.03, 3.04 and 3.05 will be construed in accordance with the provisions of Sections 3.07 and 3.08 of this Agreement.

3.03 Form and Manner of Renewal. If Franchisee wishes to exercise its right to enter into a Renewal Agreement, it will do so by executing Franchisor’s then-current form of Renewal Agreement, which agreement will supersede this Agreement. The terms of the Renewal Agreement may differ from the terms of this Agreement, except that: (1) the Territory will remain the same, (2) the royalties upon renewal will be the same royalties contained in this Agreement and (3) the Renewal Agreement will provide Franchisee with an option to renew for the Second Renewal Term and the Third Renewal Term. Franchisee must exercise its renewal right hereunder in the following manner:

- (a) Not less than one hundred eighty (180) days, but no more than two hundred forty (240) days prior to the expiration of the Initial Term, Franchisee will, in writing, request from Franchisor a copy of its then-current franchise disclosure document (the “Disclosure Document”) and then-current Renewal Agreement.
- (b) Upon receipt of the Disclosure Document and Renewal Agreement, Franchisee will acknowledge such receipt by executing the acknowledgement of receipt form contained in the Disclosure Document and returning it to Franchisor.
- (c) No sooner than ten (10) business days but no more than twenty (20) business days after Franchisee receives Franchisor’s then-current Disclosure Document and

Renewal Agreement, Franchisee shall notify Franchisor, in writing, as to whether or not it elects to execute the Renewal Agreement.

- (d) Upon receipt of Franchisee's notice of its election to execute the Renewal Agreement, Franchisor will deliver to Franchisee three (3) copies of the Renewal Agreement. Promptly upon receipt of them, Franchisee will execute three (3) copies of the Renewal Agreement and return them to Franchisor.
- (e) If Franchisee fails to perform any of the acts set forth in subsections (a), (b), (c) or (d) of this Section 3.03 in a timely fashion, such failure will be deemed an election by Franchisee not to exercise its right to enter into a Renewal Agreement, and will cause Franchisee's right to enter into a Renewal Agreement to expire without further notice or action by Franchisor.
- (f) If Franchisee exercises its renewal right in the form and manner herein described, and if on the date of the expiration of the Initial Term, Franchisee has complied with all of the conditions contained in Section 3.05 hereof, Franchisor will execute the Renewal Agreement executed by Franchisee and will, promptly after expiration of the Initial Term hereof, deliver one fully executed copy of the Renewal Agreement to Franchisee.

3.04 Fees Upon Renewal. If Franchisee enters into a Renewal Agreement for the Renewal Term, Franchisee shall be required to pay, in lieu of the then-current initial franchise fee, a renewal fee in an amount equal to ten percent (10%) of the initial franchise fee paid for the most recently sold franchise at the time of renewal (the "Renewal Fee"). Franchisee will also be required to pay the Renewal Fee in connection with the Second Renewal Term and the Third Renewal Term. The Renewal Fee will not be an Approved Expense and

must be paid by the Franchisee either out of Franchisee's share of the Split Profits or from Franchisee's assets that are not part of the Franchised Business.

3.05 Conditions Precedent to Renewal. Franchisee may enter into a Renewal Agreement, only upon fulfillment of each and all of the following conditions:

- (a) At the conclusion of the Initial Term, Franchisee must have fully performed and otherwise been in compliance with all of its obligations under this Agreement and under all other agreements between Franchisor (and its affiliates, subsidiaries and designees, if any) and Franchisee;
- (b) Franchisee will have refurbished, redesigned or remodeled its Franchised Business, and will have provided for such upgrading and replacement of equipment, displays, materials and inventory, by the time the Renewal Term is scheduled to commence as Franchisor may require to conform to: (i) Franchisor's then-current specifications for its franchised businesses; and (ii) the then-current requirements of the Renewal Agreement;
- (c) Franchisee must have executed a general release, satisfactory to Franchisor of any and all claims against Franchisor and its subsidiaries, affiliates, and designees and their respective officers, directors, shareholders, agents, contractors, and employees, in their corporate and individual capacities, arising out of or related to this Agreement or the relationship between the parties. No such document will purport to release Franchisor from any future claims arising out of or related to the Renewal Agreement;

3.06 Notice of Expiration. If applicable law requires that Franchisor give notice of expiration to Franchisee prior to the expiration of the Initial Term, Franchisor will provide such

notice. If no notice of expiration is required by the law applicable to this Agreement, Franchisor will not be obligated to deliver any such notice.

3.07 Second Renewal Term. If Franchisee desires to exercise its right to enter into a Second Renewal Agreement, Franchisee must comply with the terms of Sections 3.03 through 3.06, and all references in those Sections to:

- (a) “Initial Term” shall be deemed to refer to “Renewal Term”;
- (b) “Agreement” shall be deemed to refer to “Renewal Agreement”;
- (c) “Renewal Agreement” shall be deemed to refer to “Second Renewal Agreement”;
- and
- (d) “Renewal Term” shall be deemed to refer to “Second Renewal Term.”

3.08 Third Renewal Term. If Franchisee desires to exercise its right to enter into a Third Renewal Agreement, Franchisee must comply with the terms of Sections 3.03 through 3.06, and all references in those Sections to:

- (a) “Initial Term” shall be deemed to refer to “Second Renewal Term”;
- (b) “Agreement” shall be deemed to refer to “Second Renewal Agreement”;
- (c) “Renewal Agreement” shall be deemed to refer to “Third Renewal Agreement”;
- and
- (d) “Renewal Term” shall be deemed to refer to “Third Renewal Term.”

#### 4. PAYMENTS TO FRANCHISOR.

In consideration of the execution of this Agreement by Franchisor and the services to be performed by Franchisor, Franchisee agrees to pay to Franchisor the following:

4.01 Initial Franchise Fee. The Initial Franchise Fee is One Hundred and Thirty-Five Thousand Dollars (\$135,000.00) (the “Initial Franchise Fee”). Eighty-Five Thousand dollars



(\$85,000.00) of the Initial Franchise Fee (the “Down Payment”) is due upon the earlier of (a) the execution of an acknowledgement and receipt agreement (the “Acknowledgement and Receipt Agreement”) by Franchisee and Franchisor, or (b) the execution of this Agreement, and the remaining Fifty Thousand Dollars (\$50,000.00) of the Initial Franchise Fee (the “Second Payment”) is due three days after the earlier of (a) the date Franchisor notifies Franchisee that the land where Franchisee will operate its Franchised Business has been purchased or leased, or (b) the date Franchisor notifies Franchisee that the building permits have been obtained for the building where Franchisee will operate its Franchised Business. If you qualify for the discount under the IFA VetFran Program, your Initial Franchise Fee will be \$121,500.00, your Down Payment will be \$85,000.00, and your Second Payment will be in the amount of \$36,500.00.

This Down Payment will be deemed fully earned when paid and is not refundable in whole or in part, except as provided in the Acknowledgement and Receipt Agreement that has been entered into by and between Franchisor and Franchisee or as provided in this Agreement. The Second Payment will be deemed fully earned when paid and is not refundable in whole or in part for any reason except as provided in the Acknowledgement and Receipt Agreement that has been entered into by and between Franchisor and Franchisee or as provided in this Agreement.

#### 4.02 Marketing Fee.

- (a) At Franchisor’s sole discretion, Franchisor may from time to time establish a regional marketing program (the “Regional Program”). If Franchisee’s Territory is within the area covered by the Regional Program, then after Franchisee’s Franchised Business has operated for a period of six (6) months, Franchisee will

pay to Franchisor, in addition to all other fees and amounts owed to Franchisor, Franchisee's prorated portion of the costs of the Regional Program (to be expended as provided below). It is specifically agreed that Franchisee will not be required to pay more than \$20,000.00 during any calendar year for such costs.

- (b) Franchisor has established a national marketing program (the "National Program"). If Franchisee's Territory is within the area covered by the National Program, then after Franchisee's Franchised Business has operated for a period of six (6) months, Franchisee will pay to Franchisor, in addition to all other fees and amounts owed to Franchisor, Franchisee's prorated portion of the costs of the National Program (to be expended as provided below). It is specifically agreed that Franchisee will not be required to pay more than \$20,000.00 during any calendar year for such costs. For the purposes of this Agreement "Program" shall mean the Regional Program and/or the National Program.

#### 4.03 Training Fees and Administrative Fees.

- (a) Training Fees. Franchisee's Principal Operator (as defined below) and Franchisee's Initial Service Manager (as defined below) must participate in and successfully complete the Franchisor's Initial Franchisee Training Program (as defined below). There is no additional charge for the initial training for these two individuals. Franchisee may enroll any of its employees in the optional training programs that Franchisor intends to establish from time to time, upon payment of the training fees that will be established by Franchisor for those training programs. "Initial Service Manager" means the individual (i) designated as the initial service manager by Franchisee in a writing delivered to Franchisor, and (ii) approved by

Franchisor. “Principal Operator” means [principal operator] and any successor who has been approved in writing by Franchisor. Any successor to the Principal Operator or Successor Service Manager (as defined in Section 9.03) must be approved in writing by Franchisor. Franchisor’s “Initial Franchisee Training Program” means the training conducted in accordance with the Confidential Operations Manual (as defined in Section 6.01). Franchisee may be required to attend and pay for additional mandatory training as provided in Section 9.03 of this Agreement.

- (b) Administrative Fees. Franchisee agrees to pay fees to Franchisor for financial and administrative services provided by Franchisor. The amount of the administrative fees will be set out in the Confidential Operations Manual.
- (c) IT Support Fee. Franchisor may provide Franchisee with informational technology support such as web hosting and software/hardware support in return for a fee equal to \$200 per month paid by Franchisee to Franchisor. All fees paid in accordance with this Section are non-refundable, and subject to change in Franchisor’s sole discretion. Franchisor may modify the IT support services it provides or discontinue the provision of such services at any time.

4.04 Application of Funds. If Franchisee is delinquent in the payment of any obligation to Franchisor, its subsidiaries, affiliates or designees, then Franchisor (or such subsidiaries, affiliates or designees), will have the right to apply any payment from Franchisee to any obligation due, including the oldest obligation due, whether under this Agreement or otherwise, notwithstanding any contrary designation by Franchisee as to such application.

4.05 Continuing Royalty. During the one year period immediately following the Opening Date (the “Split Profits Review Period”), Franchisor and Franchisee will review the financial condition of the Franchisee at the end of each three month period commencing on the Opening Date and determine whether any royalty payment shall be made to Franchisor from the Split Profits. No distribution or bonus from Split Profits shall be made to Franchisee without the prior written approval of Franchisor. After the end of the Split Profits Review Period, Franchisee must pay Franchisor a royalty fee each month calculated as follows:

- (a) From the date of this Agreement until the end of the Initial Term and each subsequent term thereafter, an amount equal to fifty percent (50%) of the “Split Profits” (as defined below).
- (b) “Split Profits” shall mean (x) the gross revenues received in connection with and/or in any way related to the Franchised Business, minus (y) the Approved Expense Items (as defined below). “Approved Expense Items” shall mean (i) those expense items calculated under Generally Accepted Accounting Principles (GAAP) and approved by Franchisor as set forth in ~~an annual budget~~ the Confidential Operations Manual, (ii) all subsequent written budget adjustments that are approved in writing by Franchisor, and (iii) all adjustments defined in the Confidential Operations Manual. Amendments to the Confidential Operations Manual that impact the Approved Expense Items will be effective upon the later of (a) receipt by Franchisee, or (b) the effective date that is designated in writing from Franchisor.
- (c) The amount of royalty fee due each month will be estimated during the following month, and due by the last day of the month in which the estimate should be made.

The estimated amount will be based on the year to date financial activity for the period then ended. A year end reconciliation or true up will be completed by January 31 of each succeeding year and paid accordingly by February 1<sup>st</sup> of the year during which the true up is completed. Any expense that is not an Approved Expense Item, will require an equal amount of royalty fee payment to Franchisor, regardless of the Split Profits calculation, payable at the same time as the payment of the expense.

- (d) At any time the Franchisee pays an unapproved expense, a distribution, or a bonus of Split Profits for his own benefit, he must immediately make a royalty payment to Franchisor for the appropriate amount.

5. MARKS.

- 5.01 Franchisee Has No Interest in Marks. Nothing in this Agreement will be construed to give Franchisee any right, title or interest in or to any of the Marks except for a revocable privilege and license to display and use them during the term of and pursuant to the conditions contained in this Agreement. Franchisee expressly understands and agrees that it has not acquired and will not acquire any ownership interests, equitable rights, goodwill or other interests in any Mark by virtue of this Agreement, the relationship with Franchisor, or Franchisee's use of any of the Marks, and will not represent that it has. Franchisee also understands and agrees that following the expiration or termination of this Agreement for whatever reason, it will not attribute any monetary amount to any goodwill associated with Franchisee's uses of the Marks, or in connection with Franchisee's operation of the Franchised Business.

- 5.02 Franchisor's Ownership of Marks. Franchisee agrees that the Marks are the exclusive property of Franchisor, and Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof, and covenants that it will not contest Franchisor's ownership of the Marks or their validity. Franchisee will not do or permit any act or thing to be done in derogation of any of the rights of Franchisor in connection with the Marks, either during the term of this Agreement or thereafter.
- 5.03 Use of Marks. Franchisee shall use the Marks in such fashion and at such places as Franchisor designates in its Confidential Operations Manual (as defined in Section 6.01). Except as expressly provided in the Confidential Operations Manual, Franchisee shall not erect or display any signs, or display any other trademarks, logotypes, symbols or service marks in, upon, or in connection with the Franchised Business without Franchisor's prior written approval. Franchisor may, at its option, restrict or control the use of the Marks pursuant to the provisions of the Confidential Operations Manual, as such may be amended from time to time, without limiting the generality of the effectiveness of the provisions contained in this Agreement that restrict or control the use of the Marks.
- 5.04 Nonuse of Trade Name. Except as specifically authorized by Franchisor in writing, Franchisee shall not use Franchisor's Marks or its trade name, or any words or symbols similar thereto, in Franchisee's trade and/or entity name. In particular, Franchisee shall not use the words "Christian Brothers", "Christian Brothers Automotive", or "Christian Brothers Automotive Corporation", or any variant thereof as part of any such name, except as specifically authorized in writing by Franchisor.
- 5.05 White Page and Yellow Page Telephone Listing. Franchisee acknowledges and agrees that there will be substantial confusion to the general public if, after the expiration or

termination of this Agreement, Franchisee continues to use any telephone number or numbers listed in the “Yellow Pages” or “White Pages” of a telephone directory under any of Franchisor’s Marks, including the Authorized Name or any name incorporating the words “Christian Brothers” or “Christian Brothers Automotive” or any variation thereof, whether or not authorized by Franchisor (the “Listing”). Franchisee agrees that promptly after the expiration or Franchisor’s termination of this Agreement for any reason, Franchisee will immediately cease using such telephone number or numbers, and/or, upon demand by the Franchisor, Franchisee will direct the telephone company servicing the Franchised Business to transfer the Listing to Franchisor, or to such person and at such location as Franchisor shall direct. Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact to direct the telephone company to make any such transfer and to sign any documents required by the telephone company in connection with such transfer.

5.06 Defense of Mark by Franchisor. If Franchisee learns of any claim, suit or demand against it on account of any alleged infringement, unfair competition, or similar matter relating to the Marks, Franchisee shall promptly notify Franchisor. Franchisor shall promptly take such action, if any, as it deems necessary to protect and defend Franchisee against any such claim and shall indemnify Franchisee against any loss, cost or expense incurred in connection therewith. Franchisee shall not settle or compromise any such claim without the prior written consent of Franchisor. Franchisor shall have the right to defend, compromise or settle any such claim at Franchisor’s sole cost and expense, using attorneys of its own choosing, and Franchisee agrees to cooperate fully with Franchisor in connection with the defense of any such claim. Franchisee hereby irrevocably appoints Franchisor to defend or settle all of such claims, demands or suits. Franchisee may participate at its own

expense in such defense or settlement, but Franchisor's decisions shall be final and binding upon Franchisee. Notwithstanding anything herein to the contrary, Franchisor shall have no obligation to defend or indemnify Franchisee if the claim, suit or demand against Franchisee arises out of or relates to Franchisee's use of the Marks in violation of the terms of this Agreement or the law.

5.07 Prosecution of Infringers. If Franchisee learns of any use of the Marks which Franchisee believes is unauthorized, Franchisee shall promptly notify Franchisor of the facts relating to such use. Franchisor shall, in its sole and exclusive discretion, determine whether or not it wishes to take any action against such third person. In the event Franchisor takes any action against such third person, Franchisee agrees to cooperate fully (including without limitation participating in any legal proceeding) with Franchisor in connection with taking such actions against such third person as Franchisor deems appropriate. Franchisee shall have no right to make any demand against any such alleged infringer of Franchisor's Marks or to prosecute any claims of any kind or nature whatsoever against such alleged infringer of Franchisor's Marks for or on account of such infringement, unless Franchisor specifically authorizes Franchisee in writing to take such actions. Franchisor shall not be liable to Franchisee or any other person on account of (a) Franchisor's decision to take action or not take action in respect of such use, or (b) Franchisee's decision to take any action in respect of such use where Franchisee has written authorization from Franchisor to take such action.

5.08 Discontinuance or Substitution of Marks. If Franchisor, in its sole discretion, decides to modify or discontinue use of any name or Mark and/or to adopt or use one or more additional or substituted names or marks, then Franchisee shall promptly conform its use



of the Franchisor's names or marks as directed by the Franchisor. The sole obligation of Franchisor in any such event shall be to reimburse the Franchisee for its documented costs of compliance (such as changing signs, letterhead, etc.), and Franchisee waives any other claim arising from or relating to any such change, modification or substitution of Marks.

5.09 Use of Marks. Franchisee will use the Marks only in the manner directed from time to time by Franchisor. Franchisee is prohibited from using any Mark, or any part thereof, with any prefix, suffix, or other modifying words, terms, designs or symbols except as permitted in writing by Franchisor. Franchisee may not use any Mark in connection with the sale of any product or service not authorized in writing by Franchisor. Franchisee will use the Marks only for the operation of the Franchised Business. Any unauthorized use of the Marks will constitute an infringement of Franchisor's rights and a material breach of this Agreement.

5.10 Limited License Only; Rights Reserved. The right and license granted hereunder to Franchisee to utilize the Marks is limited and nonexclusive. As noted in paragraph 2.04 above, Franchisor has and retains the rights, among others, to itself use the Marks in connection with offering or selling any services and products; to grant other Mark licenses; and, to develop and establish other systems using the same or similar Marks, or any other proprietary marks, and to grant licenses or franchises without any obligation to Franchisee.

5.11 Online Use of Marks. Franchisee shall not, without the prior written approval of Franchisor, use the Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements, solicitations, marketing information, promotional

information or any other information whatsoever regarding Christian Brothers Automotive businesses by e-mail or any other “Electronic Media” without Franchisor’s prior written consent and in accordance with such specific programs, policies, terms and conditions as Franchisor may from time to time establish. Electronic Media shall include, but not be limited to, blogs, microblogs, social networking sites (such as Facebook, LinkedIn and ~~MySpace~~Instagram), video-sharing and photo-sharing sites (such as YouTube ~~and Flickr~~), review sites (such as Yelp), marketplace sites (such as eBay and Craigslist), Wikis, chat rooms and virtual worlds.

- 5.12 Website Limitation. As used in this Agreement, the term “Website” means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, Franchisee agrees to the following:

Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Marks, products and Services offered, the franchising of Christian Brothers Automotive businesses, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage; Franchisor shall also have the right to discontinue operation of the website.

Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Franchised Business, with such web page(s) to be located within Franchisor’s Website. Franchisee shall comply with Franchisor’s

policies with respect to the creation, maintenance and content of any such web pages; and Franchisor shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page.

Franchisee shall not establish a separate Website, without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish a Website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such Website. Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval under Section 8.04 below.

Franchisor shall have the right to modify the provisions of this Section 5.11 relating to Websites as Franchisor shall solely determine is necessary or appropriate and shall be entitled to do so in the Confidential Operations Manual.

6. CONFIDENTIAL OPERATIONS MANUAL.

6.01 Access to Confidential Operations Manual. In order to protect the reputation and goodwill of Franchisor, to maintain uniform standards of service and operation under Franchisor's Marks and System, to promote the good will of the System, and for the mutual benefit of Franchisor and Franchisee, Franchisor shall grant Franchisee online access to Franchisor's Confidential Operations Manual (from time to time referred to as the "Confidential Operations Manual") upon the Franchisee's execution of the Agreement.

6.02 Subject Matter of Confidential Operations Manual. The subject matter of the Confidential Operations Manual may include, but need not be limited to, standards, procedures, policies and specifications pertaining to the System and the operation of the Franchised Business.

Franchisor may make additions to, deletions from and/or modifications of the Confidential Operations Manual as Franchisor deems appropriate, and all such changes will become part of the Confidential Operations Manual, and will be effective upon Franchisee's receipt of notice of such change. References in this Agreement to the "Confidential Operations Manual" shall include all additions to, deletions from, and modifications of the Confidential Operations Manual.

6.03 Business to Conform to Confidential Operations Manual. Franchisee shall conduct the operation of the Franchised Business in strict accordance with the operational systems, procedures, policies, methods and requirements contained in the Confidential Operations Manual. Under the subject matter of Human Resources, the Confidential Operations Manual primarily makes recommendations and attempts to cover then-current employment law. State or federal law will override any matter in the manual. Other recommendations are guidelines and are at the option of the Franchisee to adopt and enforce. All employees of Franchisee are the responsibility of Franchisee, and Franchisee will be responsible for adopting procedures which if followed will prevent Franchisor from being considered a joint employer with Franchisee. Any template or recommendation provided by Franchisor is solely to assist Franchisee in preparing its own policies and procedures for its employees and is not required by Franchisor.

6.04 Confidential Operations Manual Is Property of Franchisor. The Confidential Operations Manual, and all of the information contained in it, shall at all times remain the sole property of Franchisor. Franchisee shall at all times treat the Confidential Operations Manual and the information contained therein as confidential, and must take all necessary precautions to maintain such information as secret and confidential. Franchisee acknowledges that the

Confidential Operations Manual is confidential, and Franchisee will not at any time contest the confidentiality of the information in it or Franchisor's sole ownership of it. Franchisee shall not at any time copy, duplicate, record or otherwise reproduce the Confidential Operations Manual, in whole or in part, nor otherwise make it available to any unauthorized person. The Confidential Operations Manual must not be shared with any employee of Franchisee. Franchisee will make an employee handbook available for Franchisee's staff that clearly demonstrates Franchisee is the employer and that Franchisor is not a joint employer. Such handbook content shall be deemed completely prepared by Franchisee, and Franchisee acknowledges that any information received from Franchisor is provided purely as a recommendation. Upon the expiration or other termination for any reason of this Agreement, Franchisor shall revoke Franchisee's login credentials and Franchisee shall no longer have access to the online Confidential Operations Manual.

6.05 Keeping Up-To-Date on Confidential Operations Manual. Franchisee shall at all times be responsible for reading all additions to, deletions from and/or modifications of the Confidential Operations Manual and for complying with all of Franchisee's obligations in the Confidential Operations Manual.

## 7. CONFIDENTIAL INFORMATION.

7.01 Non-Disclosure of Confidential Information. Franchisee shall not, during the term of this Agreement or at any time thereafter, communicate, divulge or use for the benefit of any other person, persons, partnership, association, corporation or entity the Confidential Operations Manual, any information, knowledge or Know-How concerning the systems of operation, products, services, procedures, policies, standards, criteria or customers of the System and/or that which Franchisor designates in other sections of this Agreement or

elsewhere as confidential (collectively “Confidential Information”). Franchisee shall divulge only such Confidential Information and only to such of its employees as must have access to it in order to participate in the operation of the Franchised Business, and Franchisee shall take such precautions as will insure that its employees retain such information in confidence, including when Franchisor and Franchisee deem it appropriate, the execution by each such employee of the nondisclosure and noncompetition agreement provided by Franchisor (the “Nondisclosure Agreement”). The Nondisclosure Agreement must be executed at the earlier of the commencement of employment or the commencement of training of the respective employee. The Nondisclosure Agreement will be in a form prescribed by Franchisor and will include, without limitation, specific identification of Franchisor as a third-party beneficiary of the Nondisclosure Agreement with the independent right to enforce it. Franchisee will submit copies of all such executed Nondisclosure Agreements to Franchisor within ten (10) days of their execution.

## 8. ADVERTISING AND MARKETING.

8.01 Advertising Standards. Franchisee will only use such advertising, identification and promotional materials and programs (including, but not limited to, printed and broadcast advertisements, stationery, business cards, press releases, signs, displays, leaflets, newspaper inserts, promotional mail outs and promotional literature) which have been furnished by Franchisor or been approved in advance by Franchisor in accordance with Section 8.04. All advertising by Franchisee shall be conducted in a dignified manner, shall conform to such standards, specifications and requirements as Franchisor may specify from time to time in writing, in its Confidential Operations Manual or otherwise, and shall not

in any way detract from, reflect unfavorably upon, or denigrate the Marks, the System, the products, or Franchisor.

8.02 Administration of Franchisor's Marketing Program. Franchisor or its designee may administer a Marketing Fund (as defined below) as follows:

- (a) As provided in Section 4.02 of this Agreement, if Franchisor establishes the Program, Franchisee will pay to Franchisor a Marketing Fee up to \$20,000 per fund. The Marketing Fee will be combined with contributions made by all other franchisees of Franchisor that are members of that Program to create a marketing fund (the "Marketing Fund").
- (b) Franchisor will have sole discretion over the creative concepts, materials and media used in such Programs, and the placement and allocation of advertising. Franchisee acknowledges that the Marketing Fund is intended to further general public recognition and acceptance of the Marks for the benefit of the System and that Franchisor and its designees undertake no obligation to make expenditures which are equivalent or proportionate to Franchisee's contributions. Franchisor will endeavor to structure each Program so that each franchisee member of a Program will receive some benefit from the Program, but Franchisor cannot and does not represent or insure that each franchise member of a Program will benefit directly or on a pro rata basis from the placement of advertising in connection with a particular Program.
- (c) The Marketing Fund may be used to meet any and all costs of employing advertising agencies and administering, directing, preparing, placing and paying for regional and/or national advertising for the Program to which the Marketing Fund

pertains, including public relations and promotional campaigns typically used in media such as direct mail advertising, newspapers, radio, and cable and local television. This sum may also be spent for items including conducting marketing studies, the production and purchase of advertising art, commercials, musical jingles, print advertisements, point of sale materials, media advertising, outdoor advertising art, and direct mail pamphlets and literature. This sum may further be spent for additional items such as testing new advertising tactics, national discount/offer funding, call performance tracking, online reputation management, online directory listings management, conducting market research, the development of customizable franchisee marketing resources, travel costs for the marketing team to visit with franchisees and attend marketing conferences that provide additional marketing training to keep up-to-date on the latest marketing trends, performing marketing vendor/solution audits and branded promotional items. Franchisor need not maintain sums paid by franchisees to the Marketing Fund or income from the Marketing Fund in a separate account from the other funds of Franchisor. Franchisor may expend or allocate up to fifteen percent (15%) of the Marketing Fund on an annual basis for such reasonable administrative costs and overhead, if any, as Franchisor may incur in connection with the Marketing Fund. Franchisor shall, within one hundred twenty (120) days following the close of its fiscal year, prepare and distribute to all System franchisees an unaudited report certified as correct by an officer of Franchisor, setting forth Marketing Fund revenue and expenses for the fiscal year just ended.



- (d) Franchisor shall use its best efforts to expend the amounts contributed to the Marketing Fund during the fiscal year within which the contributions are made. If Franchisor expends less than the total amount of funds available in the Marketing Fund during any fiscal year, it may either expend such unused sum during the following fiscal year or, in its discretion elect to rebate all or a portion of such unused sum on a pro-rata basis to the franchisees who have contributed to that Marketing Fund. If Franchisor in any year expends an amount greater than the amount available in the Marketing Fund, Franchisor may be entitled to reimburse itself from the Marketing Fund during the next fiscal year for all such excess expenditures made during the preceding fiscal year.
- (e) Although the Marketing Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate the Marketing Fund. The Marketing Fund shall not be terminated, however, until all monies in the Marketing Fund have been expended for advertising and promotional purposes, or rebated to the franchisees who made contributions to such Marketing Fund.
- (f) Franchisor is not obligated to pay for any part of the expenses of any Program, except as provided in Section 8.03 of this Agreement.

8.03 Franchisor-Owned Store Participation. Any franchise or outlet which is owned and operated by the Franchisor or any affiliate thereof will participate in or contribute to the Marketing Fund for the area in which such franchise or outlet is located on the same basis as the other franchises participating in the respective Program to which the Marketing Fund is related. If any franchisor-owned outlet is unable to generate sufficient revenue to pay rent and related triple net lease expenses, contributions to the Marketing Fund from such

franchisor-owned outlet will be suspended unless and until that outlet generates sufficient revenue to pay such rent and related triple net lease expenses.

8.04 Submission of Proposed Local Advertisements, Identification and Promotional Materials.

Except for suggested local advertising, identification and/or promotional materials furnished to Franchisee by Franchisor pursuant to this Agreement, Franchisee will, prior to use or dissemination, submit to Franchisor for its approval all proposed local advertising materials (whether print or broadcast), and all identification and promotional materials or programs (including, without limitation, stationery, business cards, signs, displays, press releases, leaflets and mail-outs). Approval of such local advertising, identification or promotional materials or programs shall not be unreasonably withheld by Franchisor. Franchisee will be allowed to use promotional materials that have been approved unless and until Franchisor otherwise informs Franchisee in writing.

8.05 Local Advertising. Franchisee shall advertise the Franchised Business in accordance with the instructions and standards contained in the Franchisor's Confidential Operations Manual.

8.06 Initial Advertising. Franchisee agrees to distribute materials furnished by Franchisor as instructed by Franchisor in connection with commencing the operation of its Franchised Business. Franchisor may require that Franchisee work with Franchisor's marketing department to develop a new store opening plan for the Franchised Business. The plan may include both pre- and post-opening activities such as the purchase of local market media, direct mail, digital marketing, collateral and signage printing, promotional giveaway items, community non-profit partnerships and hosting a ribbon-cutting event.

Franchisee may be required to spend up to \$20,000 on such new store advertising activities

recommended and approved by Franchisor's marketing department. This expenditure is in addition to the amount you spend on local advertising.

- 8.07 White and Yellow Page Advertising. Franchisee will maintain a business telephone, and will list its Franchised Business continually under headings designated by Franchisor in the Confidential Operations Manual in the appropriate sections of the "White Pages". Franchisor does not require nor recommend advertising in the "Yellow Pages". If Franchisee decides to advertise in the "Yellow Pages," the size, style and content of all such "Yellow Page" advertising must be approved in writing by Franchisor. Franchisee must obtain Franchisor's prior written approval for "Yellow Page" advertising or it will not be an Approved Expense.

9. DUTIES OF FRANCHISOR.

- 9.01 Confidential Operations Manual. Franchisor shall grant Franchisee online access to Franchisor's Confidential Operations Manual, which access shall include additions to, deletions from, and modifications of the Confidential Operations Manual.
- 9.02 Method of Operations. In addition to any other training provided for herein, Franchisor shall from time to time furnish to Franchisee such information, instructions, techniques, data, instructional materials, forms and other operational developments pertaining to the offering and selling of services and products, as may be developed by Franchisor from time to time in connection with the operation of the System.
- 9.03 Training and Supervision. Franchisor agrees to provide Franchisor's Initial Franchisee Training Program to the Franchisee's Principal Operator and Franchisee's Initial Service Manager. Franchisee's Principal Operator and Franchisee's Initial Service Manager are required to personally attend and successfully complete Franchisor's Initial Franchisee

Training Program. The Initial Training Program begins on the date Franchisee enters into the Acknowledgement and Receipt Agreement. Franchisor will provide an orientation for Franchisee and will deliver materials to Franchisee. The Initial Training Program will include the Cornerstones of Excellence Training Program (as defined in the Confidential Operations Manual). Franchisee also will receive training in Franchisor's offices and in a designated training facility regarding the operations, human resources and accounting aspects of the Franchised Business. A portion of the Initial Training Program will be conducted at the location of the Franchised Business and will begin prior to the Opening Date and will continue for one and one-half weeks during Franchisee's normal business hours. Franchisor will also provide such additional review and training as Franchisor deems appropriate near the six month anniversary of the Opening Date of the Franchised Business. Franchisor will at its own cost provide the materials, supervision and instruction for the initial training session. Franchisee must pay all costs incurred by Franchisee's Principal Operator and the Initial Service Manager including all living and travel expenses (e.g. hotel, meals, airfare, employee compensation, etc.) incurred by Franchisee's Principal Operator and its Initial Service Manager, in connection with attending and participating in such training. Franchisor will assist Franchisee in the interviewing and hiring of an Initial Service Manager. The Franchisor must approve the Initial Service Manager. Franchisor may, but is not required to, offer additional training. If Franchisor offers additional training, it may, in its sole discretion, make such additional training mandatory for the Franchisee's Principal Operator and Initial Service Manager or any Successor Service Manager (as defined below). The additional training will take place at such locations as Franchisor reasonably selects, and Franchisee acknowledges and agrees that the

reasonableness of the locations will be determined by Franchisor based on a wide variety of factors, including without limitation the locations of all franchisees participating in the training and the location of the available training facilities. Franchisor may establish such fees for the additional training, as Franchisor in its sole discretion deems appropriate. The Franchisee shall be responsible for the costs of such additional training, including all travel expenses, living expenses, and expenses of attendance and participation. Franchisee will be charged, and agrees to pay, such fees as are established by the Franchisor from time to time for such additional training, and the price of training materials, as established by Franchisor, provided to the Principal Operator and Initial Service Manager. Franchisor must approve in writing any and all successors to the Initial Service Manager, any successor thereof and any and all additional service managers (collectively the “Successor Service Manager”). The Franchisor may require that any Successor Service Manager (a) attend and successfully complete Franchisor’s Initial Training Program, and (b) attend and successfully complete any additional training that Franchisor determines is mandatory. Franchisee will pay all costs related to such training. Franchisor agrees that Franchisee will not be required to attend more than two mandatory training sessions during any twelve month period.

9.04 Bookkeeping. Franchisor shall furnish to Franchisee, as part of Franchisor’s Confidential Operations Manual, standard bookkeeping procedures, software and Franchisee reporting forms that are required by Franchisor. Franchisor shall furnish to Franchisee such updates and replacements to the forgoing as Franchisor deems appropriate.

9.05 Pre-opening Assistance.

- (a) Site Selection. Franchisor shall select the site for the location for the Franchised Business, construct the building from which the Franchised Business will be operated and sublease the land and building to Franchisee pursuant to the terms of the Commercial Sub-Lease Agreement (as defined in Section 10.2223 hereof).
- (b) Equipment and Furnishings. Franchisor shall provide Franchisee with information and direction concerning the proper equipment and decorations to be used in the Franchised Business.
- (c) Promotional Materials. Franchisor will advise Franchisee concerning Franchisee's pre-opening publicity. All of the costs and expenses of this publicity must be approved in writing by Franchisor in order to be considered an "Approved Expense" in the Split Profits calculation.

9.06 Additional Assistance.

- (a) During Start-Up Period. Beginning on the first business day of the third week of the Start-Up Period (as defined below) and continuing until the end of the Start-Up Period, a management member of Franchisor will be available to consult by phone with the Principal Operator and the Initial Service Manager. The Franchisor management member may, but is not obligated to, visit Franchisee's Franchised Business for the purpose of rendering advice, consultation and additional training with respect to the Franchised Business, its operation and performance, and compliance by Franchisee with the Confidential Operations Manual. If a management member does visit Franchisee's Franchised Business for any of the purposes set out above, Franchisee agrees to pay all travel and living expenses

incurred in connection with such visit (excluding the six month anniversary visit, if any, mentioned in 9.03). The “Start-Up Period” begins on the first day the Franchisee’s Franchised Business is open to the public (“Opening Date”) and ends twelve months from the Opening Date.

- (b) After Start-Up Period. If at any time after the end of the Start-Up Period, Franchisee requests on-site assistance from Franchisor, Franchisor may, but is not obligated to, provide such on-site assistance. If Franchisor does provide such on-site assistance, Franchisee will pay Franchisor’s travel and living expenses incurred in connection with such assistance and such fees as are set out in the Confidential Operations Manual. The on-site assistance may include management support during the Principal Operator’s vacation, the training of new employees and technical support Franchisor deems appropriate.

9.07 Sources of Supply. Franchisor agrees that where Franchisee is required to use a supplier or vendor designated by Franchisor, Franchisor will review any alternative supplier or product requested by Franchisee and determine whether Franchisee may use such supplier or product in lieu of the Franchisor designated supplier or product. Franchisor expressly reserves: (a) the right to test, analyze, inspect or randomly sample the product or service of any supplier including any supplier that is proposed by Franchisee, and (b) the right to modify the specifications for all equipment and supplies and qualifications for all service providers from time to time in its sole and exclusive discretion.

9.08 Pricing. Franchisor will keep Franchisee advised of Franchisor’s schedule of prices for services and products. Franchisee agrees to inform its customers of Franchisor’s prices

and charges and to promptly inform its customers of any new prices and charges established by Franchisor.

9.09 Unavoidable Delays. Delays in the performance of any duties hereunder which are not the fault nor within the reasonable control of the Franchisor, including but not limited to, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders or other matters beyond Franchisor's control, shall not give rise to a default by Franchisor hereunder. Franchisee shall extend the time of performance for the period of such delay.

## 10. DUTIES OF FRANCHISEE.

10.01 Payments to Franchisor. In addition to all other payments provided for herein, Franchisee must pay to Franchisor promptly when due:

- (a) All fees and royalties described in Sections 4.01, 4.02, 4.03, and 4.05 of this Agreement.
- (b) All fees and expenses set out in the Confidential Operations Manual.
- (c) The amount of all sales taxes, use taxes, personal property taxes, and similar taxes imposed upon, required to be collected or paid by Franchisor on account of goods or services furnished by Franchisor to Franchisee through sale, lease or otherwise, or on account of payments or initial franchisee fees collected by Franchisor from Franchisee.
- (d) All amounts advanced by Franchisor or which Franchisor has paid, or for which Franchisor has become obligated to pay, on behalf of Franchisee for any reason whatsoever.
- (e) All amounts due to Franchisor for products or services purchased by Franchisee from Franchisor.



10.02 Purchases. Franchisee agrees to purchase all equipment required for the operation of the Franchised Business only from: (a) suppliers designated or approved in writing by Franchisor, or (b) from suppliers selected by Franchisee and approved by Franchisor. In Section 9.07, Franchisor has expressly reserved the right to test, analyze, inspect or randomly sample the product or service of any supplier including any supplier that is proposed by Franchisee, and Franchisee agrees to reimburse Franchisor for its documented costs of testing, analyzing, inspecting or sampling the service or product of any supplier proposed by Franchisee regardless of whether such supplier is subsequently approved or rejected by Franchisor as an approved source of supply. Franchisee agrees that Franchisor may modify the specifications for all equipment and supplies and qualifications for all service providers from time to time in its sole and exclusive discretion. Franchisee agrees to purchase all of the equipment required for the operation of the Franchised Business only from suppliers designated by or approved in writing by Franchisor.

10.03 Compliance With this Agreement, Laws, Rules and Regulations. Franchisee will:

- (a) comply with the terms and conditions included in this Agreement;
- (b) operate the Franchised Business in strict compliance with all applicable laws, rules and regulations of all governmental authorities;
- (c) comply with all applicable wage, hour and other laws and regulations of federal, state and/or local governments;
- (d) prepare and file all necessary tax returns and pay all taxes imposed upon Franchisee, Franchised Business, and Franchisee's property; and
- (e) obtain and keep in good standing all necessary licenses, permits or other required forms of governmental approval required of Franchisee to offer and sell those

products and services which are part of the System or which may, in the future, be made a part of that System.

10.04 Franchisee and Principal Operator Participation in and Responsibility for the Operation of the Franchised Business. Although Franchisor retains the right to establish and periodically modify System standards, which Franchisee has agreed to maintain in the operation of the Franchised Business, Franchisee retains the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of System standards at the Franchised Business. Franchisee acknowledges that it is solely responsible for all aspects of the Franchised Business's operations, including employee and human resources matters. Franchisee further acknowledges that any controls implemented by Franchisor are for the protection of the System and the Marks and not to exercise any control over the day-to-day operation of the Franchised Business. The Principal Operator is completely responsible for assuring that the daily operations of the Franchised Business are managed so that the Franchised Business complies with all of the requirements of this Agreement and of the Confidential Operations Manual. If Franchisee is a business entity, the Principal Operator must own at least fifty-one (51%) percent of the ownership interest of such business entity and must have and maintain control of the business entity for as long as such entity is the Franchisee pursuant to the terms of this Agreement. Franchisee agrees to open the Franchised Business to provide services to the public on or before five days after receipt of notice from Franchisor that the Franchised Business is operational. Franchisee, its Principal Operator, and the spouse of the Principal Operator each agree not to campaign for nor hold any public office. The

failure of the Principal Operator to comply with the terms of this section will constitute a material breach of this Agreement.

10.05 Qualifications of Franchisee's Employees. Franchisee shall be solely responsible for all employment decisions and functions of the Franchised Business, including those related to hiring, firing, wage and hour requirements, recordkeeping, scheduling, supervision, and discipline of employees, in addition to compliance with all applicable federal, state, and local laws, rules and regulations. Franchisee is required to comply with all specifications, requirements and restrictions regarding the selection, hiring, and training of Franchisee's employees as are set forth in the Confidential Operations Manual.

10.06 Indemnification. Franchisee must defend, indemnify, and hold harmless Franchisor and its affiliates, and their successors and assigns, and each of their respective direct and indirect owners, directors, officers, managers, employees, agents, attorneys, and representatives (collectively, the "Indemnified Parties"), from and against all Losses (defined below) which any of the Indemnified Parties may suffer, sustain, or incur as a result of a claim asserted or threatened or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought, by a third party and directly or indirectly arising out of the Franchised Business's operation, Franchisee's conduct of business under this Agreement, Franchisee's breach of this Agreement, or Franchisee's noncompliance or alleged noncompliance with any law, ordinance, rule, or regulation, including any allegation that Franchisor or another Indemnified Party is a joint employer or otherwise responsible for Franchisee's acts or omissions relating to Franchisee's employees. Franchisor will promptly notify Franchisee of any claim that may give rise to a claim of indemnity under this provision, provided, however, that its failure to provide such notice

will not release Franchisee from its indemnification obligations under this Section except to the extent Franchisee is actually and materially prejudiced by such failure.

Franchisee has the right, upon written notice delivered to the Indemnified Party within 15 days thereafter assuming full responsibility for Losses resulting from such claim, to assume and control the defense of such claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of such counsel's fees and disbursements. If (a) the Indemnified Party has been advised by counsel that there are one or more legal or equitable defenses available to it that are different from or in addition to those available to Franchisee and, in the Indemnified Party's reasonable opinion, Franchisee's counsel could not adequately represent the interests of the Indemnified Party because such interests could be in conflict with Franchisee's interests, or (b) Franchisee does not assume responsibility for such Losses in a timely manner or fails to defend a claim with counsel reasonably satisfactory to the Indemnified Party as contemplated above, then the Indemnified Party will have the right to employ counsel of its own choosing, and Franchisee must pay the fees and disbursements of such Indemnified Party's counsel as incurred. In connection with any claim, the Indemnified Party or Franchisee, whichever is not assuming the defense of such claim, will have the right to participate in such claim and to retain its own counsel at such party's own expense. Franchisee or the Indemnified Party (as the case may be) agrees to keep the other reasonably apprised of, and respond to any reasonable requests concerning, the status of the defense of any claim, and Franchisee and the Indemnified Party agree to cooperate in good faith with each other with respect to the defense of any such claim. Franchisee may not, without the Indemnified Party's prior written consent, (1) settle or compromise any claim or consent to the entry of any judgment

with respect to any claim which does not include a written release from liability of such claim for the Indemnified Party and its affiliates, direct and indirect owners, directors, managers, employees, agents and representatives, or (2) settle or compromise any claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments which will be paid by Franchisee. No claim which is being defended in good faith by Franchisee in accordance with this Section may be settled by the Indemnified Party without Franchisee's prior written consent. Notwithstanding anything to the contrary in this Section, if a claim involves the Marks, Franchisee agrees that Franchisor has the exclusive right to assume the defense of such claim, at Franchisee's expense with counsel selected by Franchisor, but reasonably satisfactory to Franchisee.

Franchisee has no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employment) or Franchisor's failure to compel Franchisee to comply with this Agreement.

For purposes of this Section, "Losses" include all obligations, liabilities, damages (actual, consequential, or otherwise), and defense costs that any Indemnified Party incurs. Defense costs include, without limitation, accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, and alternative dispute resolution.

Franchisee's obligations in this Section will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against Franchisee under this Section. Franchisee agrees that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from Franchisee under this Section.

10.07 Manner of Operation. Franchisee understands and hereby acknowledges that every component of the System is vital to Franchisor, to other franchisees of Franchisor and to the operation of the business franchised hereby, and that compliance with the System is of the essence of this Agreement. Franchisee shall at all times conduct the Franchised Business in compliance with the System, including all standards, procedures and policies as Franchisor may, from time to time, establish as though all were specifically set forth in this Agreement, and whether set forth in Franchisor's Confidential Operations Manual, bulletins, notices, or elsewhere. Franchisee must operate its Franchised Business in a clean and wholesome manner which complies strictly with all recommendations and standards of quality, service and cleanliness as prescribed from time to time by Franchisor. Franchisee agrees to operate the Franchised Business in a manner that provides all of the services and products which Franchisor designates from time to time to be component services or products of the System. Franchisee agrees to maintain the Franchised Business as provided in the Confidential Operations Manual. Franchisee's failure to comply with the terms of this section will constitute a material breach of this Agreement.

- 10.08 Advertising. Franchisee must comply with all of the obligations, procedures and duties regarding advertising contained in Article 8 of this Agreement.
- 10.09 Hours of Operation. Franchisee's Franchised Business must be open for business during those hours prescribed in the Confidential Operations Manual, unless prohibited by local laws, ordinances or regulations.
- 10.10 Equipment. Franchisee must at all times during the term of this Agreement, and at its sole expense, maintain such equipment as designated in writing by Franchisor including the requirements that are set forth in the Confidential Operations Manual. Franchisee must maintain all equipment used in the Franchised Business in good repair and must regularly service and maintain such equipment so as to keep it continually in good working order. Franchisee's failure to maintain the equipment as required by Franchisor will constitute a material breach of this Agreement.
- 10.11 Corporate or Other Entity Franchisee Records.
- (a) If Franchisee is a corporation or other legal entity, Franchisee must comply with the following requirements through the term of Agreement:
- (i) Franchisee must furnish the Franchisor with all of the following or its equivalent: Articles of Incorporation or Formation; Bylaws; Minutes of Shareholders' Meetings; Minutes of Directors' Meetings; Shareholder Agreements, Regulations, Company Agreements and all other governing documents as amended from time to time; a list of all officers, directors, shareholders; partners, members and/or managers and any other documents the Franchisor may reasonably request and any amendment thereto.

(ii) Franchisee must limit its activities, and its governing documents, if any, exclusively to the operation of the Franchised Business.

(iii) Franchisee must place the following legend legibly and conspicuously on each security or evidence of ownership interest of Franchisee:

**“The transfer of this stock (or other evidence of equity ownership in a legal entity) is subject to the terms and conditions of a Franchise Agreement with Christian Brothers Automotive Corporation, dated \_\_\_\_\_, 20\_\_\_. Reference is made to the provisions of that Franchise Agreement and to the Articles and governance documents of this entity.”**

(iv) Franchisee must comply with all federal and state laws and requirements concerning the issuance and sale of securities (the “Securities Requirements”). Franchisee acknowledges and agrees that Franchisor makes no representation concerning compliance by Franchisee with the Securities Requirements.

(v) Franchisee must maintain a current list of all owners of record and all beneficial owners of any class of voting stock of the Franchisee, and must furnish the list to Franchisor upon request.

(b) Franchisee shall promptly notify Franchisor of any change in any of the information or documents furnished to Franchisor pursuant to the terms of this Section 10.11.

10.12 Requirements Regarding, and Restrictions Relating to, Products and Services Sold by Franchisee. Franchisee will offer and sell all services and products which are part of the



System, as amended or supplemented from time to time. Franchisee is expressly prohibited from offering or selling any service or product which is not a part of the System.

10.13 Inspection. Franchisor, or any of its authorized agents or representatives, may at any time during normal business hours enter upon the Franchised Business location for the purpose of examining and inspecting it, and the Franchisee's employees, customers and overall operations.

10.14 Submission of Nonfinancial Reports. Franchisee shall complete and submit to Franchisor weekly, monthly, semi-annual or other periodic reports regarding the activity of Franchisee's Franchised Business as Franchisor prescribes in its Confidential Operations Manual.

10.15 Insurance. To standardize insurance coverage and to afford Franchisee and Franchisor protection against insurable risks, Franchisor may prescribe minimum standards and limits for insurance coverage to be purchased by Franchisee. Such standards and limits may be set forth in the Confidential Operations Manual or by other written notice. Franchisee must promptly provide Franchisor with certificates of insurance evidencing such coverage and copies of the underlying policies, including all endorsements, no later than ten (10) days prior to the Opening Date, and Franchisee must again furnish Franchisor with those certificates and policies whenever any coverage is renewed and/or replaced. If Franchisee fails or refuses to purchase insurance conforming to the standards and limits prescribed by Franchisor, Franchisor may (but is not required to) obtain, through agents and insurance companies of its own choosing, such insurance as meets such standards. All costs for such insurance will be borne by Franchisee as provided in the Approved Expense Items and in the Confidential Operations Manual. Franchisee must reimburse Franchisor for all

payments made by Franchisor in connection with obtaining such insurance. Franchisor is not and will not at any time be under an obligation to obtain or maintain any specific form, kind or amount of insurance. Franchisor has not and is not representing that insurance may be obtained by Franchisee, or by Franchisor for Franchisee, that will insure Franchisee against any or all insurable risks of loss which may or can arise out of or in connection with the operation of Franchisee's Franchised Business. All insurance purchased by Franchisee must name Franchisor (and upon Franchisor's request, any lender of Franchisor or Franchisor's landlord, or Franchisor's Landlord's lender) as an additional insured on a primary and non-contributory basis, and must provide that Franchisor (and upon Franchisor's request, any lender of Franchisor or Franchisor's landlord, or Franchisor's Landlord's lender) will be given at least thirty (30) days' prior written notice of any termination, amendment, cancellation, or modification thereof.

10.16 Cooperation With Franchisor. Franchisee must act in good faith and use its best efforts to comply with its obligations under this Agreement, and to cooperate with Franchisor in accomplishing the purposes of this Agreement.

10.17 Best Efforts. Franchisee must expend its best efforts in the operation of the Franchised Business, and shall not engage in any directly or indirectly conflicting or competing enterprises or any other activities which would be detrimental or interfere with the operation, reputation or goodwill of the Franchised Business, the Franchisor, the System or any other of Franchisor's franchises.

10.18 Minimum Performance Requirement. Following the first (1st) year of operation of the Franchised Business, or in the case of a transfer of the Franchised Business, following the first (1st) year of operation of the Franchised Business by the transferee ("Startup

Periods”), the following “Minimum Performance Requirement” must be maintained: a rolling six (6) month positive Net Ordinary Income, meaning the Net Ordinary Income must be equal to or exceed \$1. If the foregoing Minimum Performance Requirement is not maintained at any time during the term of this Agreement following the Startup Periods, Franchisor, in its sole discretion, may terminate this Agreement and all rights granted hereunder without affording Franchisee an opportunity to cure the default, in accordance with Section 14.02(c), or Franchisor may elect, in lieu of terminating this Agreement, to allow Franchisee to enter into Franchisor’s store in distress program by executing the Store In Distress Program Agreement attached hereto as Exhibit E. For purposes of this Section 10.18: “Net Ordinary Income” shall mean Total Income minus Cost of Goods Sold minus Total Expenses; “Total Income” shall mean ordinary income from all sources; “Cost of Goods Sold” shall mean all costs including all transportation, labor, parts, discounts and fees; and “Total Expenses” shall mean administrative and overhead expenses before amortization, depreciation and royalty expenses. The foregoing definitions are subject to change in Franchisor’s discretion, as set forth in the Confidential Operations Manual from time to time, provided that such definitions are in accordance with prevailing accounting practices in the automotive service and repair industry.

~~10.18~~10.19 Continuing Training. Franchisee’s Principal Operator and Service Manager will attend such continuing education and training programs as Franchisor notifies Franchisee are mandatory training programs, and Franchisee will pay all costs including training fees, travel expenses and living expenses incurred in connection with Franchisee’s Principal Operator and Service Manager attending such programs.

~~10.19~~10.20 Timely Payment of Amounts Due by Franchisee. Franchisee will timely pay (a) Franchisor all amounts due to Franchisor pursuant to this Agreement, and (b) all amounts due to each of its employees, vendors, third party landlords, lenders, taxing authorities, utility providers, and to any other parties that Franchisee is obligated to make payments related to the Franchised Business. Franchisee's failure to comply with the provisions of this Section will constitute a material breach of this Agreement.

~~10.20~~10.21 Restriction On Transfer of Shares or other ownership interests of Franchisee. The Principal Operator will not sell, transfer or convey any or all of the shares or other ownership interests of Franchisee to any party except as provided in Article 13 of this Agreement. Principal Operator shall at all times continue to own more than fifty percent (50%) of the Franchisee or such greater percent of the ownership interest of the Franchisee as is necessary to control the decision-making process and governance of the Franchisee.

~~10.21~~10.22 Opening of Franchised Business. Franchisee must open the Franchised Business on the Opening Date.

~~10.22~~10.23 Entering Into the Commercial Sub-Lease Agreement. Franchisee agrees to execute and deliver a commercial sub-lease agreement in the form attached hereto as Exhibit "D" (the "Commercial Sub-Lease Agreement") to Franchisor on or before ten (10) days after Franchisor notifies Franchisee that Franchisor is prepared to enter into the Commercial Sub-Lease Agreement.

~~10.23~~10.24 Pre-Opening Termination by Franchisor. Franchisee agrees that if during the period prior to the Opening Date: (a) any representations or warranties of Franchisee and/or the Principal Operator prove to be inaccurate or false, (b) the Principal Operator fails to take or pass any of Franchisor's required training, as determined in the sole, but reasonable

discretion of the Franchisor, (c) the Principal Operator and/or the Franchisee fails to pass any credit or character check performed by or on behalf of the Franchisor, and/or (d) Principal Operator and/or Franchisee fail to timely or diligently perform any duties or obligations during the period prior to the Opening Date, then Franchisor shall have the right, but not the obligation, to either (i) pay Franchisee the portion of the Initial Franchise Fee that has been paid to Franchisor minus \$10,000.00 and to immediately terminate this Agreement and the relationship between Franchisor and Franchisee without any duty to provide Franchisee any notice or opportunity to cure such breach or (ii) terminate this Agreement pursuant to Section 14.02.

~~10.24~~10.25 Successor Principal Operator. Any successor Principal Operator must successfully complete the Initial Franchisee Training Program, or upon failing to do so, must make arrangements with Franchisor to retake the Initial Franchisee Training Program and successfully complete it within forty-five (45) days of any such failure.

~~10.25~~10.26 Successor Service Manager. Any Successor Service Manager must successfully complete the Initial Franchisee Training Program within forty-five (45) days of first being proposed by Franchisee to become a Successor Service Manager.

~~10.26~~10.27 Maintenance of Premises and Approval of Improvements. Franchisee agrees to maintain the Premises (as defined in the Commercial Sub-Lease Agreement) in compliance with the standards set out by the Franchisor in the Confidential Operations Manual. Franchisee agrees to not make any improvements and/or changes to the Premises without first obtaining the written consent of Franchisor, which consent may be withheld in Franchisor's sole discretion.

~~10.27~~10.28 Public Notice. During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a franchise agreement from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including exhibiting a notice of that fact in a conspicuous place at the Premises, the content of which Franchisor reserves the right to specify, including language identifying Franchisee as an independent business in all dealings with customers, employees, suppliers and others.

11. RECORDS, AUDITS AND REPORTING REQUIREMENTS.

11.01 Financial Statements and Reports. Within forty-five (45) days after the expiration of each fiscal year of Franchisee, Franchisee shall furnish to Franchisor, in a form approved by Franchisor, a statement of profit and loss for the fiscal year and a balance sheet as of the end of the fiscal year, certified to be true and correct by Franchisee. Franchisee must comply with all accounting, financial and reporting requirements set out in the Confidential Operations Manual or other similar correspondence. Franchisee's failure to comply with all accounting, financial and reporting requirements set out in the Confidential Operations Manual or other similar correspondence shall constitute a material breach of this Agreement.

11.02 Records. Franchisee shall record and maintain records of its revenues and expenditures as set forth in the Confidential Operations Manual or otherwise. Franchisee's failure to make and maintain records in such manner shall constitute a material breach of this Agreement.

11.03 Audits. Franchisor may during regular business hours enter Franchisee's premises to inspect, audit and make copies of books of account, bank statements, documents, records, sales tax returns, papers, and files of Franchisee relating to the business transacted by

Franchisee, and upon request by Franchisor, Franchisee shall make any such materials available for examination at Franchisee's premises. If any such inspection and/or audit determines that Franchisee has paid Franchisor all amounts that should have been paid to Franchisor pursuant to the terms of this Agreement, all costs associated with conducting such inspection and/or audit shall be the responsibility of Franchisor. If any such inspection and/or audit determines that Franchisee has failed to pay Franchisor all amounts that should have been paid to Franchisor pursuant to the terms of this Agreement, then Franchisee shall pay all costs associated with conducting such inspection and/or audit and such amounts as are determined are owed by Franchisee together with interest at 18% per annum and any penalties provided by law or by the terms of this Agreement.

11.04 Online Access and Additional Information. Franchisee agrees to provide Franchisor view-only access to all of Franchisee's accounts at all financial institutions. Franchisee also agrees to timely provide to Franchisor such financial information, records, reports and supporting information as Franchisor reasonably requests, and to comply with all information requests that are provided for in the Confidential Operations Manual.

## 12. RELATIONSHIP OF THE PARTIES.

12.01 Independent Contractor. Franchisee is an independent contractor. Franchisor and Franchisee are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement shall be construed to alter the relationship. Franchisee shall be solely responsible for compliance with all federal, state, and local laws, rules and regulations, and for Franchisee's policies, practices, and decisions relating to the operation of the Franchised Business.

13. ASSIGNMENT, RIGHT OF FIRST REFUSAL AND AGREEMENTS OF FRANCHISEE.

13.01 Assignment by Franchisor. Franchisor may assign this Agreement, and all of its rights and privileges hereunder to any other person, firm or corporation; provided that, in respect to any assignment resulting in the subsequent performance by the assignee of the functions of the Franchisor:

- (a) the assignee shall, at the time of such assignment, in Franchisor's reasonable judgment, be economically and operationally capable of performing the obligations of Franchisor hereunder, and
- (b) the assignee shall expressly assume and agree to perform such obligations.

13.02 Assignment by Franchisee. Franchisee acknowledges that Franchisor is entering into this Agreement in reliance upon and in consideration of the singular personal skill, character and qualifications of the Principal Operator of Franchisee and the trust and confidence placed in Franchisee by Franchisor or, in the case where a franchisee is a business organization of any nature, in its Principal Operator. Subject to the provisions of this Agreement, Franchisee may assign its rights in this Agreement and in the Franchised Business provided that Franchisee first provides Franchisor the option to purchase the Franchised Business pursuant to the same terms and provisions that have been offered in writing by an independent third party purchaser of the Franchised Business (the "Identified Offer"). Franchisee must deliver a written notice to Franchisor providing Franchisor with the option to purchase the Franchised Business on the same terms that are in the Identified Offer (the "Option Notice"). A copy of the Identified Offer must be included in the Option Notice. Franchisor will have thirty (30) days after receipt of the Option Notice to agree to



purchase the Franchised Business on the terms contained in the Identified Offer, and ninety (90) days after the receipt of the Option Notice to close the purchase of the Franchised Business. In the event Franchisor does not purchase the Franchised Business, the Franchisee may assign its rights in this Agreement and in the Franchised Business provided that Franchisee obtains Franchisor's prior written consent to such assignment, which consent will not be unreasonably withheld. Franchisor agrees to consent to such assignment provided that:

- (a) The assignee (or the principal officer, designated Principal Operator, shareholder or director of a corporate or other legal entity assignee) demonstrates that he or she has the skills, character, experience, business qualifications and economic resources necessary, in Franchisor's judgment, reasonably exercised, to conduct the business contemplated by this Agreement, and to fulfill his or her obligations to the assignor and to Franchisor.
- (b) The assignee, in the case of an assignment of this Agreement, expressly assumes in writing for the benefit of Franchisor all of the obligations of Franchisee under this Agreement.
- (c) As of the date of any assignment, the Franchisee shall have fully complied with all of its obligations to Franchisor, whether under this Agreement or any other agreement, arrangement or understanding with Franchisor.
- (d) In the event of an assignment of this Agreement or the sale of the Franchised Business, the assignee shall execute a separate franchise agreement (the "New Agreement") in the form and on the terms and conditions then being offered by Franchisor to prospective Franchisees similarly situated (except that the assignee

shall not be obligated to pay another Initial Franchise Fee). The term of the New Agreement shall expire on the date of the expiration of this Agreement and the Initial Term for the New Agreement will be the same as the Initial Term of this Agreement. The execution of the New Agreement shall, except for the post-term obligations of Franchisee hereunder, be deemed to terminate this Agreement.

- (e) Franchisee shall pay the Franchisor a transfer fee (the “Transfer Fee”) equal to Thirty Thousand and No/100 Dollars (\$30,000.00). Franchisee acknowledges that the Transfer Fee is reasonably required to reimburse Franchisor for its expenses relating to said assignment, and which amount is payable as follows: (i) a non-refundable amount of \$2,500.00 must be paid at the time the Franchisee initially submits a written request that Franchisor approve the transfer, and (ii) an additional \$27,500.00 must be paid to Franchisor following Franchisor’s verbal agreement to approve the proposed transferee, but prior to Franchisor’s approving the assignment agreement. In the event Franchisee authorizes Franchisor to find an assignee, who is not then currently a Christian Brothers Automotive franchisee, Franchisee shall be responsible for paying Franchisor a transaction fee, which is the greater of 7% of the gross value of the business transaction or \$50,000 (the “Transaction Fee”). This Transaction Fee is earned and payable upon closing of the transaction between Franchisee and the assignee and is in addition to the Transfer Fee. Until all fees have been paid and Franchisor has executed the assignment, the assignment will not be valid.

- (f) The assignee must have satisfactorily paid for and completed the training then required of all new franchisees of Franchisor, unless such training is waived by Franchisor, in writing, by reason of said assignee's prior experience or training.
- (g) Prior to executing a copy of the assignment agreement, the transferor or assignee must furnish Franchisor with a copy of the assignment agreement. Franchisor shall have ten days after the date Franchisor receives the assignment agreement to notify Franchisee of any changes to the assignment agreement that will be required by Franchisor.
- (h) The assigning Franchisee shall have executed a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor and its officers, directors, shareholders, members, managers, partners, employees and agents in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules and ordinances.
- (i) The Franchisee must provide to a prospective Assignee and must follow the written guidelines of transfer issued from time to time by the Franchisor. Such guidelines include, among other things, specific terms of this Agreement, acknowledgement of and understanding of this Agreement, terms of a Non-disclosure Agreement, description of the assets included in the assignment and sale, and detailed descriptions of what are approved and unapproved expenses after the completion of the transfer.
- (j) Assignee must provide to Franchisor a detailed five year financial projection/budget which supports the ability of the Assignee to thrive and make all needed necessary payments under the terms of the transfer.

Any transfer that results in the Principal Operator owning less than: (i) fifty-one (51%) percent of the equity and/or voting power of any legal entity owning the Franchised Business (as such Franchisees were originally constituted at the time of the execution of this Agreement), or (ii) fifty-one (51%) percent of the sole general partner of the Franchisee, if the Franchisee is organized as a limited partnership, is deemed to be an assignment of this Agreement within the meaning of this Article 13.

13.03 No Encumbrance. Franchisee shall not have the right to pledge, encumber hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without the express prior written consent of Franchisor, which permission may be withheld for any reason whatsoever in the Franchisor's sole subjective judgment.

THE FOLLOWING ARE ALTERNATIVES OF SECTION 13.04 FOR DIFFERENT TYPES OF ENTITIES. IF YOU DESIRE TO USE A TYPE OF ENTITY THAT IS NOT ONE OF THE FOLLOWING, YOU MUST REQUEST FRANCHISOR'S APPROVAL. IF FRANCHISOR APPROVES YOUR REQUEST, SECTION 13.04 WILL BE MODIFIED TO APPLY TO THAT TYPE OF ENTITY, BUT ALL MODIFICATIONS WILL IN FORM AND SUBSTANCE AS FRANCHISOR IN ITS SOLE DISCRETION DEEMS APPLICABLE.

13.04 Corporate Franchisee.

(a) The name and address of each shareholder or other equity holder of Franchisee is set forth below:

<u>Name</u>	<u>Address</u>	<u>Percentage of Ownership Interest</u>
[principal operator]	[address]	

[spouse]                      [address]

- (b) The name and address of each director of Franchisee is set forth below:

<u>Name</u>	<u>Address</u>	<u>Title</u>
[principal operator]	[address]	Director
[spouse]	[address]	Director

- (c) The address where Franchisee's records are maintained is [address].

- (d) The names, and addresses and titles of Franchisee's principal officers are set forth below: Franchisee must designate which is the Principal Operator (See Section 4.3(a))

<u>Name</u>	<u>Office Held</u>	<u>Address</u>
[principal operator]		[address]
[spouse]		[address]

- (e) Franchisee shall notify Franchisor in writing within ten (10) days of any change in the information set forth in subparagraphs (a) through (d) above.

**OR**

#### 13.04 Limited Liability Company Franchisee.

- (a) The name and address of each member or other equity holder of Franchisee and his or her percentage of ownership in the limited liability company is set forth below:

<u>Name</u>	<u>Address</u>	<u>Percentage of Ownership Interest</u>
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[principal operator]	[address]	___% interest
[spouse]	[address]	___% interest

- (b) The name and address of each director and/or manager of Franchisee is set forth below:

<u>Name</u>	<u>Address</u>	<u>Title</u>
[principal operator]	[address]	
[spouse]	[address]	

- (c) The address where Franchisee's records are maintained is [address].
- (d) If Franchisee has officers, the names, addresses and titles of Franchisee's officers are set forth below: Franchisee must designate the Principal Operator (See Section 4.3(a)) in this Subsection whether or not Franchisee has officers.

<u>Name</u>	<u>Office Held</u>	<u>Address</u>
[principal operator]		[address]
[spouse]		[address]

- (e) Franchisee shall notify Franchisor in writing within ten (10) days of any change in the information set forth in subparagraphs (a) through (d) above.

13.05 Death of Principal Operator. If the Principal Operator dies or becomes disabled and unable to reasonably and prudently manage the Franchised Business, Franchisor and Franchisee agree to either (a) complete a transfer in compliance with the provisions in Section 13.02, or (b) provide Franchisor the option to acquire the Franchised Business pursuant to the

same terms as contained in the Option in Section 15.08; provided the term “Determination Date” that is used in Section 15.08 when applied to this Section 13.05 shall be the date that is fifteen (15) days after the Principal Operator dies or becomes disabled. A Principal Operator will be classified as disabled when he or she is not cleared by a licensed physician to perform the normal duties of a Principal Operator for a period in excess of ninety (90) days.

#### 14. DEFAULT AND TERMINATION.

##### 14.01 Termination After Right to Cure.

- (a) Except for the defaults described in Section 14.02, if Franchisee fails to perform any of its obligations set forth in this Agreement, such failure shall constitute a material breach of this Agreement, in which event Franchisor shall notify Franchisee that it is in default. If Franchisee cures such default within fifteen (15) days after receiving Franchisor’s notice, such default shall be cured. If Franchisee fails to cure such default within the fifteen (15) day period, then Franchisor shall have the option to immediately terminate this Agreement without any further notice to Franchisee. In the event a second default occurs within any twelve (12) month period, Franchisee will have the same opportunity to cure, but if a third default occurs during any twelve (12) month period, notwithstanding that prior defaults have been cured, this Agreement may be terminated immediately by Franchisor upon giving notice to Franchisee. Notwithstanding any other provision of this Agreement, if Franchisee’s default is by its nature incapable of being cured, this Agreement may be immediately terminated by Franchisor.

(b) The termination of this Agreement as a result of Franchisee's failure to comply with its obligations will cause Franchisor to suffer future losses and damages in an amount which are not readily capable of determination. Franchisor and Franchisee agree that the amount of the Initial Franchise Fee is a reasonable estimate of the actual future damages that Franchisor would incur as a result of such termination. Consequently, Franchisee agrees that Franchisor shall be entitled to retain the Initial Franchise Fee as liquidated damages in the event of such termination. In addition to the liquidated damages, Franchisee will remain obligated to Franchisor for any obligations and damages which have accrued as of the date of termination. Franchisor also has not waived, nor will Franchisor waive, any legal or equitable rights or remedies to which Franchisor is or will be entitled to assert after termination of this Agreement. **THE PARTIES AGREE THAT THE AMOUNT OF LIQUIDATED DAMAGES IN THIS PROVISION IS A FAIR AND REASONABLE ESTIMATE OF THE ACTUAL DAMAGES FRANCHISOR WOULD SUFFER IN THE EVENT OF A BREACH AND IS NOT CONSIDERED BY EITHER PARTY TO ACT AS A PENALTY TO THE BREACHING PARTY.**

14.02 Termination Without Right to Cure. Notwithstanding anything to the contrary contained herein, Franchisee understands and agrees that the occurrence of any of the following events, circumstances, or courses of conduct constitute a material default under this Agreement, and Franchisor will have the right, but not the obligation, to immediately terminate this Agreement without giving any notice or opportunity to cure to the Franchisee, except as specifically provided in the respective subsection:



- (a) The Franchisee or the Franchised Business is declared bankrupt or judicially determined to be insolvent; or all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor; or Franchisee admits its inability to pay its debts as they become due; or a petition in bankruptcy is filed against Franchisee which is not immediately contested or which is not dismissed within 120 days from its filing.
- (b) The Franchisee fails to operate the business for five (5) consecutive days during which the Franchisee is required to operate the business under the terms of this Agreement.
- (c) The Franchisee fails to meet the Minimum Performance Requirement, as set forth in Section 10.18 above.
- ~~(e)~~(d) The Franchisor and the Franchisee agree in writing to terminate the Agreement.
- ~~(d)~~(e) The Franchisee makes any material misrepresentation relating to the acquisition of the Franchised Business or engages in conduct which reflects materially and unfavorably upon the operation and reputation of the Franchised Business or Franchisor's services and products.
- ~~(e)~~(f) The Franchisee fails, for a period of ten (10) days after notification of noncompliance by any person or entity, to comply with any federal, state, or local law or regulation applicable to the operation of the Franchised Business.
- ~~(f)~~(g) The Franchisee, after curing any failure to comply with Section 14.02 above, engages in the same noncompliance, whether or not such noncompliance is corrected after notice; provided the terms of this Section shall not apply to parking or speeding tickets.

- ~~(g)~~(h) The Franchised Business is seized, taken over, or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor, lienholder or lessor.
- ~~(h)~~(i) The Franchisee fails to pay any franchise fees, royalty payments or other amounts due to the Franchisor or its affiliates within five (5) days after receiving written notice that such amounts are past due.
- ~~(i)~~(j) The misuse or unauthorized use of the Marks and/or the material impairment of the goodwill associated with them or the Franchisor's rights in them.
- ~~(j)~~(k) The participation of Franchisee in any business, or the marketing by the Franchisee of any service or product, under a name or mark which, in the Franchisor's opinion, is confusingly similar to the Marks.
- ~~(k)~~(l) The acquisition by the Franchisee of any interest in a business similar to the Franchisor's business, provided that a Franchisee may own less than five (5%) percent of the shares of a company whose shares are listed and traded on a national or regional securities exchange or quoted on the National Association of Securities Dealers Automated Quotation System ("NASDAQ").
- ~~(l)~~(m) The unauthorized utilization or duplication of any aspect of Franchisor's business, services, products, Confidential Information and/or System.
- ~~(m)~~(n) The disclosure by the Franchisee of any part of the Franchisor's business practices, procedures, Confidential Information and/or System.
- ~~(n)~~(o) The sale, assignment, or transfer of any interest in the Agreement, the Franchised Business, or Franchisee in violation of this Agreement.

~~(p)~~(p) The violation by Franchisee of its covenant not to compete set forth in Article 16 of this Agreement.

~~(q)~~(q) Franchisee's violation of those requirements, duties and restrictions pertaining to the Marks set forth in Article 5 of this Agreement.

~~(r)~~(r) Franchisee, or any owner or shareholder of a corporate Franchisee, or any partner of a Franchisee conducting business as a partnership, being convicted or pleading nolo contendere in a court of competent jurisdiction to a felony or any other crime of moral turpitude.

14.03 Cross Default. Any default by Franchisee under the Commercial Sub-Lease Agreement or any other agreement between Franchisor and Franchisee or any lease agreement between Franchisee and any affiliate of Franchisor will constitute a default under this Agreement, and any default under this Agreement will constitute a default under the Commercial Sub-Lease Agreement and under any and all other agreements between Franchisee and Franchisor or between Franchisee and any affiliates of Franchisor.

14.04 Notice Required by Law. Notwithstanding anything to the contrary contained in this Article 14, if applicable law or regulation limits Franchisor's rights of rescission or termination or requires longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon rescission or termination required by such laws and regulations. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or the rescission or termination thereof.

15. FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION OR EXPIRATION.

- 15.01 Discontinuance of Franchisor's Marks. Upon termination of this Agreement for any reason, Franchisee shall discontinue the use of the Marks and any part of them, including, but not limited to the Authorized Name and/or the words "Christian Brothers Automotive", "Christian Brothers", "CBAC" and "CBA" and shall not thereafter operate or do business under any name or in any manner that might tend to give the general public the impression that it is operating a franchise of Franchisor, or any business similar thereto, and Franchisee shall not thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's trade secrets, procedures, techniques, Confidential Information or materials acquired by Franchisee by virtue of the relationship established by this Agreement, including, without limitation, the information contained in Franchisor's Confidential Operations Manual, forms, advertising matter, marks, devices, signs, insignia, slogans and designs used from time to time in connection with the Franchised Business; and any telephone number listed in any telephone directory under the Authorized Name or any similar designation or directory listing which relates to the Franchised Business. "Authorized Name" means the names set out on Exhibit "B" to this Agreement and any other name which the Franchisor provides the Franchisee with written authorization to use.
- 15.02 Execution of Documents. Franchisor may, if Franchisee fails or refuses to do so, execute in Franchisee's name and on Franchisee's behalf, any and all documents necessary to cause discontinuance of Franchisee's use of any Mark, including, but not limited to the name "Christian Brothers Automotive," or any other related name use hereunder, and Franchisee hereby irrevocably appoints Franchisor as Franchisee's attorney-in-fact to do so.

- 15.03 Franchisor's Rights Not Prejudiced. The expiration or termination of this Agreement shall be without prejudice to Franchisor's rights against Franchisee for obligations existing at the time of expiration or termination, nor will it terminate the obligations of Franchisee provided in Sections 5.09, 6.04, 7.01, 10.06, 15.01, 15.02, 15.03, 15.04, 15.05, 15.06, 15.07, 15.08, 15.09, 16.01, 16.03, 21.01, 23.01 and 24.01 this Agreement, which specifically survive the expiration or termination of this Agreement.
- 15.04 Franchisee's Cancellation of Names Incorporating Marks. Upon termination or expiration of this Agreement, Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains any name or mark identical, or confusingly similar with a Mark or any other name, trademark or service mark of Franchisor, and Franchisee shall furnish Franchisor with proof of discharge of this obligation within thirty (30) days following the termination or expiration of this Agreement.
- 15.05 Franchisee's Cancellation of Telephone Listings and Numbers. Upon termination or expiration of this Agreement, Franchisee shall immediately comply with the obligations contained in Section 5.05
- 15.06 Return of Franchisor's Property. Upon the termination of this Agreement for any reason, Franchisee shall return, in good condition, all files, records, documents, computer records, studies, strategic plans, compilations of information, pamphlets, brochures and similar items copying, embodying, derived from, or related to the Confidential Information that are in Franchisee's possession or under Franchisee's control.
- 15.07 Payment of Sums Due. Franchisee shall promptly pay all sums owing to Franchisor (and its subsidiaries, affiliates or designees, if any). In the event of termination for any default

of Franchisee, such sums shall include all damages, costs and expenses (including reasonable attorney's fees) incurred by Franchisor as a result of the default.

15.08 Franchisor's Option to Purchase Franchisee's Business. Upon the termination of this Agreement for any reason other than as a result of an assignment made in compliance with Section 13.02 of this Agreement, Franchisor will have the option (the "Option"), but not the obligation, for a period of sixty (60) days to purchase for itself or its designees all or any part of the Franchised Business (including without limitation, all vehicles, equipment, inventory, working capital, supplies and improvements that have been made by and are owned by Franchisee) for an amount equal to the Appraised Value (as defined below). Any amounts owed by Franchisee to Franchisor or any of Franchisor's affiliates, subsidiaries and designees will be offset against the purchase price. If the parties cannot agree on the fair market value of the Franchised Business on or before fifteen (15) days after the expiration of this Agreement (the "Determination Date"), an independent appraiser will be appointed as provided in the last paragraph of this Section, and the independent appraiser's determination of the fair market value of the Franchised Business will be binding on the Franchisor and the Franchisee. Franchisor and Franchisee will each pay one half of the cost of the appraisal. If the parties do not agree on the value of the Franchised Business on or before the Determination Date, Franchisor's option to purchase the Franchised Business will be extended to sixty (60) days from the later of (i) the date the parties agree to the value of the Franchised Business, or (ii) the date the appraiser determines the value of the Franchised Business and notifies the parties of the value of the Franchised Business. Franchisor is entitled to specific performance of Franchisee's obligation to sell the Franchised Business as set out in this Section.

For purposes of this Agreement, “Appraised Value” means the value of the Franchised Business that is determined as follows: (a) the value that the Franchisor and Franchisee agree upon as the value of the Franchised Business, or (b) if Franchisor and Franchisee cannot agree upon a value for the Franchised Business, then the fair market value determined by an appraiser who is either selected by the Franchisor and Franchisee or appointed by an arbitrator appointed pursuant to the provisions of Section 24 for the sole purpose of selecting such appraiser. The appraiser will determine the fair market value based on the value of the Franchised Business as a going concern unless the Franchisor, in good faith, determines the Franchised Business should be liquidated in which case the appraiser shall determine the liquidation value of the Franchised Business. The arbitrator is hereby instructed to select an appraiser that the arbitrator determines has experience in establishing values for business of the nature of the Franchised Business or of similar businesses.

15.09 Key Man Insurance. Franchisor and Franchisee agree to obtain life insurance on: [principal operator], the Principal Operator of the Franchisee (the “Insured Principal”) in the amount of \$750,000.00 (the “Key Man Insurance”). Franchisor and Franchisee agree to keep the Key Man Insurance in place during the term of this Agreement. The Key Man Insurance will initially be term insurance, but in the event Franchisee and Franchisor subsequently determine that another type of insurance will be more beneficial to Franchisor and Franchisee, Franchisor and Franchisee agree that such insurance may be purchased and substituted for the Key Man Insurance that is currently in place. The premium for the Key Man Insurance will be paid by the Franchisee. The life insurance policy that evidences the Key Man Insurance (the “Policy”) will be owned by the Franchisee. The beneficiaries of

the Policy will be Franchisor and the Franchisee (collectively the “Designated Beneficiary”). Each Designated Beneficiary shall be entitled to receive one-half of the proceeds of the Policy. For example, if the Insured Principal dies while the amount of the Policy is \$750,000.00, Franchisor will be entitled to receive \$375,000.00 of the proceeds of the Key Man Insurance and the Franchisee will be entitled to receive \$375,000.00 of the proceeds of the Key Man Insurance. If the Insured Principal Operator dies during the term of this Agreement or any renewal thereof, the portion of the insurance proceeds of the Key Man Insurance that are paid to the Franchisee will constitute a payment on the purchase price, if any, of the Franchised Business paid by Franchisor to Franchisee pursuant to Section 13.05 of this Agreement or pursuant to any other agreement for the sale of the Franchised Business that is entered into between the Franchisor and Franchisee.

16. COVENANTS NOT TO COMPETE.

16.01 In-Term and Post-Term Covenant Not To Compete. Franchisee agrees that during the term of this Agreement and for a period of three (3) years immediately following its expiration or termination for any reason, Franchisee will not, either directly or indirectly, as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, franchisor, franchisee or consultant engage in any other business which offers or sells any product or service (or component thereof) which comprises or may in the future comprise a part of the Franchised Business or which competes directly or indirectly with the Franchised Business or any franchise of Franchisor, if such other business is located within Franchisee’s Territory, or within ten (10) miles of any franchise of Franchisor (whether Franchisor-owned, franchised or otherwise established, and whether now or hereafter established and operated).



16.02 Procurement of Additional Agreements and Covenants. At Franchisor's request, Franchisee shall require and obtain the execution of confidentiality agreements and/or covenants not to compete in a form satisfactory to Franchisor from any or all of the following persons: (a) all Service Managers, Principal Operators and any personnel employed by Franchisee who have received or will receive training from Franchisor (excluding any employees who are solely or primarily employed as mechanics); (b) all officers, directors, managers and holders of a beneficial interest of five (5%) percent or more of the securities or other evidence of ownership of Franchisee and of any legal entity directly or indirectly controlling Franchisee, if Franchisee is a legal entity; and (c) the general partners and any limited partners (including any corporation or other entity which controls, directly or indirectly, any general or limited partner, along with the officers, directors, managers and holders of a beneficial interest of five (5%) percent or more of the securities or other evidence of ownership of any such corporation or other entity), if Franchisee is a partnership.

16.03 Enforcement of Covenants Not To Compete. Franchisee acknowledges that:

- (a) Franchisor would not grant Franchisee a license to operate the Franchise Business or provide Franchisee access to Confidential Information unless the Franchisor's business goodwill and Confidential Information could be protected by the Covenant Not to Compete in Section 16.01 of this Agreement and the Non-Disclosure of Confidential Information provision contained in Section 7.01 of this Agreement.
- (b) The existence of any claims Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the Covenants Not to Compete set forth in Section 16.01 of this

Agreement or of the Non-Disclosure of Confidential Information set forth in Section 7.01 of this Agreement.

- (c) The foregoing provisions, and specifically the Covenant Not to Compete contained in Section 16.01 hereof and the Non-Disclosure of Confidential Information contained in Section 7.01 hereof, when applied in tandem are fair and reasonable in light of all of the facts and circumstances of the relationship between the Franchisee and the Franchisor. The Franchisee expressly acknowledges that such provisions and covenants herein contained will not prevent the Franchisee from being able to earn a living or exist as an entity absent being a franchisee of the Franchisor. Franchisor has disclosed to Franchisee that Franchisor is interested in having Franchisee as the owner of the Franchised Business and Franchisor is willing to provide Franchisee with ongoing access to Franchisor's Confidential Information only if Franchisor is assured by Franchisee that Franchisee will not use such Confidential Information to compete with Franchisor, nor disclose any such Confidential Information to any party without Franchisor's prior written consent.
- (d) The agreements and covenants contained herein are intended by the Franchisor and the Franchisee to be enforceable only to the extent permitted by law, and the Franchisor and the Franchisee agree that in any action or proceeding by the Franchisee challenging the enforceability of the provisions and covenants herein contained, the proper scope of any such challenge or proceeding shall be only the extent to which the provisions and covenants are sought to be enforced by the Franchisor. If, in any judicial proceeding or arbitration, a tribunal shall refuse to enforce as drafted all of the separate covenants and provisions included herein, such

unenforceable covenants and provisions shall be reformed by the tribunal so as to fall within permissible legal limits and shall not by necessity invalidate the entire covenant. Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of this Section 16.01 as if the resulting covenant were separately stated in and made a part hereof.

- (e) A breach or violation of the Covenant Not to Compete contained in Section 16.01 by Franchisee shall entitle the Franchisor, as a matter of right, without the posting of any bond, to an injunction issued by any court of competent jurisdiction, restraining any further or continued breach or violation of this covenant. Such right to an injunction shall be cumulative and in addition to, and not in lieu of, any other remedies to which the Franchisor may show itself justly entitled.
- (f) During any period in which Franchisee is in breach of the Covenant Not to Compete in Section 16.01, the time period of said covenant shall be extended and tolled for an amount of time that Franchisee is in breach thereof.
- (g) Nothing in this Agreement shall prevent Franchisee or its shareholders, directors, officers, members, managers, partners or employees from owning for investment purposes up to an aggregate of five (5%) percent of the capital stock of any competitive business that is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange, or through the NASDAQ, provided that Franchisee does not control any such company.

## 17. WAIVER AND DELAY.

17.01 Limited Effect of Any Waiver or Delay. No waiver or delay in the enforcement of any breach of any term, covenant or condition of this Agreement shall be construed as a waiver

of any preceding or succeeding breach or delay in enforcement, or any other term, covenants or condition of this Agreement; and, without limitation upon any of the foregoing, the acceptance of any payment specified to be paid by Franchisee hereunder shall not be, nor be construed to be, a waiver of any breach of any term, covenant or condition of this Agreement.

18. INTEGRATION OF AGREEMENT.

18.01 No Prior Representations. This Agreement, and all other agreements executed contemporaneously with it, constitute the entire agreement between the Parties with reference to the subject matter hereof and supersedes all prior negotiations, understandings, representations and agreements, oral or written, if any. Franchisee acknowledges that it is entering into this Agreement as a result of its own independent investigation of the business and not as a result of any representations about the Franchisor by its agents, officers or employees that are contrary to the terms set forth here or that are contrary to the terms of any Disclosure Document, prospectus, disclosure document or other similar document required or permitted to be given to Franchisee pursuant to applicable law. Franchisee, on behalf of itself, its agents, officers and owners, hereby waives and releases all claims, if any, that it has been fraudulently induced to enter into this Agreement and/or the Sublease Agreement. Nothing in Section 18.01 is intended to disclaim any of the information contained in Franchisor's Franchise Disclosure Document or its attachments or exhibits.

18.02 No Oral Amendments. This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties to this Agreement. Franchisee expressly acknowledges that no oral promises or declarations were made to it and that the obligations

of the Franchisor are confined exclusively to those set forth in this Agreement. Franchisee understands and assumes the business risks inherent in this enterprise.

19. NOTICES.

19.01 Notice to Franchisor. Except as expressly set forth to the contrary in this Agreement, all notices, requests or consents provided for or permitted to be given under this Agreement must be in writing and must be delivered to the recipient in person, by courier, certified mail return receipt requested or by facsimile, or similar transmission; and a notice, request or consent given under this Agreement is effective on receipt by the Person to receive it. Notices given by telecopy shall be deemed to have been received (a) on the day on which the sender receives answer back confirmation if such confirmation is received before or during normal business hours of any day other than a Saturday, a Sunday, or a holiday on which national banking associations in the State of Texas are authorized by law to close (“Business Day”) or (b) on the next Business Day after the sender receives answer back confirmation if such confirmation is received (i) after normal business hours on any Business Day or (ii) on any day other than a Business Day. Notices given by certified mail shall be deemed to have been received as of the day mailed provided that an accompanying return receipt is received by the sending Party. Whenever any notice is required to be given by law or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. All notices, requests and consents to be sent to Franchisor shall be addressed to Franchisor at:

17725 Katy Freeway  
Suite 200  
Houston, Texas 77094

Attention: Don Carr

19.02 Notice to Franchisee. Notices to the Franchisee shall be addressed as follows:

[address]

Attention: [principal operator]

20. MISCELLANEOUS.

20.01 Construction and Interpretation.

- (a) This Agreement is to be construed as to form, substance and procedure in accordance with the laws of the State of Texas, without regard for its choice of law provisions.
- (b) It is agreed that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other which would render the provision valid, then the provision shall have the meaning which renders it valid.
- (c) Since the words “Franchisor” and “Franchisee” herein may be applicable to one or more parties, the singular shall include the plural, and the masculine shall include the feminine and neuter. If there shall be more than one (1) party or person referred to as Franchisee hereunder, then their obligations and liabilities hereunder shall be joint and several.
- (d) Unless otherwise stated, Franchisor reserves the right to withhold its consent hereunder for any reason or no reason whatsoever.
- (e) Each of the Parties hereby agrees that it has carefully reviewed this Agreement and has had ample opportunity to seek legal advice and input. Consequently, the rule of construction that ambiguities and unclear phrases are construed against the drafting party or in the light most favorable to the non-drafting party shall not apply.

20.02 Severability. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the Parties have no legal right to contract, the latter shall prevail, but in such event the provision of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirement of the law. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or the rescission or termination thereof. In the event that any article, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the entire Agreement shall not fail on account thereof and the balance of the Agreement shall continue in full force and effect.

20.03 Lien on Franchisee's Property. In the event of any judgment against Franchisee in favor of Franchisor, or of any default under this Agreement by Franchisee, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, inventory, fixtures or other assets owned and/or claimed by Franchisee and used in or related to the Franchised Business at the time of the judgment or default shall arise. Franchisee hereby grants and conveys a lien upon and a security interest in and to all of Franchisee's accounts, inventory, equipment, fixtures, furniture and other property of any kind or nature now or hereafter acquired. Such lien amount shall be for the amount of the default or of the judgment, but said amount shall also include costs and expenses for collection (including reasonable attorney's fees) or incurred by Franchisor as a result of the

default. Said lien shall remain in effect until all amounts owing to Franchisor by Franchisee have been paid in full.

21. COSTS OF ENFORCEMENT.

21.01 Ability to Recover Litigation Costs. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, including but not limited to actions to obtain an injunction, compel arbitration and/or to defend against claims made by the other party, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which the party may be entitled.

22. ACKNOWLEDGMENTS.

22.01 Franchisee's Acknowledgments, Warranties and Representations. Franchisee acknowledges, warrants and represents to Franchisor that:

- (a) No representation has been made by Franchisor (or any employee, agent or salesman thereof) and relied upon by Franchisee as to the future or past income, expenses, sales volume or potential profitability, earnings or income of the business franchised hereby.
- (b) Franchisee acknowledges that prior to the execution of this Agreement, Franchisee has had the opportunity to contact existing franchisees of Franchisor.
- (c) Franchisee has had the opportunity to independently investigate, analyze and construe both the business opportunity being offered hereunder, and the terms and provisions of this Agreement itself, utilizing the services of attorneys, accountants or other advisors (if Franchisee so elects).
- (d) No representation or statement has been made by Franchisor (or any employee, agent or salesman thereof) and relied upon by Franchisee regarding the future



growth of the customer base of the franchise network; the anticipated income, earnings and growth of Franchisor; or, the viability of the business opportunity conveyed hereunder.

- (e) Franchisor (or its affiliates) has certain rights reserved to it to grant franchises to others; to market any of Franchisor's System products at wholesale and retail; and, to otherwise use the System, Marks and Know-How, techniques and procedures, all as expressly set forth in Section 2.04 of this Agreement.
- (f) Franchisee acknowledges that it received a complete copy of this Agreement, the attachments hereto, and agreements relating thereto, if any, at least seven (7) calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that it received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising", otherwise known as the Franchise Disclosure Document (FDD), at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment by Franchisee for the franchise rights granted under this Agreement. Franchisee further acknowledges that prior to receiving Franchisor's FDD, Franchisor advised Franchisee of the formats in which the FDD is made available, and any conditions necessary for reviewing the FDD in a particular format.
- (g) If a location for the premises of the business franchised hereby has been identified at the date of execution of this Agreement, Franchisee has had ample opportunity and the means to independently investigate, review and analyze said location; the shopping center, mall or other building in which it is contained; the market area in

which it is located; and all other facts relevant to the selection of the site for Franchisee's Franchised Business, as well as the Commercial Sub-Lease for such location. If no location has been identified, Franchisee has the ability to accomplish the foregoing independent investigative measures, and covenants and agrees that it will do so prior to accepting any such lease. Franchisor's suggestions, selection or approval of any location neither imply nor constitute any representation or indication by Franchisor that such location will be profitable or successful. Franchisee understands that site selection is difficult, risky and not subject to quantification. Franchisor's experience in selecting sites (or in assisting Franchisee in selecting sites) does not mean that Franchisor has the ability to select, suggest or approve any sites that will be profitable or successful. No representation or statement has been made by Franchisor (or its agents and salesmen) and relied upon by Franchisee contravening the contents of this subparagraph. Franchisee further covenants and agrees that no such future representation or statement, if any, will be relied upon by him.

- (h) Franchisee has been advised to consult with its own attorney and advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereunder, and the prospects for that business. Franchisee has either consulted with such advisors or has deliberately declined to do so.
- (i) Franchisee acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Franchisee's ability as an independent businessperson, its active participation in the daily affairs of the business, market conditions, area competition, availability of

product, quality of services provided as well as other factors. Franchisor does not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

- (j) Franchisee hereby irrevocably acknowledges, affirms, attests and covenants that Franchisee's employees are employed exclusively by Franchisee and in no fashion are any such employees employed, jointly employed or co-employed by Franchisor. Franchisee further acknowledges, affirms and attests that each of Franchisee's employees is under Franchisee's exclusive dominion and control and never under Franchisor's direct or indirect control in any fashion whatsoever. Franchisee alone hires each of Franchisee's employees; sets their schedules; establishes their compensation rates; and pays all salaries, benefits and employment-related liabilities (such as workers' compensation insurance premiums/payroll taxes/Social Security contributions/unemployment insurance premiums). Franchisee alone has the ability to discipline or terminate Franchisee's employees to the exclusion of Franchisor, and Franchisee acknowledges that Franchisor has no such authority or ability. Franchisee further acknowledges, attests and affirms that any minimum staffing requirements established by Franchisor are solely for the purpose of ensuring that the Franchised Business is at all times staffed at those levels necessary to operate the Franchised Business in conformity with the System and other Christian Brothers Automotive franchise attributes known to and desired by the consuming public and associated with the Proprietary Marks. Franchisee acknowledges, affirms, warrants and understands that Franchisee may staff the Franchised Business with as many employees as Franchisee desires at any time so

long as Franchisor's minimal staffing levels are achieved. Franchisee also acknowledges, affirms and attests that any recommendations Franchisee may receive from Franchisor regarding salaries, hourly wages or other compensation for employees are recommendations only, and that Franchisee is entirely free to disregard Franchisor's recommendations regarding such employee compensation. Moreover, Franchisee acknowledges, affirms and attests that any training provided by Franchisor to Franchisee's employees is for the purpose of imparting critical System and brand information to those employees, and in no fashion reflects any employment relationship between Franchisor and such employees. Finally, should it ever be asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agrees to assist Franchisor in defending such allegations, including (if necessary) appearing at any venue requested by Franchisor to testify on Franchisor's behalf (and, as may be necessary, submitting to depositions, other appearances and/or preparing affidavits dismissive of any allegation that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees). To the extent Franchisor is the only named party in any such investigation, action, proceeding, arbitration or other setting to the exclusion of Franchisee, should any such appearance by Franchisee be required or requested, Franchisor will recompense Franchisee the reasonable costs associated with Franchisee appearing at any such venue.

23. WAIVER OF CONSUMER RIGHTS.

23.01 Waiver of Consumer Rights. Franchisee waives any and all of Franchisee's rights under the Texas Deceptive Trade Practices-Consumer Protection Act, Section 17.41 et seq., of the Texas Business & Commerce Code, a law that gives consumers special rights and protections. After consultation with an attorney of Franchisee's own selection, Franchisee voluntarily consents to this waiver.

24. DISPUTE RESOLUTION AGREEMENT.

24.01 Dispute Resolution Agreement.

- (a) If a dispute, controversy or claim arises between or among any or all of the parties, including without limitation any dispute, controversy or claim that arises out of or relates to this Agreement or any other agreement, instrument, or relationship between the parties, or the breach, termination or invalidity of the Agreement or any such other agreement or instrument, AND including but not limited to a claim based on or arising out of a claim for tortious interference or other tortious or statutory claims arising before, during or after termination of this Agreement and including any dispute that involves any or all of the parties and any employee, officer, director, supervisor or member of management of either party hereto (collectively the "Dispute"), and if the Dispute cannot be settled through direct discussions, the parties agree to resolve the Dispute by binding arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules (the "Rules"), and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

Any arbitration hereunder shall be pursuant to the applicable rules of the American

Arbitration Association as set out above except to the extent modified in this Section. The parties acknowledge that this Agreement and/or the dealings of the parties involve interstate commerce and that the Federal Arbitrations Act applies to any arbitration hereunder.

- (b) The parties expressly agree that any court with jurisdiction may order the consolidation of any arbitrable dispute, controversy or claim under this Agreement with any related arbitrable dispute, controversy or claim not arising under this Agreement, as the court may deem necessary in the interests of justice or efficiency or on such other grounds as the court may deem appropriate, provided that the consolidated disputes, controversies and claims are to be resolved in arbitration.
- (c) The site of the arbitration shall be in Houston, Texas, and shall take place in the offices of the American Arbitration Association or such other place as the parties may agree.
- (d) The parties agree that the federal and state courts located in the State of Texas and City of Houston shall have exclusive jurisdiction and venue over an action brought to enforce and/or challenge the rights and obligations created in or arising from this agreement to arbitrate, and each of the parties hereto irrevocably submits to the jurisdiction and venue of said courts. Notwithstanding the above, application may be made by a party to any court of competent jurisdiction wherever situated for confirmation and enforcement of any award and the entry of whatever orders are necessary for such confirmation and enforcement.

- (e) Process in any action arising out of or relating to this Agreement may be served on any party to the Agreement anywhere in the world by delivery in person or by registered or certified mail, return receipt requested.
- (f) To the fullest extent permitted by applicable law, the parties to this Agreement agree that neither party shall be entitled to any damages in the nature of punitive, exemplary or statutory damages in excess of compensatory damages or any form of damages in excess of compensatory damages, and the parties hereby waive all rights to any damages in the nature of punitive, exemplary or statutory damages. Any arbitrator or arbitrators deciding any disputes hereunder will not have the authority to award and are specifically divested of any power to award any damages in the nature of punitive, exemplary or statutory damages or any other damages in excess of compensatory damages or any form of damages in excess of compensatory damages, and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of the Agreement.
- (g) Neither the parties nor the arbitrator(s) may disclose to any person not involved in the arbitration the existence, content, or results of any arbitration hereunder without the prior written consent of all parties.
- (h) The parties agree that all questions concerning the arbitrator(s)' jurisdiction shall be decided by the arbitrator(s).
- (i) A party or parties against whom any final award is entered by the arbitrator(s) agrees to pay the prevailing party all reasonable costs, charges and expenses, including but not limited to arbitration filing fees, arbitrator fees, reasonable attorney and expert fees, incurred and to be incurred in connection with said

arbitration, any action to compel arbitration and/or compliance with the terms of this section, and/or the confirmation and enforcement of the arbitration award. The arbitrator(s) shall include such costs, charges and expenses as part of the final award. This agreement to arbitrate is intended to be binding upon the signatories hereto, their principals, successors, assigns, subsidiaries or affiliates.

- (j) The arbitrator(s) shall determine the rights and obligations of the parties according to applicable federal laws and to the substantive laws of the State of Texas (excluding conflicts of laws principles).
- (k) The arbitrator(s) is directed to consider any defense that all or part of the claim is not timely by reason of laches or statute of limitations as a preliminary issue and to render an award determining the merits of such claim before considering the substantive merits of the arbitration claim, unless the arbitrator(s) determines that the merits of such claim of laches or statute of limitations is so intertwined with the substantive merits of the arbitration claim as to make impractical the determination of the claim of laches or limitations as a preliminary matter.
- (l) The arbitrator(s) shall hear and determine any preliminary issue of law asserted by a party to be dispositive of any claim, in whole or part, in the manner of a court hearing a motion to dismiss for failure to state a claim or for summary judgment, pursuant to such terms and procedures as the arbitrator(s) deems appropriate.
- (m) It is the intent of the parties that, barring extraordinary circumstances, any arbitration shall be concluded within three months of the date the statement of claim is received by the arbitrator(s). Unless the parties otherwise agree, once commenced, hearings shall be held five days a week, four weeks a month, with



each hearing day to begin at 9:00 A.M. and to conclude at 5:00 P.M. These time limits can be extended or altered by an agreement of the parties or by a determination of the arbitrator that such extension or alteration is in the interests of justice. The arbitrator shall use his or her best efforts to issue the final award or awards within a period of thirty days after closure of the proceedings, but failure to do so shall not be a basis for challenging the award.

- (n) The procedure to be followed in any arbitration hereunder shall be as prescribed herein and in such directives that shall be issued by the arbitrator(s) following consultation with the parties. Unless otherwise agreed by the parties, the procedures shall provide for the submission of briefs by the parties, the introduction of documents and the oral testimony of witnesses, cross-examination of witnesses, oral arguments, the closure of the proceedings and such other matters as the arbitrator(s) may deem appropriate. Further, the arbitrator(s) shall regulate all matters relating to the conduct of the arbitration not otherwise provided for in this Agreement or in the Rules.
- (o) In the event a party, having been given notice and opportunity, shall fail or shall refuse to appear or participate in an arbitration hereunder or in any stage thereof, the proceedings shall nevertheless be conducted to conclusion and final award. Any award rendered under such circumstances shall be as valid and enforceable as if all parties had appeared and participated fully at all stages.
- (p) The parties agree that discovery shall be limited and shall be handled expeditiously. Discovery procedures available in litigation before the courts shall not apply in an arbitration conducted pursuant to this Agreement. However, each party shall

produce relevant and non-privileged documents or copies thereof requested by the other parties within the time limits set and to the extent required by order of the arbitrator(s). All disputes regarding discovery shall be resolved by the arbitrator.

- (q) It is the intent of the parties that the testimony of witnesses be subject to cross-examination. It is agreed that the direct testimony of a witness may be submitted by sworn affidavit, provided that such affiant be subject to cross-examination, and that such affidavit be produced to all parties not less than ten (10) days before the hearing or other proceeding in which the affidavit is submitted to the arbitrator(s).
- (r) Strict rules of evidence shall not apply in an arbitration conducted pursuant to this Agreement. The parties may offer such evidence as they desire and the arbitrator(s) shall accept such evidence as the arbitrator(s) deems relevant to the issues and accord it such weight as the arbitrator(s) deems appropriate.
- (s) No witness or party may be required to waive any privilege recognized at law.
- (t) The parties recognize that any violation of Articles 7 and/or 16 would cause irreparable injury to the party who would suffer from such violations, and therefore the parties agree that in addition to such other rights as may exist in favor of the party who would suffer from such violation and notwithstanding the agreement to arbitrate, the party who would suffer from such violation may apply to any court of law or equity having jurisdiction to enforce the specific performance of the foregoing provisions and for injunctive relief against any act that would violate any such provisions.
- (u) The parties expressly agree that prior to the selection of the arbitrator(s), nothing in this Agreement shall prevent the parties from applying to a court that has

jurisdiction as provided in this Agreement for injunctive relief. After the arbitrator(s) is selected, he or she shall have the authority and jurisdiction to make such orders as are necessary to maintain the status quo and/or to preserve and protect property, and such orders, by the arbitrator(s) may be immediately and specifically enforced by a court having jurisdiction over the parties as provided in this Agreement.

25. SUBMISSION OF AGREEMENT.

25.01 Submission of Agreement. The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Franchisee. THIS AGREEMENT SHALL NOT BE BINDING ON THE FRANCHISOR UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF FRANCHISOR. THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS FRANCHISEE HAS BEEN FURNISHED BY FRANCHISOR SUCH DISCLOSURE, IN WRITTEN FORM, AS MAY BE REQUIRED UNDER OR PURSUANT TO APPLICABLE LAW.

26. COUNTERPARTS.

26.01 Counterparts. This Agreement may be executed and delivered (including by facsimile or Portable Document Format (pdf) transmission) in any number of counterparts with the same effect as if all signatories had signed the same document. Facsimile and other electronic copies of manually signed originals shall have the same effect as manually-signed originals and shall be binding on the undersigned parties. Each counterpart shall be deemed an original, but all counterparts must be construed together to constitute one and the same instrument.

**The remainder of this page is intentionally left blank; the signature page follows.**

THE UNDERSIGNED HAS READ ALL OF THE FOREGOING AGREEMENT AND  
HEREBY ACCEPTS AND AGREES TO EACH AND ALL OF THE PROVISIONS,  
COVENANTS AND CONDITIONS THEREOF. THE UNDERSIGNED HEREBY  
ACKNOWLEDGES RECEIPT OF A COPY OF THIS AGREEMENT.

FRANCHISEE:  
[FRANCHISEE]

By: \_\_\_\_\_  
[principal operator], President

FRANCHISOR:

CHRISTIAN BROTHERS  
AUTOMOTIVE CORPORATION

By: \_\_\_\_\_  
Don Carr, President

## **RATIFICATION OF FRANCHISE AGREEMENT**

To Be Executed by Each Member, Manager,  
Director and Officer of a Corporate Franchisee

I, THE UNDERSIGNED SHAREHOLDER, MEMBER, DIRECTOR, OFFICER, MANAGER AND PRINCIPAL OPERATOR OF THE [CORPORATE/LIMITED LIABILITY COMPANY/OTHER ENTITY] FRANCHISEE, DO AS AN INDIVIDUAL JOINTLY AND SEVERALLY WITH THE [CORPORATION/LIMITED LIABILITY COMPANY/OTHER ENTITY] ACCEPT AND AGREE TO ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS OF THE AGREEMENT AND ACKNOWLEDGE RECEIPT THEREOF AS CO-PARTIES THERETO.

By: \_\_\_\_\_  
[principal operator]

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

Address: [address]

## **SPOUSE'S CONSENT TO FRANCHISE AGREEMENT**

The undersigned, being the spouse of the Franchisee hereunder (or in the case of a [corporate/limited liability company/other entity] Franchisee, being the spouse of an officer, or shareholder thereof), hereby consents to all of the terms of this Agreement and the execution thereof by Franchisee.

By: \_\_\_\_\_  
[spouse]

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

Address: [address]

## **RATIFICATION OF FRANCHISE AGREEMENT**

To Be Executed by Each Member, Manager,  
Director and Officer of a Corporate Franchisee

I, THE UNDERSIGNED SHAREHOLDER, MEMBER, DIRECTOR, OFFICER AND MANAGER OF THE [CORPORATE/LIMITED LIABILITY COMPANY/OTHER ENTITY] FRANCHISEE, DO AS AN INDIVIDUAL JOINTLY AND SEVERALLY WITH THE [CORPORATION/LIMITED LIABILITY COMPANY/OTHER ENTITY] ACCEPT AND AGREE TO ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS OF THE AGREEMENT AND ACKNOWLEDGE RECEIPT THEREOF AS CO-PARTIES THERETO.

By: \_\_\_\_\_  
[spouse]

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

Address: [address]

## **SPOUSE'S CONSENT TO FRANCHISE AGREEMENT**

The undersigned, being the spouse of the Franchisee hereunder (or in the case of a [corporate/limited liability company/other entity] Franchisee, being the spouse of an officer, or shareholder thereof), hereby consents to all of the terms of this Agreement and the execution thereof by Franchisee.

By: \_\_\_\_\_  
[principal operator]

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

Address: [address]

**EXHIBIT “A” TO  
FRANCHISE AGREEMENT  
TERRITORY**

The territory will be the territory depicted inside the bold green lines below:



**EXHIBIT “B” TO  
FRANCHISE AGREEMENT  
THE MARKS**

CHRISTIAN BROTHERS AUTOMOTIVE– [LOCATION].

CHRISTIAN BROTHERS AUTOMOTIVE

CBA– [LOCATION].



Any variation of any of the above.

**EXHIBIT “C” TO  
FRANCHISE AGREEMENT**

**DESCRIPTION OF EQUIPMENT**

The equipment will include: eight (8) twin post lifts; one (1) four post alignment rack with jacks; one (1) 4-wheel alignment system; one (1) computer wheel balancer; one (1) tire changer; two (2) brake lathes with adaptors; four (4) 30x60 work benches with edge stops and lower shelf; four (4) 6” bench vices; one (1) 6” grinder/buffer with pedestal; two (2) fireproof rag bins; five (5) fire extinguishers with signs; five (5) air hose reels; five (5) drop light reels; two (2) water hose reels; one (1) tall stand; two (2) sets of 3 ton jack stands; one (1) 20 ton shop press; one (1) transmission jack; one (1) engine stand; one (1) engine hoist; one (1) floor jack; one (1) air compressor; one (1) R-12 air conditioning recycling machine; one (1) R134a air conditioning recycling machine; one (1) brake washer, one (1) parts washer, four (4) evaporative air coolers, one (1) gas caddy, one (1) smoke machine, one (1) engine support with 3rd arm; one (1) power floor scrubber; one (1) 55 gallon drum of floor cleaner; one (1) diagnostic scan tool with import upgrade; one (1) wall mounted strut compressor; one (1) engine support; one (1) electrical system tester; two (2) battery chargers; one (1) portable jump start unit; one (1) transmission flush machine; one (1) wheel weight bin with weights; three (3) exhaust hose kits; nine (9) exhaust door vents; three (3) push brooms; three (3) commercial mops; three (3) mop buckets with wringers; three (3) squeegees; one (1) shop vacuum; six (6) 35 gallon trash cans; one (1) 2 wheel hand truck; one (1) 20’ extension ladder; one (1) first aid safety kit; one (1) office desk; one (1) credenza; one (1) 4 drawer file cabinet (black if possible); one (1) executive chair; two (2) office guest chairs; one (1) couch and loveseat (chosen by CBAC); one (1) coffee table (chosen by CBAC); two (2) end tables (chosen by CBAC); two (2) lamps (chosen by CBAC); one (1) wingback chair (chosen by CBAC); four (4) wall hangings (chosen by CBAC); two (2) silk plants (chosen by CBAC); one (1) task chair; one (1) service managers stool; two (2) stools for lunch counter; one (1) microwave; one (1) refrigerator (white); one (1) coffee maker; one (1) letter bin; one (1) telephone system; one (1) credit card terminal with printer; shelving for parts room; two (2) metal repair order racks; one (1) labor guide; one (1) set repair manuals on disk (chosen by CBAC); one (1) invoicing/database software (chosen by CBAC); one (1) accounting software package with communications (chosen by CBAC); one (1) Bose radio; three (3) calculators; one (1) plain paper fax machine; five (5) computers; two (2) computer printers; one (1) computer network; one (1) cash drawer; one (1) key rack (pegboard with hooks); two (2) towel dispensers; two (2) soap dispensers; six (6) sets of blinds for office and waiting room. CBAC, in its sole discretion, may substitute such equipment or materials for any of the items described above where CBAC determines that such substitution is beneficial or appropriate. This is a list of equipment used in a nine bay building and will be modified for buildings more or less than nine bays.

One shuttle vehicle with appropriate vehicle “wrap” or designs as decided and approved by CBAC.

**EXHIBIT “D” TO  
FRANCHISE AGREEMENT**

**COMMERCIAL SUB-LEASE AGREEMENT**

See next page for start of Commercial Sub-Lease Agreement.

## COMMERCIAL SUB-LEASE AGREEMENT

1. **Parties.** This commercial sub-lease agreement (the “**Lease**”) is entered into between **CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION** (“**Lessor**”), and [FRANCHISEE] (“**Tenant**”).
2. **Premises.** The Premises sub-leased by Tenant from Lessor consists of the land described on Exhibit “A” attached hereto together with the building and all other improvements located thereon and appurtenances thereto (the “**Premises**”). The Lessor leases Premises from CBH Properties [location], LLC (“**Owner**”). The term “Owner” includes any subsequent owner of the Premises.
3. **Term and Renewals.** The initial term of this Lease commences on the date designated in a written notice to Tenant from Lessor as the date that the Premises is substantially completed for Tenant to conduct its business (the “**Commencement Date**”) and ends on the last day of the Initial Rental Period. If no written notice of the Commencement Date exists, then the date on any certificate of occupancy issued by a governing body will be the Commencement Date. If no written notice and no certificate of occupancy exist, then the Commencement Date shall be the date that is one week prior to the date that Tenant first opens for business to the public, on the Premises. “Initial Rental Period” will be the period starting on the Commencement Date and ending fifteen years thereafter.

Renewals: Lessor grants Tenant three consecutive options to extend the term of the Lease for five-year periods, provided that if the Lessor is unable to successfully obtain a necessary renewal from the Owner, Tenant shall not be entitled to exercise any option where the renewal period will exceed the period Lessor is entitled to lease the Premises. To exercise an option, on or before one hundred and eighty days (180 days) prior to the expiration of the then-current Lease term, Tenant must deliver a written notice (the “Exercise Notice”) to Lessor that Tenant is exercising the option and commits to lease the Premises for an additional five-year term. Upon timely receipt by Lessor of the Exercise Notice, the Lease shall be extended for five years beyond the end of the then-current Lease term.

4. **Use of Premises.** The Premises will be occupied and used solely by Tenant in connection with the operation of its automotive repair business.
5. **Possession.** Tenant will take possession of the Premises within five days of receiving notice that the Premises are ready for occupancy.
6. **Payment of Rent.** Tenant will pay Lessor the following amounts during the following periods: (a) \$14,000-25,000 per month for the first one year period of this Lease (exact amount will be as Lessor notifies Tenant is necessary to make the monthly payment to the Owner) commencing on the date defined below (First Rental Payment Date) and on the first day of each calendar month thereafter; and (b) on each one year anniversary of this Lease, the rent for the next one year period of this Lease will be established by increasing the amount of the rent that was paid for the previous one year period by one and one-half percent. For example, at the end of the first year of the Lease, the rent paid for the initial

one year period will be multiplied by one hundred and one and one-half percent and the product will become the rent for the next one year period ( $x$  multiplied by  $101.5\% = y$ ; where  $x$  = rent for previous one year period and  $y$  = rent for subsequent one year period); at the end of the second one year period, the rent for that period will be multiplied by one hundred and one and one-half percent and the product will become the rent for the third one year period. This process will be continued at the end of each one year period of the Lease (including all renewals and extensions) to establish the rent for the next one year period.

Rent is payable in advance and without demand at Lessor's offices located at 17725 Katy Freeway, Suite 200, Houston, Texas 77094, on or before the 1st day of each month beginning on the first day of the seventh month after the Commencement Date, without a grace period ("First Rental Payment Date"). For example if the Commencement Date is January 14, 2018, the first payment of Rent shall be due on August 1, 2018. The first rental payment will be in an amount equal to (a) the monthly rent prorated for the actual number of days from the Commencement Date to the end of the first month, plus (b) the Rent for the seventh month. If all rent is not paid on or before the 10th day of each month thereafter, Tenant must pay a late charge of \$200.00 plus \$10 per day until all past due rent is paid. Tenant further agrees to pay a \$20.00 charge for each rent check returned unpaid, and delinquent charges will accrue as if no check had been given until such check is made good. Notwithstanding any notations on a check, all payments by Tenant will be applied first to non-rent items due, if any, and then to rent.

Lessor may require that all sums due under this Lease be paid in cash, money order, cashier's check or by automatic payment from Tenant's account. If requested by Lessor, Tenant agrees to execute and deliver to Lessor the authorizations, agreements and other documents and instructions necessary or appropriate to authorize automatic payment from Tenant's bank account of the rent due under this Lease each month. If the amount of the rent payment changes at any time during the term of this Lease or renewals, Lessor agrees to notify Tenant of the change and the amount of the new payment, and Tenant agrees to execute and deliver to Lessor any and all authorizations and agreements necessary to adjust the amount of such automatic payment, if needed.

Tenant and Lessor agree that all rights of Tenant and all duties and obligations of Lessor in this Lease are conditioned on rent being paid on time. Tenant's right of possession and all of Lessor's obligations are expressly conditioned on prompt payment of rent, and use of the premises by Tenant is conditioned on prompt payment of rent.

7. **Security Deposit.** Tenant has not paid any security deposit in connection with this Lease.
8. **Condition of Premises.** Tenant agrees to thoroughly inspect and then accept the Premises as is (subject to any punch list items set out in a writing delivered to Lessor on or before the Commencement Date of this Lease), and from then on, Lessor makes no express or implied warranties as to the condition of the Premises. Tenant acknowledges that Tenant is solely responsible for maintaining all utilities in a good and safe condition and for maintaining the Premises in a safe and habitable condition.

Tenant agrees to surrender the Premises at the end of the term of this Lease and any extension thereof in the same condition as of the date of possession, reasonable wear and tear excepted. Reasonable wear means wear which occurs without negligence, carelessness, accident or abuse. Tenant will make no alterations or improvements to the Premises without the prior written permission of Lessor. Lessor agrees not to grant any easements on the Premises or any portion thereof during the term of this Lease that would materially interfere with Tenant's operation of its business on the Premises, unless Tenant consents in writing to any such encumbrance or grant.

9. **Compliance.** Tenant must strictly comply with all pertinent laws, ordinances, statutes, deed restrictions and regulations whatsoever, of any governmental body or subdivision, incident to its occupancy of the Premises and its use thereof. Without limiting the foregoing, Tenant agrees to not use, store or dispose of any Hazardous Materials on the Premises nor allow the use, storage or disposal of any Hazardous Substances on the Premises except for Permitted Hazardous Materials. Tenant covenants and agrees that its use, storage and disposal of Permitted Hazardous Materials shall be done in compliance with all Environmental Laws. "Hazardous Materials" means any materials and or substances (a) that are described or defined as hazardous or dangerous by any Environmental Laws, or (b) the use, storage and/or disposal of which are regulated or prohibited by any Environmental Laws. "Permitted Hazardous Materials" means any Hazardous Materials that Tenant uses in the normal course of the business of Tenant, provided such use is in compliance with all Environmental Laws. "Environmental Laws" means any applicable federal, state and/or local environmental laws, rules and regulations. Tenant will at the close of business each day to the extent possible, park vehicles in the available space in the building. Tenant will use its best efforts to not park nor store any vehicle outside of the building for more than two consecutive days.
10. **Maintenance, Taxes and Assumption of Responsibilities.** Tenant agrees to maintain the Premises and pay all real and personal property taxes and all other taxes due on the Premises from the Commencement Date of the Lease and pay all costs and fees incurred in connection with Tenant's use of the Premises. Tenant must pay Lessor for any property damage caused by Tenant, Tenant's employees, guests or other occupants. If Lessor notifies Tenant in writing that any of the improvements located on the Premises are not being properly maintained including without limitation that the exterior or interior paint is unsatisfactory, or that any surface, wall, or wall covering, any area of the roof, flooring or landscaping is in an unsatisfactory condition, Tenant must remedy such situation on or before two weeks from the date of such notice or be in default under the terms of this Lease. Both parties acknowledge that the rent would be higher if the responsibilities in this Lease were allocated differently. This assumption of responsibility and liability by Tenant is entered into knowingly, voluntarily, and for consideration and is an express waiver of any statutory or common law obligation of Lessor.
11. **Subletting.** Tenant will not sublet or make an assignment without the prior written consent of Lessor. If Lessor grants such permission, Tenant will remain fully liable for any and all

liabilities and/or damages that arise at anytime that are related to or connected with such sublease or assignment.

12. **Nuisance.** Tenant will not permit any nuisance to be created on the Premises.
13. **Utilities.** Tenant will pay for all utilities used on the Premises.
14. **Entry by Lessor or Owner.** Lessor or Owner or other persons engaged to do so by Lessor or Owner may enter the Premises during reasonable times and for reasonable purposes, including, but not limited to the following purposes: inspections, repairs, preventive maintenance, emergency safety or fire inspections, prevention of property damage, enforcement of Lessor or Owner's lien, inspectors, fire marshals, lenders, appraisers or insurance agents. Lessor or Owner will leave written notice of each entry made in the absence of Tenant.
15. **Nonwaiver.** Failure by Lessor to enforce or demand performance of any obligation of Tenant hereunder, or to seek remedy for breach thereof, will not operate to waive or excuse defaults of other obligations nor further defaults of the same obligation.
16. **Status of Title to Premises.** Tenant agrees to take the leasehold estate in the Premises subject to all matters of record on the date of this Lease. Tenant accepts this Lease subject and subordinate to any mortgage or deed of trust existing or hereafter placed upon the Premises, and to any renewals and extensions thereof; provided, however, no holder of any such lien or other interest in the Premises shall have the right to interfere with the use and occupancy of the Premises by Tenant or violate the terms of this Lease, while Tenant is not in default of this Lease agreement. Lessor agrees to use its reasonable efforts following the execution hereof to obtain a non-disturbance and attornment agreement ("SNDA") from Owner's present lender or mortgagee and any future lender or mortgagee, in form and substance reasonably satisfactory to Lessor. Tenant agrees to execute the SNDA and to execute an estoppel certificate if requested by Owner or Owner's lender or mortgagee.
17. **Default by Lessor.** Upon default by Lessor of any obligation imposed hereunder, Tenant shall have the right to enforce specific performance of this Lease and/or to recover Tenant's actual damages from Lessor as Tenant's exclusive remedies. Tenant shall not have the right to terminate this Lease or to withhold or offset rent because of a default by Lessor. Before Lessor shall be considered in default, Tenant must give Lessor notice of such default and reasonable opportunity for Lessor to cure such default, which reasonable opportunity shall not be less than thirty (30) days.
18. **Default By Tenant.** The following shall be a default by Tenant:
  - (a) the failure to timely pay any amounts due hereunder; provided Lessor agrees to provide Tenant written notice of failure to pay such amounts due hereunder and five days to cure such default; provided further Lessor is only obligated to provide such notice and opportunity to cure monetary defaults by Tenant once during any calendar year and



thereafter any failure to timely pay any amounts due hereunder during that same calendar year shall be an immediate default; and

(b) the breach of or failure to comply with any provision of this Lease (other than the monetary obligation described in subparagraph (a) above), and the failure to cure such breach within a reasonable time from the earlier of (i) the date Lessor notifies Tenant in writing of such breach, or (ii) the date Tenant becomes aware of such breach. The reasonableness of the time period for curing such default shall be determined by considering the nature of the default and the materials, labor and utilities or other resources for cure of the default.

(c) In addition to the other defaults set out in this Lease the following shall constitute defaults under this Lease: (i) the filing of bankruptcy or any other insolvency proceedings by Tenant; (ii) the filing of an involuntary bankruptcy petition by creditors of Tenant; and (iii) Tenant's giving notice of intent to vacate the Premises prior to the expiration of the Lease. In the event of Tenant's filing of bankruptcy or any other insolvency proceedings, abandonment of the Premises, or giving of notice of intent to vacate prior to the expiration of the Lease term, Lessor is not obligated to give Tenant notice of such default nor any opportunity to cure such a default.

(d) Cross Default with Franchise Agreement: Any default by Tenant under the franchise agreement between Tenant and Christian Brothers Automotive Corporation will also constitute a default with this Lease Agreement.

In the event of any default hereunder by Tenant and the expiration of any applicable cure period, Lessor may, at Lessor's election:

- (1) Terminate Tenant's possession of the Premises by giving Tenant one day's written notice to vacate and Lessor is entitled to possession by eviction suit. Such election will not relieve Tenant of the obligation to pay all rent due during the remainder of the Lease term.
- (2) Declare all remaining rent through the end of the Lease term or renewal or extension period immediately due and payable in its entirety without the requirement of notice or demand to Tenant of Lessor's election to so accelerate the rent. Such right of acceleration is in lieu of having rental for the entire lease term payable at the beginning of the Lease.
- (3) Declare this Lease forfeited and terminated. Tenant will lose all rights, titles, and interests in and to any improvements to the Premises made or caused to be made by Tenant. All rights and remedies given Lessor hereunder will be, to the extent not in conflict with each other, cumulative and exercisable at the election of Lessor. The exercise, or failure to exercise, any right or remedy of Lessor hereunder will not alter or diminish Lessor's right to exercise any other right or remedy given Lessor by this agreement or by law.



19. **Holdover.** If Tenant holds over and fails to vacate on or before the contracted move-out date (end of Lease term, or any renewal or extension period, or the move-out date agreed to by the parties), Tenant will be liable to pay rents for the holdover period and Tenant hereby indemnifies Lessor and/or prospective tenants or purchasers for damages (i.e., lost rentals or profits of sale, and attorney's fees). Rents during the holdover period are due on a daily basis at a rate two times the rate of the previous term just ended.
20. **Abandonment.** Tenant will be conclusively deemed to have abandoned the Premises and all personal property located thereon or therein if Tenant has been evicted by judicial process or Tenant remains absent from the Premises for five consecutive days while Tenant is in default of any obligation hereunder. **Upon such abandonment, Lessor may remove and make such disposition of any and all personal property found upon the Premises as provided for in paragraph 21 below.** Such right of Lessor is without prejudice to Lessor's right to elect to exercise Lessor's landlord's lien rights. In the event Tenant's abandonment of the Premises is caused by a Force Majeure (as defined below), Tenant shall not be deemed to have abandoned the Premises for the purposes of this Section provided that: (i) Tenant gives Lessor written notice of the Force Majeure within twenty-four hours of the occurrence of the Force Majeure, and (ii) Tenant uses all reasonable diligence to remove the Force Majeure as quickly as practicable. For the purposes of this Section "Force Majeure" shall mean any of the following: an act of God, war, public riot, lightning, fire, storm, flood, explosion, and governmental action; provided such event prevents Tenant from reasonably operating its business on the Premises.
21. **Contractual Lien.** All personal property on the Premises (except property exempt by statute) is hereby subjected to a contractual lien in favor of Lessor to secure payment of rent and of any damages occasioned by Tenant's default.

In order to enforce said lien, Lessor may peacefully enter the Premises and remove and store all non-exempt property therein. Lessor is entitled to reasonable charges for packing, removing and storing property taken hereunder. If Tenant is not present when property is removed hereunder, written notice of Lessor's entry will be left at the Premises. Lessor may sell all property subject to Lessor's lien at public or private sale after giving Tenant ten (10) days written notice by certified mail of the time and place of such sale. If Tenant fails to furnish Tenant's address to Lessor, said sale may be held without notice to Tenant; provided, however, that Tenant will be informed as to the time and place of said sale upon request. Sale will be to the highest cash bidder and Lessor will credit the proceeds thereof first to all costs and expenses incident to the removal, storage and sale of the property and then in mitigation of other damages hereunder. Any excess realized from such sale over said expenses and damages will be mailed to Tenant at such address as Tenant may furnish, or, if no address is furnished, will be held for delivery to Tenant for thirty (30) days following the date of the sale, after which time, if Tenant has not requested payment, Tenant will be deemed to have abandoned any right thereto and such excess will become the property of Lessor. The foregoing lien rights may be exercised by Lessor with or without resort to judicial proceedings. The contractual lien provided herein is in addition to, and not in lieu of, any landlord's or other lien provided by law. Lessor and Owner agree to and do hereby subordinate their liens to (a) any liens now existing or hereafter created

or arising in favor of a lending bank for Tenant's operating assets, and (b) any purchase money security interests ("PMSI") but only as such PMSI pertain to specific goods or pieces of equipment owned by Tenant and financed by the beneficiary of such liens.

22. **Notices.** Except as expressly set forth to the contrary in this Lease, all notices, requests or consents provided for or permitted to be given under this Lease must be in writing and must be delivered to the recipient in person, by courier or mail or by email or by facsimile, or similar transmission; a notice, request or consent given under this Lease is effective on receipt by the Person to receive it. Notices given by telecopy shall be deemed to have been received (a) on the day on which the sender receives answer back confirmation if such confirmation is received before or during normal business hours of any business day, or (b) on the next business day after the sender receives answer back confirmation if such confirmation is received (i) after normal business hours on any business day, or (ii) on any day other than a business day. Notices given by email shall be deemed to have been received (c) on the day on which the sender transmits such notice if the sender receives confirmation the email has been received before or during normal business hours of any business day, or (d) on the next business day after the sender transmits such notice if such notice is transmitted (i) after normal business hours on any business day or (ii) on any day other than a business day. All notices, requests and consents to be sent to a party to this Lease must be sent to or made at the addresses, telecopy number and/or email address given for that party below or such other address, telecopy number or email address as that party may specify by notice to the other parties to this Lease. Whenever any notice is required to be given by law or this Lease, a written waiver thereof, signed by the party entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Except as may be otherwise required herein or specified by law, all notices required or permitted hereunder to be given to Tenant shall be given to Tenant, at [address] prior to Commencement date and then to the Premises thereafter; provided, however, that Tenant may furnish Lessor such other address as Tenant may elect and require notice as provided above to such address. All written notices required or permitted to be given to Lessor must be given by certified mail, return receipt requested, addressed to or by personal delivery to 17725 Katy Freeway, Suite 200, Houston, Texas 77094, Attention: Mark A. Carr; provided Lessor may furnish Tenant such other address as Lessor may elect and require notice as provided above to such address. Tenant and Lessor shall furnish each other with email and/or telecopy contact information to be used for the purposes of delivering notices pursuant to this Section 22.
23. **Liability, Indemnity and Insurance.** Neither the Lessor nor Owner is liable to Tenant, Tenant's employees, guests or other occupants or persons on the Premises for personal injury, property damage or other losses to such persons or their property caused by other persons, theft, burglary, assault, other crimes, intoxication, fire, water, wind, rain, smoke, drowning, or any other causes. Tenant agrees to indemnify, defend and hold harmless Lessor and Owner from and against any and all injury, loss or damage of whatever nature, to persons or property arising out of the use or occupancy of the Premises, or out of any act, omission or negligence of anyone including without limitation, the Owner, Lessor, Tenant and/or any of their respective agents, servants, representatives, employees,

contractors, invitees and licensees whether with or without the express or implied consent of Owner, Lessor, or Tenant.

Tenant shall, during the Term of this Lease commencing on the date hereof, procure and maintain, at its own cost and expense, a fire and extended coverage policy of insurance insuring the improvements on the Premises and all of Tenant's equipment, trade fixtures, furniture and furnishings, personal property, inventory and contents against fire, vandalism, and malicious mischief and such other perils, as are from time to time included in a standard extended coverage endorsement in an amount equal to the full replacement cost thereof, endorsed to name the Lessor and the Owner (and upon Lessor's request any lender of Lessor and/or Owner) each as an additional insured and loss payee on a primary and non-contributory basis. Tenant shall also obtain and maintain twelve (12) months of business interruption insurance in such amounts as are determined appropriate by Lessor. Solely with respect to the Premises, Tenant further agrees to obtain and keep in force during the term of this Lease at Tenant's own cost and expense, commercial general liability insurance on an occurrence basis with a minimum limit of One Million Dollars (\$1,000,000) per occurrence, Two Million Dollars (\$2,000,000) general aggregate, and \$1,000,000 in the form of an umbrella, each of which is to be endorsed to name the Lessor and the Owner (and upon Lessor's request any lender of Lessor and/or Owner) each as an additional insured on a primary and non-contributory basis. Tenant shall obtain and maintain a business or commercial automobile liability policy covering all vehicles used in Tenant's business operations with limits of not less than One Million Dollars (\$1,000,000.00) per each accident and endorsed to name the Lessor and the Owner (and upon Lessor's request any lender of Lessor and/or Owner) each as an additional insured on a primary and non-contributory basis. Where such is required by Lessor and/or by Owner, Tenant shall obtain and also maintain earthquake insurance and flood insurance covering the Premises with each type of insurance covering the full replacement cost of the Premises and all improvements thereto and thereon or the maximum available under a national insurance program. Tenant shall obtain and also maintain workers' compensation insurance with statutory limits, and employers' liability insurance with limits of not less than One Million Dollars (\$1,000,000) per occurrence. All of the policies evidencing the foregoing coverage must be endorsed as required under any state, federal, or other applicable law. Tenant must also obtain and maintain all of the types of insurance and in the amounts required in the most current Confidential Operations Manual. Owner and Tenant each waive any and all rights to recover against the other or the other's agents or employees for any loss or damage to such waiving party arising from any cause covered by any property insurance required to be carried pursuant to this Section 23 or any other property insurance actually carried by such party to the extent of the limits of such policy. Tenant, from time to time, will cause its insurers to issue appropriate waiver of subrogation rights endorsements with respect to all property and liability insurance policies carried in connection with the Premises or the contents of the Premises. All policies of insurance described in this Section 23 which Tenant is required to procure and maintain will be issued by responsible insurance companies, having a claims-paying ability rating of "A" or higher as ascribed by S&P, be considered equivalent to a NAIC 1 or other rating acceptable to the Securities Valuation Office of the National Association of Insurance Commissioners, and in all other respects be reasonably acceptable to Lessor and qualified and licensed to do

business in the state in which the Premises are situated. Tenant acknowledges that it is obligated to obtain and maintain all of the insurance required in this Section 23 and that such obligation shall not be diminished by a change in the ownership of the Premises. If Tenant fails to acquire or maintain the insurance required pursuant to this Lease or to pay the premiums for such insurance and deliver the certificates of coverage after notice from Lessor, such failure is a default hereunder and Lessor may, in addition to other rights and remedies available to Lessor, acquire such insurance and/or pay the requisite premiums therefor. Such premiums so paid by Lessor will be reimbursable and payable by Tenant immediately upon written demand therefor made to Tenant by Lessor.

The types of insurance required by Lessor hereunder can be expanded and the amounts of insurance required by Lessor hereunder can be increased at any time by Lessor notifying Tenant of the type and amount of insurance that must be obtained and/or the amount by which an existing policy must be increased. Tenant must obtain such increased insurance coverage (type and/or amount) as promptly as is reasonably possible. Where a provision in this section requires insurance coverage to be in the full replacement cost of the insured property, the full replacement cost shall be an amount sufficient in Lessor's determination to completely cover the replacement cost of such insured property.

Tenant must deliver to Lessor copies of the insurance policies, any endorsements required by Lessor or Owner, and certificates of such insurance certifying that the same is in full force and effect. Tenant hereby releases Lessor and Owner to the extent of Tenant's insurance coverage, from any and all liability for any loss or damage caused by fire or any of the extended coverage casualties, even if such fire or other casualty are brought about by the fault or negligence of Lessor or Owner, its servants or agents, provided, however, this release will be in force and effect only with respect to loss or damage occurring during such time as Tenant's policies of fire and extended coverage contain (or would contain, if Tenant had made a reasonable effort to obtain same) a clause to the effect that this release will not affect policies or the right of Tenant to recover thereunder. Tenant agrees that its fire and extended coverage insurance policies will include such a clause so long as the same is obtainable without extra cost, or if extra cost is chargeable therefore, so long as Lessor or Owner pays such extra cost. If extra cost is chargeable, then Tenant will advise Lessor thereof, and the amount thereof, and Lessor or Owner may pay the same but is not obligated to do so. Tenant should maintain such insurance on its contents as it deems necessary or advisable. To the extent any lender that has financed or refinanced Owner's acquisition and improvement of the Leased Premises ("Lender") is listed as a co-insured or additional insured, Lessor will subordinate its rights in any insurance proceeds to the Lender. Lessor or Owner may insure the Premises with such insurance as it deems necessary or advisable.

In the event Tenant retains or requests Lessor's or Owner's employees or contractors to render services not contemplated in this agreement, or without the prior knowledge and consent of Lessor or Owner expressed in writing, such employees or contractors are deemed to be the agents of Tenant whether or not compensated by Tenant, Lessor or Owner, and Tenant agrees to hold harmless and indemnify Lessor or Owner for and from all liability for the acts or omissions of such persons.

24. **General.** This Lease contains the entire agreement of the parties. **No oral agreements or representations have been made.** Tenant waives and releases all claims, if any, of misrepresentation and fraudulent inducement. This Lease may be modified only in writing signed by all parties. A declaration by an arbitrator of the invalidity of any part of this Lease or any attachment hereto will not invalidate the remainder. Tenant may not withhold rent or offset against rent. This Lease is to be construed under and in accordance with the laws of the State of Texas. This agreement is binding upon and inures to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns.
25. **Condemnation.** If the whole of the Premises shall be taken or condemned by a competent authority for a public or quasi-public use or purpose, then the term of this Lease shall cease as of the date possession of the Premises shall be required for said public use, and any rent paid in advance of such date shall be refunded to Tenant. In the event only a portion of the Premises is so taken or condemned, Lessor shall use any of the funds received by Lessor from such taking to make such repairs or alterations as may be reasonably necessary to restore the Premises to substantially the same condition as it was prior to the taking; provided, however, Lessor shall not be obligated to expend more than any amount Owner or Lessor receives from the condemning authority for the taking of and residual damage to the Premises. In the event the condemning authority takes the whole, or such a substantial part of the Premises as to render the Premises unsuitable for continuing the operation of an automotive repair facility, Tenant may terminate this Lease upon written notice as of the date the condemning authority is entitled to possession, and neither party shall have any further obligation to the other hereunder. Rent shall be apportioned to the date of termination or the date of taking, whichever is earlier. In the event of any taking all sums allowed or paid on account thereof shall belong to and shall be paid to Owner or Lessor, it being the intention of the parties that there be no diminution, by reason of the existence of the Lease in the amount to be received by Owner or Lessor.
26. **Destruction.** In the event the Premises are partially or totally destroyed or damaged by fire or other casualty, whether or not covered by insurance, Tenant shall be obligated to rebuild or restore or at Lessor's discretion, allow Lessor to use the available insurance proceeds to rebuild or restore the Premises to substantially the condition they were in prior to such destruction or damage and pursuant to the plans and specifications provided by Lessor, and all insurance proceeds shall be available to Lessor or Tenant for such purpose and there shall be no abatement of rent; provided, however, that if such destruction or damage occurs during the last twelve months (12) months of the initial Term or any extension term, Tenant shall have the right, at its option, to terminate this Lease by giving written notice of such termination to Lessor within sixty (60) days after such destruction or damage, provided that Lessor shall be entitled to all of the insurance proceeds. Any and all insurance proceeds not applied to rebuild the Premises as stated above shall be payable to Lessor.
27. **Dispute Resolution.** Lessor and Tenant agree that any and all disputes between Tenant, Lessor and Owner will be resolved pursuant to the Dispute Resolution Agreement attached as Exhibit "B" to and made a part of this Lease.

28. **State Specific Provisions.**

**NONE FOR TEXAS BUT ANY OTHER STATE WILL HAVE STATE SPECIFIC PROVISIONS INSERTED IN THIS SECTION.**

29. **Counterparts.** This Lease may be executed and delivered (including by facsimile or Portable Document Format (pdf) transmission) in any number of counterparts with the same effect as if all signatories had signed the same document. Facsimile and other electronic copies of manually signed originals shall have the same effect as manually-signed originals and shall be binding on the undersigned parties. Each counterpart shall be deemed an original, but all counterparts must be construed together to constitute one and the same instrument.

**The remainder of this page is intentionally left blank; the signature page follows.**

EXECUTED effective as of the \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

LESSOR:

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**

17725 Katy Freeway, Suite 200

Houston, Texas 77094

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

Name:

Title:

TENANT:

**[FRANCHISEE]**

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

[principal operator], President

**EXHIBIT “A” TO**  
**COMMERCIAL SUB-LEASE AGREEMENT**

Legal description:

Street Address:



**DISPUTE RESOLUTION AGREEMENT  
ATTACHED AS EXHIBIT “B” TO AND MADE A PART OF THE  
COMMERCIAL SUB-LEASE AGREEMENT BETWEEN CHRISTIAN BROTHERS  
AUTOMOTIVE CORPORATION AND [FRANCHISEE]**

**DISPUTE RESOLUTION AGREEMENT.**

- (1) If a dispute, controversy or claim arises between or among any or all of the parties, including without limitation any dispute, controversy or claim that arises out of or relates to this Lease, the Franchise Agreement or any other agreement, instrument, or relationship between the parties, or the breach, termination or invalidity of the Lease, the Franchise Agreement or any such other agreement or instrument, AND including but not limited to a claim based on or arising out of a claim for tortious interference or other tortious or statutory claims arising before, during or after termination of this Lease or the Franchise Agreement and including any dispute that involves any or all of the parties and any employee, officer, director, supervisor or member of management of either party hereto (collectively the “Dispute”), and if the Dispute cannot be settled through direct discussions, the parties agree to resolve the Dispute by binding arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules (the “Rules”), and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Any arbitration hereunder shall be pursuant to the applicable rules of the American Arbitration Association as set out above except to the extent modified in this Section. The parties acknowledge that this Lease, the Franchise Agreement and/or the dealings of the parties involve interstate commerce and that the Federal Arbitrations Act applies to any arbitration hereunder.
- (2) The parties expressly agree that any court with jurisdiction may order the consolidation of any arbitrable dispute, controversy or claim under this Lease or the Franchise Agreement with any related arbitrable dispute, controversy or claim not arising thereunder, as the court may deem necessary in the interests of justice or efficiency or on such other grounds as the court may deem appropriate, provided that the consolidated disputes, controversies and claims are to be resolved in arbitration.
- (3) The site of the arbitration shall be in Houston, Texas, and shall take place in the offices of the American Arbitration Association or such other place as the parties may agree.
- (4) The parties agree that the federal and state courts located in the State of Texas and City of Houston shall have exclusive jurisdiction and venue over an action brought to enforce and/or challenge the rights and obligations created in or arising from this agreement to arbitrate, and each of the parties hereto irrevocably submits to the jurisdiction and venue of said courts.

Notwithstanding the above, application may be made by a party to any court of competent jurisdiction wherever situated for confirmation and enforcement of any award and the entry of whatever orders are necessary for such confirmation and enforcement.

- (5) Process in any action arising out of or relating to this Lease or the Franchise Agreement may be served on any party to the Lease or the Franchise Agreement anywhere in the world by delivery in person or by registered or certified mail, return receipt requested.
- (6) To the fullest extent permitted by applicable law, the parties to this Lease agree that neither party shall be entitled to any damages in the nature of punitive, exemplary or statutory damages in excess of compensatory damages or any form of damages in excess of compensatory damages, and the parties hereby waive all rights to any damages in the nature of punitive, exemplary or statutory damages. Any arbitrator or arbitrators deciding any disputes hereunder will not have the authority to award and are specifically divested of any power to award any damages in the nature of punitive, exemplary or statutory damages or any other damages in excess of compensatory damages or any form of damages in excess of compensatory damages, and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of the Lease and the Franchise Agreement.
- (7) Neither the parties nor the arbitrator(s) may disclose to any person not involved in the arbitration the existence, content, or results of any arbitration hereunder without the prior written consent of all parties.
- (8) The parties agree that all questions concerning the arbitrator(s)' jurisdiction shall be decided by the arbitrator(s).
- (9) A party or parties against whom any final award is entered by the arbitrator(s) agrees to pay the prevailing party all reasonable costs, charges and expenses, including but not limited to arbitration filing fees, arbitrator fees, reasonable attorney and expert fees, incurred and to be incurred in connection with said arbitration, any action to compel arbitration and/or compliance with the terms of this section, and/or the confirmation and enforcement of the arbitration award. The arbitrator(s) shall include such costs, charges and expenses as part of the final award. This agreement to arbitrate is intended to be binding upon the signatories hereto, their principals, successors, assigns, subsidiaries or affiliates.
- (10) The arbitrator(s) shall determine the rights and obligations of the parties according to applicable federal laws and to the substantive laws of the State of Texas (excluding conflicts of laws principles).

- (11) The arbitrator(s) is directed to consider any defense that all or part of the claim is not timely by reason of laches or statute of limitations as a preliminary issue and to render an award determining the merits of such claim before considering the substantive merits of the arbitration claim, unless the arbitrator(s) determines that the merits of such claim of laches or statute of limitations is so intertwined with the substantive merits of the arbitration claim as to make impractical the determination of the claim of laches or limitations as a preliminary matter.
- (12) The arbitrator(s) shall hear and determine any preliminary issue of law asserted by a party to be dispositive of any claim, in whole or part, in the manner of a court hearing a motion to dismiss for failure to state a claim or for summary judgment, pursuant to such terms and procedures as the arbitrator(s) deems appropriate.
- (13) It is the intent of the parties that, barring extraordinary circumstances, any arbitration shall be concluded within three months of the date the statement of claim is received by the arbitrator(s). Unless the parties otherwise agree, once commenced, hearings shall be held five days a week, four weeks a month, with each hearing day to begin at 9:00 A.M. and to conclude at 5:00 P.M. These time limits can be extended or altered by an agreement of the parties or by a determination of the arbitrator that such extension or alteration is in the interests of justice. The arbitrator shall use his or her best efforts to issue the final award or awards within a period of thirty days after closure of the proceedings, but failure to do so shall not be a basis for challenging the award.
- (14) The procedure to be followed in any arbitration hereunder shall be as prescribed herein and in such directives that shall be issued by the arbitrator(s) following consultation with the parties. Unless otherwise agreed by the parties, the procedures shall provide for the submission of briefs by the parties, the introduction of documents and the oral testimony of witnesses, cross-examination of witnesses, oral arguments, the closure of the proceedings and such other matters as the arbitrator(s) may deem appropriate. Further, the arbitrator(s) shall regulate all matters relating to the conduct of the arbitration not otherwise provided for in this Agreement or in the Rules.
- (15) In the event a party, having been given notice and opportunity, shall fail or shall refuse to appear or participate in an arbitration hereunder or in any stage thereof, the proceedings shall nevertheless be conducted to conclusion and final award. Any award rendered under such circumstances shall be as valid and enforceable as if all parties had appeared and participated fully at all stages.
- (16) The parties agree that discovery shall be limited and shall be handled expeditiously. Discovery procedures available in litigation before the courts shall not apply in an arbitration conducted pursuant to this Agreement.

However, each party shall produce relevant and non-privileged documents or copies thereof requested by the other parties within the time limits set and to the extent required by order of the arbitrator(s). All disputes regarding discovery shall be resolved by the arbitrator.

- (17) It is the intent of the parties that the testimony of witnesses be subject to cross-examination. It is agreed that the direct testimony of a witness may be submitted by sworn affidavit, provided that such affiant be subject to cross-examination, and that such affidavit be produced to all parties not less than ten (10) days before the hearing or other proceeding in which the affidavit is submitted to the arbitrator(s).
- (18) Strict rules of evidence shall not apply in an arbitration conducted pursuant to this Agreement. The parties may offer such evidence as they desire and the arbitrator(s) shall accept such evidence as the arbitrator(s) deems relevant to the issues and accord it such weight as the arbitrator(s) deems appropriate.
- (19) No witness or party may be required to waive any privilege recognized at law.
- (20) The parties expressly agree that prior to the selection of the arbitrator(s), nothing in this agreement shall prevent the parties from applying to a court that has jurisdiction as provided in this Lease or the Franchise Agreement for injunctive relief and/or to determine the immediate right to possession of the Premises. After the arbitrator(s) is/are selected, he and/or she shall also have the authority and jurisdiction to make such orders as are necessary to determine the immediate right to possession of the Premises, to maintain the status quo and/or to preserve and protect property, and such orders by the arbitrator(s) may be immediately and specifically enforced by a court having jurisdiction over the parties as provided in this Lease or the Franchise Agreement.

**EXHIBIT “DE” TO  
FRANCHISE AGREEMENT**

**STORE IN DISTRESS PROGRAM AGREEMENT**

See next page for start of Store In Distress Program Agreement.

## STORE IN DISTRESS PROGRAM AGREEMENT

THIS STORE IN DISTRESS PROGRAM AGREEMENT (this “Agreement”), entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Effective Date”), by and between Christian Brothers Automotive Corporation, a Texas corporation (“Franchisor”), and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

### BACKGROUND INFORMATION:

WHEREAS, Franchisee is a party to that certain Franchise Agreement between Franchisee and Franchisor, dated on or about \_\_\_\_\_, 20\_\_ (such Franchise Agreement, together with all exhibits, amendments and addendums thereto, being collectively referred to in this Agreement as the “Franchise Agreement”), pursuant to which Franchisee obtained the right to develop and operate a Christian Brothers Automotive franchise at \_\_\_\_\_ (the “Franchised Business”);

WHEREAS, \_\_\_\_\_ are the guarantors of the Franchise Agreement (collectively, the “Guarantor”);

WHEREAS, Franchisee and Guarantor acknowledge that the Franchised Business is in distress and that Franchisee has materially breached Section 10.18 of the Franchise Agreement for failure to meet the Minimum Performance Requirement (the “Default”) and Franchisee and Guarantor hereby acknowledge that each has been provided with notice of the Default;

WHEREAS, in accordance with Franchise Agreement Section 14.02(c), Franchisor has the right to terminate the Franchise Agreement, provided that Franchisor desires to allow Franchisee an opportunity to cure the Default pursuant to this Agreement;

WHEREAS, in the event Franchisee fails to cure the Default pursuant to this Agreement, the Franchise Agreement shall automatically terminate, which termination Franchisee and Guarantor agree not to contest; and

WHEREAS, the parties wish to establish the terms and conditions on which Franchisee may cure the Default and avoid termination of the Franchise Agreement.

NOW THEREFORE, in consideration of the foregoing recitals and of the mutual promises hereinafter set forth, the parties agree as follows:

1. **Background Information; Definitions.** Franchisor, Franchisee and Guarantor each agree that the background information is true and correct, incorporated herein, and this Agreement must be construed in accordance with such background information. Capitalized terms used but not otherwise defined in this Agreement shall have the same meanings as set forth in the Franchise Agreement.

2. **Opportunity to Cure the Default; Termination of Franchise Agreement.** During the term of this Agreement, Franchisor shall provide Franchisee the opportunity to improve

the performance of its Christian Brothers Automotive franchise in full compliance with the Minimum Performance Requirement in accordance with Section 4 hereof, thereby curing the Default. In the event Franchisee fails to fully comply with Section 4 hereof, this Agreement and the Franchise Agreement shall automatically terminate with no further notice to Franchisee, and Franchisor shall enforce its post termination contractual rights. In the event Franchisee fully complies with Section 4 hereof in all respects and timely meets the Minimum Performance Requirement, Franchisee shall be deemed to have cured the Default and the Franchise Agreement shall remain in full force and effect.

3. **Term and Termination of Franchise Agreement.** The term of this Agreement shall begin on the Effective Date and shall continue for a period of one (1) year, provided that this Agreement and the Franchise Agreement shall automatically terminate at the end of any three-month period during which Franchisee fails to adequately reduce the Deficiency Gap, pursuant to Section 4(b) hereof. Franchisor may extend the term of this Agreement and the Franchise Agreement in its sole and absolute discretion.

4. **Franchisee Duties.**

a. **Training and Guidance.** Franchisee's Principal Operator, Service Manager, and additional persons as Franchisor may require, shall attend such continuing education and training programs as Franchisor specifies, and Franchisee will pay all costs including training fees, travel expenses and living expenses incurred in connection therewith.

b. **Performance Requirements.** During the term of this Agreement Franchisee agrees that it must achieve the following performance requirements: by the end of the first three-month period following the Effective Date, Franchisee must reduce the Deficiency Gap (defined below) by a total of at least fifteen percent (15%); by the end of the second three-month period following the Effective Date, Franchisee must reduce the Deficiency Gap by a total of at least forty percent (40%); by the end of the third three-month period following the Effective Date, Franchisee must reduce the Deficiency Gap by a total of at least sixty-five percent (65%); and by the end of the term of this Agreement, Franchisee shall achieve an NOI of at least \$10,000. "**Deficiency Gap**" shall mean the difference between the Franchised Business' current NOI and \$10,000. For purposes of this Agreement: "**Net Ordinary Income**" or "**NOI**" shall mean Total Income minus Cost of Goods Sold minus Total Expenses; "**Total Income**" shall mean ordinary income from all sources; "**Cost of Goods Sold**" shall mean all costs including all transportation, labor, parts, discounts and fees; and "**Total Expenses**" shall mean administrative and overhead expenses before amortization, depreciation and royalty expenses. The foregoing definitions are subject to change in Franchisor's discretion, as set forth in the Confidential Operations Manual from time to time, provided that such definitions are in accordance with prevailing accounting practices in the automotive service and repair industry.

5. **Franchisor Duties.** Franchisor agrees to provide support, training and guidance, as it determines, in order to assist Franchisee in meeting the Minimum Performance Requirement during the term of this Agreement.



6. **Franchisor's Option to Purchase the Franchised Business.** In the event Franchisee fails to fully comply with Section 4 hereof, and this Agreement and the Franchise Agreement terminate, Franchisor, in addition to all other post termination contractual rights, may exercise its option to purchase the Franchised Business in accordance with Section 15.08 of the Franchise Agreement or for a value that is mutually agreed upon between the parties.

7. **Franchisee's Representations.** During the term of this Agreement, Franchisee covenants, represents and warrants that:

a. **Consent to Enter into Store in Distress Program.** Franchisee acknowledges and agrees that its execution of this agreement and consent to enter into the store in distress program has been voluntarily given and Franchisee has had the opportunity to consult with its legal counsel with respect to the same.

b. **Compliance with the Franchise Agreement.** Franchisee will comply with all provisions of the Franchise Agreement to the extent this Agreement does not explicitly supersede such Franchise Agreement.

c. **No Contest of Termination.** Franchisor has the right to terminate the Franchise Agreement. In the event the Franchise Agreement is terminated, Franchisee and Guarantor agree not to contest the effectiveness of such termination on any basis, including but not limited to Franchisor's failure to afford Franchisee any period to cure any alleged defaults under the Franchise Agreement;

d. **Standards.** Franchisee will operate its Christian Brothers Automotive franchise in accordance with the operating standards and guidelines established by Franchisor;

e. **Post-Termination Obligations.** In the event the Franchise Agreement is terminated, Franchisee will comply with all obligations after termination set forth in the Franchise Agreement.

f. **Legal Entity.** Franchisee is a legal entity duly formed and organized and validly existing under the laws of its jurisdiction of formation;

g. **Power to Contract.** Franchisee has all necessary organizational power to own and hold its property and assets and to carry on its business as presently conducted, and it is duly and properly qualified to carry on its business in those jurisdictions where qualification is necessary for the conduct of its business;

h. **Performance Authority.** Franchisee has all necessary legal power to enter into this Agreement and to perform its obligations hereunder and the execution and delivery of this Agreement and the completion of the transactions contemplated in this Agreement have been duly authorized by all necessary organizational actions on its part; and



i. **Legal Obligation.** This Agreement constitutes a legal, valid and binding obligation of Franchisee enforceable in accordance with its terms.

8. **Departure from System.** Franchisee agrees that upon termination of the Franchise Agreement, Franchisee and Guarantor shall remove themselves from the Christian Brothers Automotive System in all aspects and roles relating directly or indirectly to any part of the Christian Brothers Automotive franchise business, including, but not limited to, franchise owner, investor, manager, consultant or employee, unless Franchisee receives the prior written consent of Franchisor.

9. **Remedies on Breach.**

a. **Termination.** In the event Franchisee breaches this Agreement, Franchisor shall have the right to immediately terminate this Agreement.

b. **Injunctive Relief.** The parties agree and understand that any breach of this Agreement will result in irreparable harm to the other, for which monetary damages would be an inadequate remedy. In the enforcement this Agreement or to remedy any breach, a party may seek injunctive or equitable relief without the necessity of proving irreparable harm or inadequate remedy at law and without the need to post a bond (other than its corporate bond without the need for a surety thereon). A request for injunctive relief does not foreclose Franchisor's ability to pursue other remedies, as provided hereunder or under applicable law.

c. **Fees.** In the event Franchisee breaches this Agreement, Franchisor shall be entitled to recovery of its reasonable costs, including attorney's fees incurred in connection with any litigation to enforce its rights hereunder.

10. **Assignment.** The parties agree that this Agreement between Franchisee and Franchisor is a result of the unique relationship between Franchisee and Franchisor. Franchisee may not assign any rights or obligations under this Agreement without the prior written consent of Franchisor.

11. **Confidentiality and Non-Disparagement.** Franchisee and Franchisor agree that the existence and terms of this Agreement, including the discussions leading thereto, shall be considered confidential and neither Franchisee nor Franchisor shall cause or permit the disclosure of any such information to a third party. In addition, Franchisee and Franchisor shall not, in any communications with the press or other media or any franchisee, customer, client or supplier of Franchisor, criticize, ridicule or make any statement which disparages or is derogatory of Franchisee or Franchisor, their affiliates or any of their respective employees, directors or officers.

12. **Release of Claims.** In consideration of the execution of this Agreement, Franchisee and Guarantor on behalf of (i) themselves, their affiliates and their respective officers, directors, shareholders, members, managers, agents, and employees, and the predecessors, successors, assigns, heirs, administrators and executors of it and any or all of them, (ii) all other persons acting on their behalf or claiming under them, and (iii) all entities in which Franchisee

and/or Guarantor have or have had an ownership interest (collectively, the “Releasing Parties”), release and forever discharge Franchisor, its affiliates and their respective officers, directors, shareholders, members, managers, agents, and employees, and the predecessors, successors, assigns, heirs, administrators and executors of it and any or all of them (collectively, the “Franchisor Parties”) from any claims, debts, liabilities, demands, obligations, costs, expenses, actions, and causes of action, known and unknown, vested or contingent, which the Releasing Parties now have, have ever had, or may ever have, based on any transaction, event, or circumstance up to the Effective Date. Franchisee and Guarantor covenant, warrant, and agree that each is fully authorized to execute and perform this Agreement, and that each has the authority to bind the Releasing Parties to this Agreement as provided herein. Further, Franchisee and Guarantor, on behalf of themselves and the Releasing Parties, covenant not to sue any of the Franchisor Parties on any of the claims released hereunder.

13. **Governing Law; Dispute Resolution.** All questions concerning the validity, interpretation, performance, termination, breach, or threatened breach of this Agreement shall be governed by and decided in accordance with the statutory and common law of Texas (excluding Article 2 of the Uniform Commercial Code and laws and principles relating to the conflicts of law) and applicable federal laws. The parties hereto agree that all actions or proceedings arising in connection with this Agreement shall be tried and litigated in accordance with the dispute resolution provisions of the Franchise Agreement.

14. **Entire Agreement, Amendment, Waiver.** This Agreement and the Franchise Agreement constitute the entire agreement of the parties relating to this subject matter, and supersedes any prior or contemporaneous understandings, agreements or representations. No supplement, modification, amendment or waiver of this Agreement shall be binding unless executed in writing by both parties. No waiver of any of the provisions of this Agreement shall constitute a waiver of any other provision (whether or not similar) nor shall any such waiver constitute a continuing waiver unless otherwise expressly provided. Franchisor’s stay of the enforcement of the termination of the Franchise Agreement is not, and shall not be deemed to be, a waiver of such termination or the right to enforce such termination following any termination of this Agreement.

15. **Severability.** In the event that any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had never been contained herein, unless the deletion of such provision or provisions would result in such a material change so as to cause completion of the transactions contemplated herein to be unreasonable.

16. **Acknowledgment.** This Agreement is not a promise by Franchisor that Franchisee will be able to sell its rights under the Agreements or obtain any specific sales price. Nor is this Agreement a promise by Franchisor that it will allow further extensions or other time for Franchisee to sell such rights. Franchisee further acknowledges that Franchisor has not made any representations or promises related to Franchisee’s sale of such rights.

17. **Counterparts; Signature.** This Agreement may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The parties hereto agree to accept facsimile or electronic signatures. This Agreement may be accepted by each of the parties signing a counterpart bearing the facsimile or electronically transmitted signature of the other party and transmitting the Agreement by telecopy or email. Signatures transmitted by facsimile and/or electronically transmitted signatures shall have the same force and effect as original signatures and shall serve as original signatures.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date first written above.

**FRANCHISOR:**  
**CHRISTIAN BROTHERS AUTOMOTIVE**  
**CORPORATION**

**FRANCHISEE:**  
\_\_\_\_\_

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

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

**GUARANTOR:**

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

**EXHIBIT A**

**EXHIBIT “F” TO**  
**FRANCHISE AGREEMENT**

**FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT**

See next page for start of Franchisee Disclosure Acknowledgment Statement.

## **FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT**

As you know, Christian Brothers Automotive Corporation (the “**Franchisor**”) and you are preparing to enter into a franchise agreement (the “**Franchise Agreement**”) for the establishment and operation of a Christian Brothers Automotive Corporation franchise (“**CBAC franchise**”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor (“**Broker**”) that have not been authorized, or that were not disclosed in the Franchise Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing CBAC franchise from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing CBAC franchise from an existing Franchisee?

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

2. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

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

3. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

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

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

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*Franchise Agreement (Ver 0420)*

*Franchisee: [franchisee]*

*Franchisor: Christian Brothers Automotive Corporation*

*Property: [location]*

4. Have you received and personally reviewed the Franchisor's Franchise Disclosure Document ("**Disclosure Document**") that was provided to you?

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

5. Did you sign a receipt for the Disclosure Document indicating the date you received it?

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

6. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

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

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

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7. Have you discussed the benefits and risks of establishing and operating a CBAC franchise with an attorney, accountant, or other professional advisor?

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

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

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

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

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

9. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular CBAC franchise operated by the Franchisor or its franchisees (or of any



group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

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

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating a CBAC franchise that is contrary to or different from the information contained in the Disclosure Document?

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

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue a CBAC franchise will generate, that is contrary to or different from the information contained in the Disclosure Document?

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

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating a CBAC franchise that is contrary to or different from the information contained in the Disclosure Document?

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

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

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

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

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

15. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

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

16. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

*Franchise Agreement (Ver 0420)*

*Franchisee: [franchisee]*

*Franchisor: Christian Brothers Automotive Corporation*

*Property: [location]*

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

17. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? \_\_\_\_\_

If you have answered No to question 8, or Yes to any one of questions 9-16, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 8, and No to each of questions 9-16, please leave the following lines blank.

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

The name of the sales person or salespersons that handled this franchise sale was:

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

*Franchise Agreement (Ver 0420)*

*Franchisee: [franchisee]*

*Franchisor: Christian Brothers Automotive Corporation*

*Property: [location]*

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C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

D. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability 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.

Acknowledged this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

INDIVIDUAL

CORPORATION, LIMITED LIABILITY  
COMPANY OR PARTNERSHIP

\_\_\_\_\_  
Signature  
Print Name:\_\_\_\_\_

\_\_\_\_\_  
Print Name of Legal Entity

\_\_\_\_\_  
Signature

By:\_\_\_\_\_  
Signature  
Print Name:\_\_\_\_\_

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

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

\_\_\_\_\_  
Signature  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
Signature  
Print Name: \_\_\_\_\_

## **EXHIBIT C**

### **TABLE OF CONTENTS OF CONFIDENTIAL OPERATIONS MANUAL**

Attached as Exhibit C is the Table of Contents of CBAC's Confidential Operations Manual, which is an online Manual. The total number of web pages in this Manual is 450.

- 1 Introduction to the Manual
  - 1.1 Welcome Letter
  - 1.2 History of the Company
  - 1.3 Who to Call
  - 1.4 Manual Organization
  - 1.5 Ownership of the Manual
  - 1.6 Purpose of this Manual
  - 1.7 Importance of Confidentiality
  - 1.8 Keeping the Manual Current
  - 1.9 Submitting Suggestions
  - 1.10 Disclaimer
- 2 World Class Culture
  - 2.1 Mission
  - 2.2 Vision
  - 2.3 Values & Stewardship
    - 2.3.1 Code of Values
  - 2.4 CBA Franchising Business Model
    - 2.4.1 Franchising Definition
    - 2.4.2 Unified Thinking
    - 2.4.3 Building Brand Loyalty
    - 2.4.4 Customer Centricity
    - 2.4.5 Purpose of CBA Franchise Business
  - 2.5 Goal Setting & Business Planning
  - 2.6 Cornerstones of Excellence (RPMS)
    - 2.6.1 Relationships Cornerstone
    - 2.6.2 Profitability Cornerstone
    - 2.6.3 Marketing Cornerstone
    - 2.6.4 Service Experience Cornerstone
- 3 Store Operations
  - 3.1 Introduction & Purpose
  - 3.2 Policy & Expectations
    - 3.2.1 Who We Are
      - 3.2.1.1 Clean and Inviting Environment
      - 3.2.1.2 Polite & Courteous Staff
      - 3.2.1.3 Friendly & Upbeat Greeting
      - 3.2.1.4 Honesty & Integrity
      - 3.2.1.5 When Bad Things Happen
      - 3.2.1.6 Truth in Recommendations
    - 3.2.2 How We Operate
      - 3.2.2.1 Hours & Days of Operation

- 3.2.2.2 The Receiving Process
  - 3.2.2.3 Recording Accurate Information
  - 3.2.2.4 Asking for Email
  - 3.2.2.5 Asking Inquiry Questions
  - 3.2.2.6 The Approval Policy
  - 3.2.2.7 The Test Drive Policy
  - 3.2.2.8 Consistent Customer Communications
  - 3.2.2.9 Excellence in the Little Things
- 3.2.3 What We Provide
  - 3.2.3.1 Simple, Understandable Recommendations
  - 3.2.3.2 Courtesy Shuttle
  - 3.2.3.3 Courtesy Inspections
  - 3.2.3.4 Highest Quality Parts
  - 3.2.3.5 Knowledgeable & Experienced Technicians
  - 3.2.3.6 Direct Access to the Franchise Owner
  - 3.2.3.7 Nice Difference Warranty
- 3.3 Operating Procedures
  - 3.3.1 External (Customer Related) Procedures
    - 3.3.1.1 Managing Expectations
    - 3.3.1.2 Customer Complaints
    - 3.3.1.3 Comebacks (No-Fault & At-Fault)
    - 3.3.1.4 Pinch Situations
    - 3.3.1.5 Payment for Service
    - 3.3.1.6 Early Payments
    - 3.3.1.7 Fleet Customers
    - 3.3.1.8 Warrant Co./ Payment Service / Insurance Co
    - 3.3.1.9 Price Shoppers & Phone Quotes
    - 3.3.1.10 Outsourcing Labor (Sublets)
    - 3.3.1.11 Customers Who Wait
    - 3.3.1.12 Buying Time with a Customer
  - 3.3.2 Internal (Staff, CBA Related) Procedures
    - 3.3.2.1 Pricing
    - 3.3.2.2 Labor
    - 3.3.2.3 Sublet
    - 3.3.2.4 Inter-Company Warranty
    - 3.3.2.5 Unpaid Repair Orders & Accounts Receivable Balances
    - 3.3.2.6 Bounced Checks (NSF Fees)
    - 3.3.2.7 Excess Vehicle Workload
    - 3.3.2.8 Employee Problems
    - 3.3.2.9 Lack of Staff
    - 3.3.2.10 Terminating Employees
    - 3.3.2.11 Employee Family Member's Vehicle Repair
    - 3.3.2.12 Bartering
    - 3.3.2.13 Opening & Closing
      - 3.3.2.13.1 Opening Procedures
      - 3.3.2.13.2 Closing Procedures

- 3.3.2.14 The CBA Workflow Process
      - 3.3.2.14.1 Greeting
      - 3.3.2.14.2 Receiving
      - 3.3.2.14.3 Dispatching
      - 3.3.2.14.4 Estimating
      - 3.3.2.14.5 Approval
      - 3.3.2.14.6 Repair
      - 3.3.2.14.7 Finishing
      - 3.3.2.14.8 Finalizing
      - 3.3.2.14.9 Follow Up
  - 3.4 Best Practices
- 4 Recordkeeping & Reporting
  - 4.1 Recordkeeping: Introduction & Purpose
  - 4.2 Recordkeeping: Policy & Expectations
    - 4.2.1 General
    - 4.2.2 Accuracy of Records
    - 4.2.3 Timeliness of Entries
    - 4.2.4 Traceability of Transactions
    - 4.2.5 Accounting Services
    - 4.2.6 Automatic Debits
    - 4.2.7 Company Credit Card Usage
  - 4.3 Procedures
    - 4.3.1 Daily
    - 4.3.2 Weekly
    - 4.3.3 Bi-Weekly
    - 4.3.4 Monthly
    - 4.3.5 Quarterly
    - 4.3.6 Yearly
    - 4.3.7 Year End Tax Planning
  - 4.4 Recordkeeping: References
  - 4.5 Recordkeeping and Reporting Troubleshooting
  - 4.6 Recordkeeping and Reporting Best Practices
- 5 Human Resources
  - 5.1 HR: Introduction & Purpose
  - 5.2 Employment Law Basics
    - 5.2.1 Employee Rights/Employer Responsibilities
    - 5.2.2 Federal Regulations on Employment Relationships
    - 5.2.3 State Employment Laws
  - 5.3 OSHA
    - 5.3.1 Federal Standards
    - 5.3.2 State OSHA Programs
  - 5.4 CBA Staffing Policies
  - 5.5 Preparing to Hire Your First Employees
  - 5.6 Job Responsibilities & Ideal Employee Profiles
    - 5.6.1 Responsibilities
    - 5.6.2 Profiles of Ideal Employees

- 5.6.3 Job Descriptions
- 5.7 Finding Qualified Staff
  - 5.7.1 Sources of Employee Candidates
  - 5.7.2 Job Advertisements
  - 5.7.3 No Requirement to Advertise Open Positions
- 5.8 Job Applications
  - 5.8.1 Application Form
  - 5.8.2 Confidentiality of Applications
- 5.9 Interviewing Job Applicants
  - 5.9.1 Preparing for Interviews
  - 5.9.2 Conducting Successful Interviews
  - 5.9.3 Position-Specific Questions
  - 5.9.4 Questions to Avoid
- 5.10 Background Checks on Job Applicants
  - 5.10.1 General Tips on Background Checks
  - 5.10.2 Special Rules for Certain Records
- 5.11 Pre-Employment Testing
- 5.12 Hiring
- 5.13 Making Job Offers
- 5.14 Miscellaneous Hiring Issues
- 5.15 New Employee Paperwork
- 5.16 Additional Steps in the Hiring Process
- 5.17 New Employee Orientation
- 5.18 New Employee Training
- 5.19 Dress Code
- 5.20 Uniforms
  - 5.20.1 Shirts
  - 5.20.2 Slacks/Pants/Shorts
  - 5.20.3 Hats or Visors
  - 5.20.4 Socks & Shoes
  - 5.20.5 Belt
- 5.21 Grooming Standards
- 5.22 Personnel Policies
  - 5.22.1 Personnel Policies Introduction
  - 5.22.2 Communicating Work Rules
  - 5.22.3 Modifying Your Employee Handbook
- 5.23 Wages
  - 5.23.1 Minimum Wage
  - 5.23.2 Overtime Pay
  - 5.23.3 CBAC Employee Compensation Guideline
- 5.24 Benefits
  - 5.24.1 Employee Paid Holidays
  - 5.24.2 Employee Sick Days
  - 5.24.3 Employee Vacation
  - 5.24.4 Holidays
  - 5.24.5 Group Health Insurance



- 5.24.6 Approved Retirement Plan
  - 5.25 Employee Morale & Motivation
    - 5.25.1 Factors of Good Morale
    - 5.25.2 Signs of Bad Morale
    - 5.25.3 Improving Morale and Motivation
  - 5.26 Performance Reviews
  - 5.27 Employee Discipline
  - 5.28 Resignation & Termination
    - 5.28.1 Resignation
    - 5.28.2 Termination
    - 5.28.3 Termination Tips
    - 5.28.4 Post-Separation Procedures
    - 5.28.5 Final Paychecks
    - 5.28.6 Explaining Termination to Other Employees
    - 5.28.7 Giving References
  - 5.29 When to Replace & When to Hire Additional Staff
  - 5.30 Summary of Good Employee Management Practices
  - 5.31 Getting Legal Help with Employment Law Issues
  - 5.32 Owner / Manager Policies
    - 5.32.1 Franchisee Vacation
    - 5.32.2 Principal Operator On-Site
  - 5.33 Human Resources References
    - 5.33.1 Forms
    - 5.33.2 Required Postings
  - 5.34 Human Resources Troubleshooting
  - 5.35 Human Resources Best Practices
- 6 Marketing
  - 6.1 Overview
    - 6.1.1 Goals
    - 6.1.2 Marketing vs. Advertising
  - 6.2 Who We Are
    - 6.2.1 Knowing Our Core Customer
    - 6.2.2 Tracking Success
    - 6.2.3 Knowing the Brand
      - 6.2.3.1 Top 10 Things to Remember About the Brand
  - 6.3 The Approach
    - 6.3.1 Digital Marketing
      - 6.3.1.1 Your Website
      - 6.3.1.2 SEO / SEM
      - 6.3.1.3 Online Reputation
      - 6.3.1.4 Facebook / Social Media
    - 6.3.2 Customer Relationship Management (CRM)
    - 6.3.3 Grassroots Marketing
    - 6.3.4 Mail and Other Traditional Marketing
  - 6.4 Budgets
  - 6.5 Resources

- 6.5.1 Internal Communications
  - 6.5.2 Approved and Unapproved Vendors/Programs
  - 6.5.3 Brand Manual
  - 6.5.4 Social Media Policy
  - 6.6 Troubleshooting
  - 6.7 Best Practices
- 7 Safety Regulations
  - 7.1 Introduction & Purpose
  - 7.2 Policy & Expectations
  - 7.3 Procedures
    - 7.3.1 Safety Data Sheets
  - 7.4 Guidelines
    - 7.4.1 Safety Guidelines
    - 7.4.2 Hazardous Chemical Spills & Clean Up
    - 7.4.3 Posting
  - 7.5 Reference
  - 7.6 Best Practices
- 8 Business Performance
  - 8.1 Introduction & Purpose
    - 8.1.1 Purpose
  - 8.2 Financial Glossary
  - 8.3 Stewardship
    - 8.3.1 Good to Great Commitment
  - 8.4 Expense Policy & Expectations
    - 8.4.1 Expense Procedures
    - 8.4.2 Aggregate Expense Budget Policy
    - 8.4.3 Aggregate Expense Budget Expectations
    - 8.4.4 Aggregate Expense Budget Waiver Request
  - 8.5 Guidelines
    - 8.5.1 Line Item Expenditure Guidelines and/or Approved Expenses
      - 8.5.1.1 Small Tools and Equipment
      - 8.5.1.2 Advertising
      - 8.5.1.3 Auto Purchase Expenses
      - 8.5.1.4 Auto Operation and Maintenance Expenses
      - 8.5.1.5 Auto Insurance
      - 8.5.1.6 Cell Phones
      - 8.5.1.7 Consulting
      - 8.5.1.8 Donations
      - 8.5.1.9 Dues and Subscriptions
      - 8.5.1.10 Entertainment
      - 8.5.1.11 Gifts
      - 8.5.1.12 Janitorial Cleaning
      - 8.5.1.13 Laundry Service
      - 8.5.1.14 Lawn Care and Landscaping
      - 8.5.1.15 Meals In Shop
      - 8.5.1.16 Office Expense and Supplies

- 8.5.1.17 Approved Retirement Plan Guidelines
    - 8.5.1.18 Bonus for Employees
    - 8.5.1.19 Training
    - 8.5.1.20 Travel
    - 8.5.1.21 Insurance
    - 8.5.1.22 Key Man Insurance
  - 8.5.2 Multi-Shuttle Vehicle Policy
  - 8.5.3 Policy On Expense Associated with Using a 401(k) to Purchase Business
  - 8.5.4 Multi-Unit Franchise Ownership
- 8.6 Analyzing Business Performance
  - 8.6.1 Key Performance Indicators
  - 8.6.2 Weekly Break-even
  - 8.6.3 Metrics Tracking
  - 8.6.4 Improving Business Performance
- 8.7 Troubleshooting
  - 8.7.1 Troubleshooting Your Business Performance
  - 8.7.2 Underperforming and Distressed Stores
- 8.8 Best Practices
- 9 Equipment
  - 9.1 Introduction & Purpose
    - 9.1.1 Purpose
    - 9.1.2 CBAC's Role in Purchasing
    - 9.1.2 Equipment Definitions
  - 9.2 Purchase Approval
  - 9.3 Unapproved Purchases
    - 9.3.1 Evaluation Process
  - 9.4 Equipment Inspection Schedule
  - 9.5 Equipment Maintenance Schedules
    - 9.5.1 Lifts
    - 9.5.2 Air Compressor
    - 9.5.3 Floor Scrubber
  - 9.6 Equipment Updates
  - 9.7 Product Line Recommendations
  - 9.8 Reference
    - 9.8.1 Approved Vendor Contact List
  - 9.9 Troubleshooting
  - 9.10 Best Practices
- 10 Building & Grounds Maintenance
  - 10.1 Introduction & Purpose
  - 10.2 Policy & Expectations
  - 10.3 Site Inspections
  - 10.4 Building Exterior
    - 10.4.1 Yearly Exterior Inspection
    - 10.4.2 Monthly Exterior Inspection
    - 10.4.3 Grounds

- 10.4.4 Dumpster Enclosure
  - 10.4.5 Parking Lot
  - Grease Trap Servicing
- 10.5 Building Interior
  - 10.5.1 Lobby & Bathroom
  - 10.5.2 The Shop
- 10.6 Maintenance Requests
  - 10.6.1 Building Repairs During the One Year Warranty Period
  - 10.6.2 Building Repairs After the One Year Warranty Period
- 10.7 Improvement Requests
- 10.8 Guidelines
- 10.9 Reference
  - 10.9.1 Construction Vendor Contact List
- 10.10 Troubleshooting
- 10.11 Best Practices
- 11 Additional Resources
  - 11.1 Websites for Organizations
  - 11.2 Websites for Small Businesses
  - 11.3 Websites for Employment Laws
  - 11.4 Websites for Taxes
- 12 Management Forms & Documents
  - 12.1 Introduction
  - 12.2 World Class Culture
  - 12.3 Store Operations
    - 12.3.1 Parts Pricing
    - 12.3.2 Workflow Forms
    - 12.3.3 Courtesy Inspection Form
    - 12.3.4 Pre-Purchase Vehicle Inspection Form
    - 12.3.5 Cross Check Pricing
    - 12.3.6 Taking Care of the Customer and Improving Ticket Average
  - 12.4 Recordkeeping & Reporting
    - 12.4.1 Chart of Accounts
    - 12.4.2 Debit Authorization Form
  - 12.5 Human Resources
    - Application Acknowledgement
    - Applicant Information Release
    - Authorization for Direct Deposit
    - Drug-Free Workplace Consent Form
    - Employee Discipline Documentation Form
    - Employee Exit Interview Form
    - Employee Termination Meeting Checklist
    - Employee Contact Info Form
    - Form I-9
    - Form W-4
    - Leave Verification Form
    - General Work Rules

- Job Placement Advertisements
  - Service Managers
  - Technicians
- Sample Collection Letter
- Sexual Harassment Policy
- Smoking Policy
- Workplace Safety Rules
- New Hire Packet
- Offer Letters
- Sample Job Descriptions
- Go-To-Meeting Interview Guide
- New Employee Payroll Forms
- 12.6 Marketing
  - 12.6.1 Local Store Budget Template
  - 12.6.2 Brand Guideline Manual
- 12.7 Safety Regulations
- 12.8 Business Performance
  - 12.8.1 Aggregate Expense Budget Waiver Form
  - 12.8.2 Financial Goal Setting
  - 12.8.3 KPIs Tracking the Details
  - 12.8.4 Business Planning
  - 12.8.5 Business Valuation
- 12.9 Equipment
  - 12.9.1 Purchase Approval Form
- 12.10 Building Grounds & Maintenance

**EXHIBIT D**  
**CURRENT FRANCHISEES CONTACT INFORMATION**

Attached as Exhibit D is the Current Franchisee's Contact Information (Schedule D.1) and the names of Current Franchisees who are not yet operating a franchise (Schedule D.2).

**D.1-Current Franchisee/Operator Contact Information as of December 31, ~~2018~~2019**

Franchise	Franchisee	Address	Phone
Alabama			
CBA -Trussville	Luke Younger	5635 Chalkville Road Birmingham, AL 35235	(205) 848-8161
CBA - Hoover	Brandon Fisher	1800 Southpark Dr. Hoover, AL 35244	(205) 987-6620
CBA - Madison	Chris Davis	7264 Hwy 72 W. Madison, AL 35758	(256) 721-4704
CBA - Montgomery	Danny Spisak	10885 Chantilly Drive Montgomery, AL 36117	(334) 244-4200
Arizona			
CBA - Ocotillo	Tony Schottenbauer	290 E. Ocotillo Rd Chandler, AZ 85249	(480) 634-1443
CBA - Queen Creek	Mark Dillehay	21143 E Rittenhouse Rd Queen Creek, AZ 85142	(480) 382-7050
CBA - Gilbert-Baseline	Randy Maestre	1618 N. Higley Rd. Gilbert, AZ 85234	(480) 466-7080
CBA - Peoria-Thunderbird	Cal Pascanu	13675 N 75th Avenue Peoria, AZ 85381	(623) 302-7255
CBA - Litchfield Park	Mike Hassenger	12337 W Camelback Rd. Litchfield Park, AZ 85340	(623) 234-9163
<u>CBA – Gilbert-San Tan</u>	<u>Lisa Jankovic</u>	<u>1245 E Pecos Road Gilbert, AZ 85295</u>	<u>(480) 590-1272</u>
<u>CBA – Happy Valley</u>	<u>Matt Hunter</u>	<u>5400 W Happy Valley Road Glendale, AZ 85083</u>	<u>(623) 248-8494</u>
Arkansas			
CBA - Bentonville	Tom Beadel	600 SE Walton Blvd. Bentonville, AR 72712	(479) 464-7711
CBA - W. Little Rock	Rick Miller	15516 Chenal Parkway Little Rock, AR 72211	(501) 228-2000
CBA - Maumelle	Sid Moore	12701 Maumelle Blvd Maumelle, AR 72113	(501) 851-8200
CBA – Fayetteville	Rob Crist	2870 E. Joyce Blvd Fayetteville, AR 72703	(479) 249-8484
Colorado			
CBA - Arapahoe	<u>Greg</u> <del>Jared Beard</del> <u>Post</u>	14755 E. Arapahoe Rd Aurora, CO 80016	(303) 699-3527

CBA - Castle Rock	Steve Peterson	5721 New Abbey Ln Castle Rock, CO 80108	(303) 814-7792
CBA - Woodmen	Michael Tyler	7355 Duryea Dr. Colorado Springs, CO 80923	(719) 593-2302
CBA - Greeley	Jeff Sloan	6601 29 <sup>th</sup> St. Greeley, CO 80634	(970) 324-0552
CBA - Highlands Ranch	Greg Joseph	1340 Town Center Drive Highlands Ranch, CO 80129	(303) 683-8707
CBA - Lafayette	Paul Strange	517 Stacy Court Lafayette, CO 80026	(303) 926-8496
CBA - Ken Caryl	Spencer Hovanetz	5828 South Swadley S Littleton, CO 80127	(303)0933-9294
CBA - Monument	Kyle Baker	16130 Jackson Creek Parkway Monument, CO 80132	(719) 488-8030
CBA - Parker	Sarah Vowell	9864 Mangano Ln Parker, CO 80134	(720) 420-9448
CBA - Windsor	Lance Dismang	1635 Main Street Windsor, CO 80550	(970) 460-9508
CBA - Lone Tree	Steve Peterson	9852 Zenith Meridian Drive Englewood, CO 80112	(303) 708-1315
CBA - Westminster	Jimmy Roberts	8515 W. 100th Avenue Westminster, CO 80021	(303) 469-3015
CBA - Thornton	Corey Sowa	5703 E. 136th Avenue Thornton, CO 80602	(720) 335-6402
CBA - Commerce City	Marcia Krumenacker	15690 E. 104th Avenue Commerce City, CO 80022	(303) 289-8685
CBA - South Parker	Sarah Vowell	13263 S. Parker Road Parker, CO 80134	(303) 805-1950
CBA - Loveland	Greg Bland	5542 N Garfield Ave. Loveland, CO 80538	(970) 619-8401
<u>CBA – Fort Collins</u>	<u>Stephen Kinsland</u>	<u>1500 Academy Ct Fort Collins, CO 80524</u>	<u>(970) 484-3146</u>
<u>CBA – Rockrimmon Road</u>	<u>Daymen Tiffany</u>	<u>20 S Rockrimmon Blvd Colorado Springs, CO 80919</u>	<u>(719) 374-1770</u>
<u>CBA – Broomfield</u>	<u>Victor Robert</u>	<u>2411 E Midway Blvd Broomfield, CO 80234</u>	<u>(720) 617-7886</u>
Florida			
CBA - Clermont	Bryce Merideth	2659 E Hwy 50 Clermont, FL 34711	(407) 656-1300
CBA - Land O' Lakes	Larry Giannone	23650 Venezia Drive Land O' Lakes, FL 34639	(813) 949-0100
CBA - North Port	Richard Shipp	1080 W Price Blvd North Port, FL 34288	(941) 200-2946

CBA - Brandon	Jud Cook	10010 McMullen Rd Riverview, FL 33569	(813) 677-7007
CBA - Westchase	Jason Benintendi	12949 Race Track Rd. Tampa, FL 33626	(813) 925-1920
CBA - New Tampa	Marty La Barbera	20303 Trout Creek Drive Tampa, FL 33647	(813) 991-7007
<u>CBA – Valrico (Lumsden)</u>	<u>Jud Cook</u>	<u>811 E Lumsden Road Brandon, FL 33511</u>	<u>(813) 378-3440</u>
<u>Georgia</u>			
CBA - Acworth	Scott Head	3408 Cobb Parkway NW Acworth, GA 30101	(770) 966-1599
CBA - Jones Bridge	Brian Klaubert	10879 Jones Bridge Road Alpharetta, GA 30022	(678) 867-0900
CBA - Cumming	Tom Burgess	5960 Bethelview Rd Cumming, GA 30040	(470) 253-7376
CBA - Hamilton Mill	Brian Klaubert	2770 Braselton Highway Dacula, GA 30019	(770) 271-4080
CBA - Grayson	Kevin Cronic	2547 Loganville Highway Grayson, GA 30017	(678) 825-3833
CBA - Sandy Springs	Rusty Tweedy	8630 Roswell Road Sandy Springs, GA 30350	(770) 992-0906
CBA - Fischer Crossings	Amanda Gilbert	5020 East Hwy 34 Sharpsburg, GA 30277	(678) 423-3144
CBA - Eagles Landing	Brian Dewing	450 Eagles Landing Pkwy Stockbridge, GA 30281	(678) 565-1111
CBA - Evans	Ken Lucas	4481 Washington Rd Evans, GA 30809	(706) 305-3104
CBA - Suwanee	Brian Klaubert	565 Peachtree Industrial Blvd. Suwanee, GA 30024	(678) 546-5075
CBA - Towne Lake	Danny Branom	1930 Eagle Drive Woodstock, GA 30189	(770) 926-4500
<u>Idaho</u>			
<u>CBA - Meridian</u>	<u>Brett Clancy</u>	<u>1402 W McMillan Rd Meridian, ID 83646</u>	<u>(208) 888-0070</u>
<u>CBA – South Meridian</u>	<u>Rich Martinez</u>	<u>87 E Calderwood Drive Meridian, ID 83642</u>	<u>(208) 565-1515</u>
<u>Illinois</u>			
<u>CBA – Bolingbrook</u>	<u>Paul Cruse</u>	<u>714 S. Weber Road Bolingbrook, IL</u>	<u>(630) 914-5386</u>
<u>CBA – Lockport</u>	<u>Ray Martinez</u>	<u>1220 E 9<sup>th</sup> Street Lockport, IL 60441</u>	<u>(815) 524-4351</u>
<u>CBA – West Chicago</u>	<u>Boris Gunjevic</u>	<u>1650 North Neltner Blvd West Chicago, IL 60185</u>	<u>(630) 326-5800</u>
<u>CBA – Barrington</u>	<u>Rob Gilland</u>	<u>908 S Northwest Highway Barrington, IL 60010</u>	<u>(847) 996-9696</u>



Iowa			
CBA - Ankeny	Kurt Greving	1315 N. Ankeny Blvd Ankeny, IA 50023	(515) 964-0807
<del>Idaho</del>			
<del>CBA - Meridian- Clive</del>	<del>Brett ClancyBill Tiernan</del>	<del>1402 W McMillan Rd Meridian, ID 8364615250 Hickman Road Clive, IA 50325</del>	<del>(208) 888-0070(515) 346-8606</del>
Indiana			
CBA - Fishers	Jared Seaman	13048 Publishers Drive Fishers, IN 46038	(317) 842-4111
CBA - Westfield	Russ Miller	14807 N. Gray Road Westfield, IN 46062	(317) 848-5511
<u>CBA - Greenwood</u>	<u>Dave Barnett</u>	<u>4985 W Smith Valley Road Greenwood, IN 46143</u>	<u>(317) 740-1883</u>
Kansas			
CBA - Olathe	Steve Schramm	13770 West 135th Street Olathe, KS 66062	(913) 764-3360
CBA - Shawnee	Scott Green	22240 Midland Drive Shawnee, KS 66226	(913) 422-1200
CBA - West Wichita	<del>JesseeJesse</del> Schemm	10080 W. 29th Street N Wichita, KS 67205	(316) 719-2668
CBA - East Wichita	Bob Morris	1302 N. Woodlawn Blvd. Wichita, KS 67208	(316) 425-0001
Kentucky			
CBA- Crestwood	Gregg Romans	6410 Claymont Crossing Crestwood, KY 40014	(502) 702-2700
Louisiana			
CBA - Mandeville	Jeff Madison	4376 LA-22 Mandeville, LA 70471	(985) 951-2346
Michigan			
CBA - Grand Rapids	Kurt Hein	1464 28th Street SE Grand Rapids, MI 49508	(616) 245-1215
CBA - Cascade Township	Kurt Hein	5485 28th Street SE Grand Rapids, MI 49512	(616) 608-5333
CBA - Holland	Dave Barry	424 Baypark Drive Holland, MI 49424	(616) 796-8891
Minnesota			
CBA - Andover	Dan Anderson	1716 Bunker Lake Blvd NW Andover, MN 55304	(763) 427-7272
CBA - Lakeville	Ken Titcomb	17470 Dodd Boulevard Lakeville, MN 55044	(952) 595-6551
<u>CBA - Maple Grove</u>	<u>Jon Nelson</u>	<u>9565 Zachary Lane N Maple Grove, MN 55369</u>	<u>(763) 284-0284</u>
Mississippi			

CBA - Southaven	John Ferrante	1676 Goodman Rd. East Southaven, MS 38671	(662) 349- 3036
Missouri			
CBA - Arnold	Robbie Pace	2190 Church Road Arnold, MO 63010	(636) 282- 2886
CBA - Independence	Tim Porter	19600 East US Highway 40 Independence, MO 64055	(816) 795- 6811
CBA - Liberty	Dave McDonald	8160 North Church Road Kansas City, MO 64158	(816) 415- 9100
CBA - Barry Road	Scott Snow	4200 NW Barry Road Kansas City, MO 65154	(816) 420- 0180
CBA - O'Fallon	Robbie Pace	8496 Mexico Rd Saint Peters, MO 63376	(636) 980- 1770
CBA - Springfield	Lee Grant	2315 W. Republic Road Springfield, MO 65807	(417) 823- 3755
CBA - Valley Park	Robbie Pace	2941 Dougherty Ferry Rd St. Louis, MO 63122	(636) 825- 7537
Montana			
CBA - Billings	Tony McCoy	1525 Zimmerman Trail Billings, MT 59102	(406) 894- 2124
Nebraska			
CBA - Omaha	Greg Douglas	17330 Evans Street Omaha, NE 68116	(402) 289- 4631
New Mexico			
CBA - Rio Rancho	Jeff Degroot	2014 Southern Blvd SE Rio Rancho, NM 87124	(505) 903- 7500
North Carolina			
CBA - Western Wake	Charles Yun	8705 Holly Springs Rd Apex, NC 27539	(919) 900- 8957
CBA - Coddle Creek	<del>Alex Costa</del> Brian Barker	5220 Poplar Tent Road Concord, NC 28027	(980) 255- 3545
CBA - Concord	Jade Stanford	9725 Harris Rd Concord, NC 28027	(704) 795- 5556
CBA - Huntersville	Steve Genenbacher	16618 Old Statesville Rd Huntersville, NC 28078	(704) 727- 0808
CBA - Indian Trail	Ricky Herrera	13957 E Independence Blvd Indian Trail, NC 28079	(704) 234- 8778
CBA - Mooresville	Doug Vidler	688 Brawley School Road Mooresville, NC 28117	(704) 816- 7777
CBA - Wake Forest	Scott Lillie	1751 Heritage Center Drive Wake Forest, NC 27587	(984) 235- 1361
Ohio			
CBA - Broadview Heights	Kevin Kaschube	4965 E Royalton Rd Broadview Heights, OH 44147	(440) 627- 6133

CBA - Avon	Kevin Kaschube	1110 Nagel Road Avon, OH 44011	(440) 937-0339
CBA - Loveland	Doug Beachy	6379 Branch Hill Guinea Pike Loveland, OH 45140	(513) 781-3546
CBA - West Chester	Doug Beachy	8127 Highland Pointe Drive West Chester Township, OH 45069	(513) 847-6566
Oklahoma			
CBA - Edmond	Jesse Wilson	900 N. Santa Fe Ave. Edmond, OK 73003	(405) 341-2900
CBA - Norman	Curtis Henning	3050 Yarbrough Way Norman, OK 73072	(405) 701-1811
CBA - S. Western Ave	Mike Cochran	10311 S. Western Avenue Oklahoma City, OK 73139	(405) 692-5461
CBA - Warwick	Eric Lang	6801 W. Hefner Road. Oklahoma City, OK 73162	(405) 720-1200
CBA - Owasso	Ray Adcock	9530 N. Garnett Rd. Owasso, OK 74055	(918) 272-4011
CBA - Tulsa Hills	Russ Knight	7163 South Olympia Avenue West Tulsa, OK 74132	(918) 289-0636
CBA - S. Tulsa	Tommy Keeter	9808 E 81st Street South Tulsa, OK 74133	(918) 250-9944
CBA - Yukon	Tom Beadel Jr	742 Garth Brooks Blvd Yukon, OK 73099	(405) 350-2338
Pennsylvania			
CBA- Lititz	Igor Kuzmenko	100 Crosswinds Drive Lititz, PA	(717) 384-9700
<u>CBA – Montgomery Mall</u>	<u>Jens Rosmus</u>	<u>565 DeKalb Pike North Wales, PA 19454</u>	<u>(267) 263-4422</u>
South Carolina			
CBA - Tega Cay	Jason Thompson	3673 Vandora Springs Road Fort Mill, SC 29715	(803) 802-0288
CBA - Goose Creek	Chris Hamlin	518 St James Ave Goose Creek, SC 29445	(843) 805-4546
CBA - Greenville	Mike Garrison	1005 Woodruff Rd Greenville, SC 29607	(864) 558-0519
CBA - Lexington	Joshua <u>StanbridgeStandridge</u>	148 Old Cherokee Road Lexington, SC <u>29072</u>	(803) 490-9703
Tennessee			
CBA - Bartlett	Scott Few	6677 US Hwy 70 Bartlett, TN 38134	(901) 881-6946

CBA - Brentwood	Darleen Reese	1714 Carothers Parkway Brentwood, TN 37027	(615) 370-2886
CBA - Collierville	Jimmy Turner	381 East Poplar Ave Collierville, TN 38017	(901) 457-1005
CBA - Hendersonville	Matt Rucks	563 E. Main Street Hendersonville, TN 37075	(615) 826-5550
CBA - Hixson	Mark McClain	5595 Hixson Pike Hixson, TN 37343	(423) 531-3292
CBA - Jackson	Aaron Fitzgerald	2700 N. Highland Ave Jackson, TN 38305	(731) 660-4111
CBA - Knoxville	Cory Beilharz	10406 Kingston Pike Knoxville, TN 37922	(865) 773-0801
CBA - Houston Levee	Todd Few	2859 N. Houston Levee Rd. Memphis, TN 38016	(901) 221-0052
CBA - Germantown	<del>CJ Stafford</del> <u>Kim Hannaford</u>	7446 Sonic Drive Memphis, TN 38125	(901) 737-8760
CBA - Murfreesboro	Keith Slemp	1826 Memorial Blvd. Murfreesboro, TN 37129	(615) 848-0824
CBA - Spring Hill	<u>Mike</u> <del>Curt Kinsman</del> <u>Longchamp</u>	2060 Wall Street Spring Hill, TN 37174	(615) 302-0698
Texas			
CBA - Allen	Aaron Tharp	1713 N. Greenville Ave. Allen, TX 75002	(214) 495-0900
CBA - Amarillo	<del>Brian Hoffman</del> <u>Art Zavala</u>	5816 S. Coulter Street Amarillo, TX 79119	(806) 352-3800
CBA - Arlington	Norman Meyer	718 West Sublett Road Arlington, TX 76017	(817) 419-2700
CBA - Brodie Lane	Mark David	9200 Brodie Lane Austin, TX 78748	(512) 282-2886
CBA - Cedar Park	Scott Morris	12014 North RR 620 Austin, TX 78750	(512) 918-2886
CBA - Beaumont	Carl Mitchell	6140 Delaware Street Beaumont, TX 77706	(409) 242-1185
CBA - Bedford	Bobby Williams	3920 Highway 121 Bedford, TX 76021	(817) 399-0700
CBA - Buda	Karl Frasier	18660 South IH 35 Buda, TX 78610	(512) 295-8905
CBA - Burleson	Norman Meyer	350 NW John Jones Drive Burleson, TX 76028	(817) 447-6060
CBA - Castle Hills	Brad Gresham	4121 State Highway 121 Carrollton, TX 75010	(972) 394-0760
CBA - Cedar Hill	David Faerber	130 N. Highway 67 Cedar Hill, TX 75104	(214) 247-8005
CBA - Vista Ridge	Scott Morris	906 North Vista Ridge Blvd. Cedar Park, TX 78613	(512) 259-1357

CBA - College Station	Darrel Fikes	4054 State Hwy 6 South College Station, TX 77845	(979) 690-5127
CBA - Corinth	Brandon Pfaffly	5050 South I-35 East Corinth, TX 76210	(940) 497-8788
CBA - Corpus Christi	Daniel Mulkey	6901 S Staples Street Corpus Christi, TX 78413	(361) 985-8111
CBA - Grant Road	Scooter Owens	13333 Grant Road Cypress, TX 77429	(281) 370-9191
CBA - Fairfield	Jeremy Robertson	27210 US Hwy 290 Cypress, TX 77433	(281) 213-8111
CBA - White Rock	Jim Foster	12124 McCree Road Dallas, TX 75238	(214) 342-5700
CBA - N. Dallas	Rick Benet	11870 N. Central Expressway Dallas, TX 75243	(214) 575-5662
CBA - Midway	<del>Brandon Pfaffly</del> Mark Haun	19020 Midway Road Dallas, TX 75287	(972) 380-2886
CBA - Flower Mound	<del>Paul Weleh</del> Lance Mutzman	1713 Justin Road Flower Mound, TX 75028	(972) 691-3700
CBA - Alliance	Kevin Simmons	6521 Old Denton Rd. Fort Worth, TX 76131	(817) 232-5200
CBA - Southwest Ft. Worth	Alan Crawford	7333 Oakmont Blvd Fort Worth, TX 76132	(817) 292-8100
CBA - Forney	Amy Stehr	725 E US Highway 80 Forney, TX 75126	(972) 552-9925
CBA - Friendswood	Derek Phillips	1553 S. Friendswood Dr. Friendswood, TX 77546	(281) 993-2273
CBA - W. Frisco	Jonita White	8110 FM 423 Frisco, TX 75034	(214) 469-1635
CBA - Little Elm	<del>Jonita White</del> John Norman	26746 E University Dr. Denton, TX 76227	(940) 440-1065
CBA - Frisco	<del>Chris Carney</del> Josh Essary	9299 Lebanon Road Frisco, TX 75035	(972) 668-9425
CBA - Garland	<del>Chris</del> Aaron Tharp	3213 Naaman School Rd. Garland, TX 75040	(972) 675-9000
CBA - Georgetown	Keith Guyton	3723 Williams Dr., Bldg 1 Georgetown, TX 78628	(512) 863-3400
CBA - Granbury	Mike Loter	3809 E. US Hwy 377 Granbury, TX 76049	(817) 573-3911
CBA - Green Oaks	Graydon Wall	2804 NE Green Oaks Blvd. Grand Prairie, TX 75050	(817) 633-2886
CBA - Grapevine	Keith Daniels	2059 West SH 114 Grapevine, TX 76051	(817) 410-7200
CBA - Helotes	Spike Blevins	12544 E. Bandera Road Helotes, TX 78023	(210) 695-4528
CBA - Space Center	Andy Miller	11600 Space Center Blvd. Houston, TX 77059	(281) 487-8111

CBA - Westheimer	Paul Stehr	7937 Westheimer Road Houston, TX 77063	(713) 781-2626
CBA - West Road	Scooter Owens	9130 West Road Houston, TX 77064	(713) 849-2006
CBA - Champions	<del>Thomas Oakes</del> Mike Souther	2899 Cypress Creek Pkwy Houston, TX 77068	(281) 444-2899
CBA - Blackhawk	Terry Barker	9245 South Sam Houston Pky E Houston, TX 77075	(832) 740-4865
CBA - Eldridge	Scotter Owens	844 N. Eldridge Parkway Houston, TX 77079	(281) 845-2002
CBA - Mission Bend	Dan Nieves	7051 Addicks Clodine Rd. Houston, TX 77083	(281) 933-3520
CBA - Copperfield	Ian Sperry	17320 F.M. 529 Houston, TX 77095	(281) 855-0300
CBA - Atascocita	Ken Williams	6935 Atascocita Rd. Humble, TX 77346	(281) 812-0700
CBA - Fall Creek	Ken Williams	8220 N Sam Houston Pkwy East Humble, TX 77396	(281) 372-6642
CBA- Kingwood	Brad West	1322 Northpark Drive Kingwood, TX 77339	(281) 913-5745
CBA - Hutto	James Guzman	580 U.S. Highway 79 Hutto, TX 78634	(512) 759-3760
CBA - Valley Ranch	Brandon Miller	600 Valley Ranch Pkwy South Irving, TX 75063	(972) 869-2886
CBA - North Katy	Miguel Ramirez	3838 N. Fry Rd. Katy, TX 77449	(281) 578-7799
CBA - Westgreen	Rob Woodall	500 Westgreen Blvd Katy, TX 77450	(281) 579-2900
CBA - Katy Firethorne	Steve Williams	1421 FM 1463 Rd Katy, TX 77494	(281) 392-0395
CBA - Grand Parkway	Josh Skalka	1455 W. Grand Parkway S. Katy, TX 77494	(281) 693-9393
CBA - Fulshear	Brian Bufkin	6150 FM 1463 Rd Katy, TX 77494	(281) 346-8651
CBA - Lake Worth	David Schickedanz	6531 Lake Worth Blvd Lake Worth, TX 76135	(817) 237-0606
CBA - Lakeway	Cody Foster	1811 RR 620 North Lakeway, TX 78734	(512) 266-8600
CBA - Leander	Brad Escue	120 E Sonny Dr. Leander, TX 78641	(512) 259-1918
CBA - League City	Andy Miller	1515 W FM 646 League City, TX 77573	(281) 534-4000
CBA - Lewisville	Rick Benet	1263 W. Round Grove Road Lewisville, TX 75067	(972) 315-1745
CBA - Lubbock	Josh Page	6207 82nd. Street Lubbock, TX 79424	(806) 794-1200



CBA - Magnolia Pkwy	Jeff Toth	6872 FM 1488 Magnolia, TX 77354	(281) 259-4211
CBA - McKinney	<del>Don Pope</del> <u>Greg Joseph Jr.</u>	3790 W. Eldorado Pkwy. McKinney, TX 75070	(972) 542-1900
CBA - Midland	Trey Grigsby	5317 W. Loop 250 North Midland, TX 79707	(432) 694-0400
CBA - Mira Mesa	Miguel Ramirez	9132 Fry Road Cypress, TX 77433	(832) 653-2619
CBA - Missouri City	David Funderburg	7240 Knights Court Missouri City, TX 77459	(281) 499-4499
CBA - Murphy	Aaron Tharp	420 W. FM 544 Murphy, TX 75094	(972) 881-0491
CBA - North Ft. Worth	Bobby Williams	9089 Tehama Ridge Pkwy Ft. Worth, TX 76177	(817) 623-9333
CBA - New Braunfels	Kevin Carroll	1760 Hwy 46 West New Braunfels, TX 78132	(830) 625-2884
CBA - Rufe Snow	Scott Stidd	7780 Rufe Snow Drive N. Richland Hills, TX 76148	(817) 485-8900
CBA - Pflugerville	Jason Gaudreau	1621 E. Pflugerville Pkwy Pflugerville, TX 78660	(512) 300-0587
CBA - Plano	Chris Tharp	5800 Avenue K Plano, TX 75074	(972) 424-4044
CBA - Waterside	Wayne Pawlik	8132 W. Grand Parkway S. Richmond, TX 77469	(281) 232-5555
CBA - Roanoke	Kevin Simmons	212 East Highway 114 Roanoke, TX 76262	(682) 831-1700
CBA - Rockwall	Amy Stehr	129 E. Ralph Hall Pkwy Rockwall, TX 75032	(972) 722-9500
CBA - Round Rock	<del>Ed Carey</del> <u>Keith Guyton</u>	413 Louis Henna Blvd. Round Rock, TX 78664	(512) 248-1000
CBA - Alamo Heights	Rolf Blaettner	1431 Austin Highway San Antonio, TX 78209	(210) 832-0088
CBA - Hill Country Village	Rolf Blaettner	15301 San Pedro Ave San Antonio, TX 78232	(210) 541-5901
CBA - Schertz	Mark Moody	205 F.M. 3009 Schertz, TX 78154	(210) 658-1717
CBA - Spring	Blair Jordan	2655 Rayford Road Spring, TX 77386	(281) 298-9111
CBA - New Territory	Kelly Adams	8431 Homeward Way Sugar Land, TX 77479	(281) 242-2886
CBA - South Tomball	Chip Fenner	24155 Tomball Parkway Tomball, TX 77375	(281) 351-6161
CBA - The Woodlands	Jeff Toth	4460 Panther Creek Pine The Woodlands, TX 77381	(281) 298-7771
CBA - Tyler	Sterling Woody	8730 S. Broadway Ave Tyler, TX 75703	(903) 509-2122

CBA - Waxahachie	<del>Mike Simmons</del> <u>Ken Woods</u>	1300 W. Hwy 287 Bypass Waxahachie, TX 75165	(972) 937-4500
CBA - Weatherford	Scott Stidd	156 Interstate 20 West Weatherford, TX 76086	(817) 599-4844
CBA - Woodway	Sterling Woody	101 Archway Drive Woodway, TX 76712	(254) 772-5600
<u>CBA – Rosenberg</u>	<u>Gardale Hatley</u>	<u>6911 Summertime Way</u> <u>Rosenberg, TX 77469</u>	<u>(832) 520-2440</u>
<u>CBA – Spring</u> <u>Stuebner</u>	<u>Blair Jordan</u>	<u>7315 N Grand Parkway W</u> <u>Spring, TX 77379</u>	<u>(346) 413-8646</u>
<u>CBA – Shadow</u> <u>Creek Ranch</u>	<u>Derek Phillips</u>	<u>3080 Kirby Drive</u> <u>Pearland, TX 77584</u>	<u>(281) 886-8681</u>
<u>CBA –</u> <u>Montgomery</u>	<u>Kyle Cordell</u>	<u>19920 Eva Street</u> <u>Montgomery, TX 77356</u>	<u>(936) 276-6060</u>
Virginia			
CBA - Virginia Beach	Kirk Linahan	3228 Holland Road Virginia Beach, VA 23453	(757) 689-1523
CBA - Midlothian-Huguenot Park	Hampton Holdsworth	1680 Mall Drive Richmond, VA 23235	(804) 351-8650
Washington			
CBA – Liberty Lake	Kris Kramer	23819 E. Applieway Ave Liberty Lake, WA 99019	(509) 891-8000
Wisconsin			
CBA - Sun Prairie	Jeff Van Sant	2420 Ironwood Dr. Sun Prairie, WI 53590	(608) 318-5491

**D.2-Current Awarded Franchise Candidates Who Are Not Yet Operating a Franchise as of December 31, 20182019**

<u>Alabama</u>	
<u>Birmingham</u>	<u>John Gilbert</u>
Arizona	
Mesa	Greg Dickson
Scottsdale	John Carlson
<del>Phoenix</del>	<del>Matt Hunter</del>
<del>Phoenix</del>	<del>Dan Jankovie</del>
Arkansas	
<del>Fayetteville</del>	<del>Rob Crist</del>
Little Rock	Art Worman
Colorado	
Aurora	<del>Jared Beard</del> <u>Kristina Wood</u>
<del>Broomfield</del> <u>Colorado Springs</u>	<del>Scott Schoeman</del> <u>Brandon McDowell</u>
Colorado Springs	<u>Austin Smith</u> <del>Shea Pruitt</del>
<del>Ft. Collins</del> <u>Firestone</u>	<del>Stephen Kinsland</del> <u>Montey Brunk</u>
<u>Loveland</u> <u>Denver</u>	<u>Don Overton</u> <del>Greg Bland</del>



<del>Parker</del> <u>Denver</u>	<del>Sarah Vowell</del> <u>Brian Schulz</u>
<del>Rockrimmon</del>	<del>Daymen</del> <u>Tiffany</u>
Florida	
<del>Lumsden</del> <u>Apollo Beach</u>	Jud Cook
<u>Tampa</u>	<u>John Murphy</u>
Georgia	
Alpharetta	<del>Brian Klaubert</del> <u>Mike Cotter</u>
<del>Canton</del> <u>Cherokee</u>	Tony Craft
Norcross	Sam Schottenfeld
<del>Idaho</del>	
<del>Boise</del>	<del>Rich</del> <u>Martinez</u>
Illinois	
<del>Bolingbrook</del>	<del>Paul</del> <u>Cruse</u>
<del>Schaumburg</del>	<del>Rob</del> <u>Gilland</u>
<del>West</del> <u>Chicago</u>	<del>Boris Gungevie</del> <u>Ken Dickerson</u>
Indiana	
Fishers <u>East</u>	<del>Jorden</del> <u>Jared</u> Seaman
Zionsville	David Zelner
<del>Iowa</del>	
<del>Clive</del>	<del>Bill</del> <u>Tieman</u>
Louisiana	
Baton Rouge	Mark Theriot
Lafayette	Lovie Moran
Michigan	
Grand Rapids	Matt Wieringa
Kalamazoo	Tom MacInnes
<del>Minnesota</del>	
<u>Minneapolis</u>	<u>Paul Klobe</u>
<del>North Carolina</del>	
<u>Charlotte</u>	<u>Jason Thompson</u>
Oklahoma	
Edmond <u>East</u>	Jesse Wilson
Pennsylvania	
<del>Montgomery Mall</del>	<del>Jens</del> <u>Rosmus</u>
Philadelphia	Jason Craig
<del>Tennessee</del>	
<u>Mt. Juliet</u>	<u>Greg Bandy</u>
Texas	
Houston	Blair Jordan
<del>Miramesa</del>	<del>Miguel</del> <u>Ramirez</u>
Celina	Mike Sampeck
<del>Rosenberg</del> <u>Montgomery</u>	<del>Gardale Hatley</del> <u>Kyle Cordell</u>
<u>Argyle</u>	<u>Shea Pruitt</u>
<u>Bryan</u>	<u>Darrel Fikes</u>

<u>Temple</u>	<u>Sterling Woody</u>
<u>Frisco</u>	<u>Rob Saunders</u>
<u>Dallas</u>	<u>Jonathan Yun</u>
<u>Mansfield</u>	<u>Michael Ortman</u>
<u>Virginia</u>	
<u>Mechanicsville</u>	<u>Keith Warman</u>

**EXHIBIT E**  
**STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS**

Attached as Exhibit E is the State Administrators/Agents for Service of Process.

<p><b><u>CALIFORNIA</u></b></p> <p>Department of Business Oversight:</p> <p>320 West 4th Street, Suite 750  Los Angeles, CA 90013  (213) 576-7500 Toll Free (866) 275-2677</p> <p>1515 K Street, Suite 200  Sacramento, CA 95814  (916) 445-7205</p> <p>1350 Front Street  San Diego, CA 92101  (619) 525-4233</p> <p>One Sansome Street, Suite 600  San Francisco, CA 94102  (415) 972-8559</p> <p>Agent:  California Commissioner of Business Oversight</p>	<p><b><u>CONNECTICUT</u></b></p> <p>State of Connecticut  Department of Banking  Securities &amp; Business Investments Division  260 Constitution Plaza  Hartford, CT 06103-1800  (860) 240-8230</p> <p>Agent:  Banking Commissioner</p>
<p><b><u>HAWAII</u></b></p> <p>Commissioner of Securities  Department of Commerce and Consumer Affairs  335 Merchant Street  Honolulu, Hawaii 96813  (808) 586-2744</p> <p>Agent:  Commissioner of Securities of the Department for  Commerce and Consumer Affairs</p>	<p><b><u>ILLINOIS</u></b></p> <p>Franchise Division  Office of Attorney General  500 South Second Street  Springfield, Illinois 62706  (217) 782-4465</p> <p>Agent:  Illinois Attorney General</p>

<p><b><u>INDIANA</u></b></p> <p>Franchise Section Indiana Securities Division Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681</p> <p>Agent: Indiana Securities Division Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531</p>	<p><b><u>MARYLAND</u></b></p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p> <p>Agent: Maryland Securities Commissioner</p>
<p><b><u>MICHIGAN</u></b></p> <p>Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 670 Law Building Lansing, Michigan 48913 (517) 373-7177</p> <p>Agent: Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909</p>	<p><b><u>MINNESOTA</u></b></p> <p>Minnesota Department of Commerce 85 7<sup>th</sup> Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600</p> <p>Agent: Minnesota Commissioner of Commerce</p>
<p><b><u>NEBRASKA</u></b></p> <p>Nebraska Department of Banking and Finance 1200 N Street P.O. Box 95006 Lincoln, Nebraska 68509-5006</p>	<p><b><u>NORTH CAROLINA</u></b></p> <p>Department of the Secretary of State P.O. Box 29622 Raleigh, North Carolina 27626-0622</p>

<p><b><u>NEW YORK</u></b></p> <p>Office of the New York State Attorney General Investor Protection Bureau Franchise Section 28 Liberty Street, 21st Floor New York, NY 10005-1495 (212) 416-8236 Phone (212) 416-6042 Fax</p> <p>Agent: Attn: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6<sup>th</sup> Floor Albany, NY 12231-0001 (518) 473-2492</p>	<p><b><u>NORTH DAKOTA</u></b></p> <p>North Dakota Securities Department 600 East Boulevard Avenue State Capitol – Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712</p> <p>Agent: North Dakota Securities Department</p>
<p><b><u>OREGON</u></b></p> <p>Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387</p> <p>Agent: Director of Oregon Department of Insurance and Finance</p>	<p><b><u>RHODE ISLAND</u></b></p> <p>Division of Securities Suite 232 233 Richmond Street Providence, Rhode Island 02903 (401) 222-3048</p> <p>Agent: Director of Rhode Island Department of Business Regulation</p>
<p><b><u>SOUTH DAKOTA</u></b></p> <p>Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, South Dakota 57501 (605) 773-3563</p> <p>Agent: Assistant Director, Securities Regulation</p>	<p><b><u>TEXAS</u></b></p> <p>Secretary of State P.O. Box 12887 Austin, Texas 78711</p>

<p><b><u>VIRGINIA</u></b></p> <p>Administrator:  State Corporation Commission  1300 East Main Street, 9<sup>th</sup> Floor  Richmond, Virginia 23219  (804) 371-9051</p> <p>Agent:  Clerk of the State Corporation Commission  1300 East Main Street, 1<sup>st</sup> Floor  Richmond, Virginia 23219  (804) 371-9733</p>	<p><b><u>WASHINGTON</u></b></p> <p>Director  Department of Financial Institutions  Securities Division  150 Israel Rd SW  Tumwater, Washington 98501  (360) 902-8760</p> <p>Agent:  Director of Department of Financial Institutions  Securities Division  150 Israel Rd SW  Tumwater, Washington 98501</p>
<p><b><u>WISCONSIN</u></b></p> <p>Securities and Franchise Registration  Wisconsin Securities Commission  201 West Washington Street, Suite 300  Madison, Wisconsin 53703  (608) 266-3431</p> <p>Agent:  Wisconsin Commissioner of Securities</p>	

**EXHIBIT F**  
**FORM OF NONUSE AND NONDISCLOSURE AGREEMENT**

Attached as Exhibit F is the Form of Nonuse and Nondisclosure Agreement.

**NONUSE AND NONDISCLOSURE AGREEMENT**

This Nonuse and Nondisclosure Agreement (the “**Agreement**”) is entered into by and among \_\_\_\_\_, whose address is \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, (collectively together with all affiliates, representatives and agents collectively referred to as “**Interested Party**”) and **CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**, a Texas corporation, whose address is 17725 Katy Freeway, Suite 200, Houston, Texas 77094 (the “**Company**”).

WHEREAS, the Interested Party is interested in entering into a business relationship with the Company; and the Company is interested in entering into a business relationship with the Interested Party; and

WHEREAS, in connection with evaluating the viability of such a business relationship, the Company is furnishing and will furnish the Interested Party with information related to Company and/or its business, including without limitation, financial information, operating information, corporate and business information, documentation and agreements, including without limitation a franchise disclosure document, that contain confidential and proprietary information (all of the foregoing together with all attachments, addenda, exhibits and other agreements described or referred to in any of the foregoing is herein referred to as the “**Information**”).

For good and valuable consideration, including without limitation the Company’s furnishing the Interested Party with the Information, the Interested Party has agreed and does hereby agree that:

1. Nondisclosure Obligations. Interested Party will keep the Information confidential, and Interested Party will not, without the Company’s prior written consent disclose the Information, whether in whole or in part, directly or indirectly, except as expressly permitted hereunder. The Interested Party will not use the Information for any purpose other than evaluating the viability of entering into a business relationship with Company (the “**Purpose**”). Interested Party will not use all or any of the Information, or allow all or any of the Information to be used, for any reason other than the Purpose. The Interested Party (a) will not disclose the Information to any employee, agent, or representative of Interested Party unless such person needs access to the Information in order to facilitate the Purpose and executes a nondisclosure agreement with the Interested Party, with terms no less restrictive than those of this Agreement; and (b) will not disclose the Information to any other third party without the Company’s prior written consent. The Interested Party is responsible for any breach of this Agreement by any party that receives any of the Information, either directly or indirectly, from the Interested Party. The Interested Party will promptly notify the Company of any misuse or misappropriation of the Information that comes to the Interested Party’s attention.

2. Additional Nondisclosure Obligations. Without the Company's prior written consent, except where otherwise required by law (such requirements to be confirmed by a written legal opinion of the Interested Party's counsel), the Interested Party will not disclose to any person the fact that the Information has been made available, that discussions or negotiations are taking place or have taken place concerning a possible transaction involving the Interested Party and the Company, or any of the terms, conditions or other facts with respect to any such possible transaction, including the status thereof. If Interested Party is required by law to disclose all or any of the Information and such requirements are confirmed by a written legal opinion of the Interested Party's counsel, Interested Party shall reasonably cooperate with Company in any effort to seek a protective order or otherwise contest such required disclosure, at Company's expense. The Interested Party shall give Company prompt notice of any such legal or governmental demand for the Information.

3. Injunction. The Interested Party agrees that breach of this Agreement would cause the Company irreparable injury, for which monetary damages would not provide adequate compensation, and for which other remedies at law may be inadequate to protect the Company against a breach of this Agreement, and that in addition to any other remedy, the Company will be entitled to injunctive relief against such breach or threatened breach, without proving actual damage or posting a bond or other security, which requirements are hereby expressly waived by the Interested Party.

4. Retention of Rights. This Agreement does not transfer ownership of the Information or grant a license thereto. Company will retain all right, title, and interest in and to all Information.

5. No Waiver. Neither party will be deemed to have waived any of its rights under this Agreement by lapse of time, or by any statement or representation other than a written waiver executed by the party seeking to waive its rights hereunder.

6. Authority. The undersigned parties each represent and warrant that such party has the power and authority to execute this agreement on behalf of the Interested Party or the Company, as is applicable. The Interested Party represents and warrants that he or she has all necessary authorizations, consents and agreements to bind the Interested Party to the terms and conditions contained herein.

7. Choice of Law. This Agreement is made pursuant to, will be construed under, and will be conclusively deemed for all purposes to have been executed and delivered under the laws of the State of Texas.

8. Dispute Resolution. Any and all disputes relating to and/or arising in connection with this Agreement will be resolved by binding arbitration conducted pursuant to the commercial arbitration rules of the American Arbitration Association ("AAA"). The arbitration will be administered by the AAA and will take place in the offices of the AAA located in Houston, Texas. It is specifically agreed that the arbitrability of any issue or dispute will be decided by the arbitrator. It is also specifically agreed that nothing contained in this Section will prevent the Company from obtaining a temporary restraining order and/or an injunction to prevent the use or disclosure of any of the Information.



9. Severability. To the extent permitted by applicable law, the parties hereby waive any provision of law that would render any clause of this Agreement invalid or otherwise unenforceable in any respect. In the event that a provision of this Agreement is held to be invalid or otherwise unenforceable, such provision will be interpreted to fulfill its intended purpose to the maximum extent permitted by applicable law, and the remaining provisions of this Agreement will continue in full force and effect.

10. Survival. The provisions of this Agreement will survive any termination or expiration of the relationship of the parties hereto.

11. Counterparts. This Agreement may be executed and delivered (including by facsimile or Portable Document Format (pdf) transmission) in any number of counterparts with the same effect as if all signatories had signed the same document. Facsimile and other electronic copies of manually signed originals shall have the same effect as manually-signed originals and shall be binding on the undersigned parties. Each counterpart shall be deemed an original, but all counterparts must be construed together to constitute one and the same instrument.

WITNESS the execution thereof, this \_\_\_\_\_ day of \_\_\_\_\_, 201\_.

COMPANY:

INTERESTED PARTY:

BY: \_\_\_\_\_

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

MarkDon Carr, CEOPresident

## **EXHIBIT G**

### **FORMER FRANCHISEES CONTACT INFORMATION**

Attached as Exhibit G is the Former Franchisee's Contact Information.

#### **Florida**

~~1. North Port, FL—Jason Fogg (941) 200-2946~~

#### **Missouri**

~~2. Arnould, MO—Gary Hensley (314) 677-7848~~

#### **Colorado**

1. Jared Beard (214) 218-6719

#### **North Carolina**

~~3. Mooresville, NC—Carl Garrett (828) 358-5492~~

#### **New Mexico**

~~4. Rio Rancho, NM—Tim Johnson (817) 657-2600~~

#### **Ohio**

~~5. Westchester, OH—Mike Campbell (262) 510-6261~~

~~6. Broadview Heights, OH—Keith Woodford (480) 787-6096~~

#### **Oklahoma**

~~7. Edmond, OK—Paul Hantla (405) 627-6984~~

#### **Alex CostaTexas**

~~8. Brodie Lane, TX—Neil Hand (512) 426-9468 / (714) 350-7638~~

~~9. Lakeway, TX—Steve Berry (512) 568-9808~~

~~10. Copperfield, TX—Matt Vredenburg (832) 523-9228~~

~~11. Valley Ranch, TX—Michael Allnutt (214) 535-1755~~

1. 12. Grand Parkway, TX—Brad Fink (832) 461-9982

#### **Tennessee**

1. Curt Kinsman (615) 479-3012

#### **Texas**

1. Robert Pace (214) 478-8685

2. Paul Welch (214) 724-3155

3. Chip Fenner (281) 995-3461384-9953

4. Brian Hoffman (806) 681-5552

5. Brandon Pfaffly (940) 300-3785

6. Mike Simmons (214) 415-3970

7. Chris Carney (214) 287-0883

8. Don Pope (817) 403-8817

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

**EXHIBIT H**  
**ASSIGNMENT AND ASSUMPTION AGREEMENT**

Attached as Exhibit H is the Assignment and Assumption Agreement form.

**THIS ASSIGNMENT AND ASSUMPTION AGREEMENT** (this “*Agreement*”) is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 201\_, by and between \_\_\_\_\_, an individual residing at \_\_\_\_\_ (“*Assignor*”) and \_\_\_\_\_, a [Insert Name and Type of Entity and State of Formation] (“*Assignee*”).

**RECITAL:**

WHEREAS, Assignor entered into that certain franchise agreement (the “Franchise Agreement”) dated \_\_\_\_\_, 201\_ with Christian Brothers Automotive Corporation (“CBAC”), as Franchisor (as defined in the Franchise Agreement) and Assignor, as Franchisee (as defined in the Franchise Agreement); and

WHEREAS, Assignee has requested that CBAC approve Assignor’s assignment to Assignee of all of Assignor’s rights, titles and interests in and to the Assigned Interest (as defined below); and

WHEREAS, CBAC has agreed to consent to such assignment contingent upon (i) Assignee’s agreement to assume the liabilities, duties and obligations of Assignor under the Franchise Agreement and related to the Assigned Interest, and (ii) Assignor and Assignee’s compliance with all of the terms, conditions and terms of this Agreement.

**AGREEMENT:**

**NOW, THEREFORE**, for good and valuable consideration, including without limitation the covenants and agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Assignment and Assumption. Assignor does hereby SELL, ASSIGN, TRANSFER and DELIVER to, and vest in, Assignee, to the extent permitted by law, all of its right, title and interest in and to the Assigned Interest. Assignee hereby assumes complete and absolute responsibility and liability for all of the Assumed Liabilities (as defined below). All of Assignor’s liabilities, duties and obligations arising directly or indirectly in connection with and/or related to the Assigned Interest will be collectively referred to from time to time as the “Assumed Liabilities.” All of Assignor’s rights, titles and interests in and under the Franchise Agreement and/or the other documents and agreements entered into or to be entered into in connection the Franchise Agreement will be collectively referred to from time to time as the “Assigned Interest.” This assignment is made for good and valuable consideration, is coupled with an interest, and is therefore irrevocable.

Assignor and Assignee acknowledge and agree that CBAC would not consent to this assignment of the Assigned Interest unless until the Assignee assumes all of the Assumed

Liabilities without any reservation or limitation, and the Assignor remains responsible and liable to Franchisor for all of the Assumed Liabilities. Assignor hereby represents and warrants that it is the owner of the Assigned Interests, free and clear of all liens and encumbrances. Assignee hereby assumes complete and absolute responsibility for the payment, performance and satisfaction of the Assumed Liabilities.

{THE FOLLOWING ARE ALTERNATIVES OF SECTION 2 TO BE USED FOR DIFFERENT TYPES OF ENTITIES. IF YOU DESIRE TO USE A TYPE OF ENTITY THAT IS NOT ONE OF THE FOLLOWING, YOU MUST REQUEST FRANCHISOR'S APPROVAL IN WRITING. IF FRANCHISOR APPROVES YOUR REQUEST IN WRITING, SECTION 2 WILL BE MODIFIED TO APPLY TO THAT TYPE OF ENTITY, BUT ALL MODIFICATIONS WILL IN FORM AND SUBSTANCE AS FRANCHISOR IN ITS SOLE DISCRETION DEEMS APPLICABLE.}

2. Amendment to Franchise Agreement. Assignor, Assignee and CBAC hereby agree that the Franchise Agreement is amended as follows:

(a) Section 13.04 of the Franchise Agreement is hereby amended by deleting the current Section 13.04 and restating Section 13.04 to read in its entirety as follows:

[[13.04. Corporate Franchisee.

(a) The name and address of each shareholder or other equity holder of Franchisee is set forth below:

<u>Name</u>	<u>Address</u>	<u>Percent of Ownership Interest</u>
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(b) The name and address of each director of Franchisee is set forth below:

<u>Name</u>	<u>Address</u>	<u>Title</u>
		Director
		Director

(c) The address where Franchisee's records are maintained is \_\_\_\_\_.

(d) The names, and addresses and titles of Franchisee's principal officers are set forth below: Franchisee must designate which is the Principal Operator (See Section 4.3(a))

<u>Name</u>	<u>Office Held</u>	<u>Address</u>
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(e) Franchisee shall notify Franchisor in writing within ten (10) days of any change in the information set forth in subparagraphs (a) through (d) above.

OR

#### 13.04. Limited Liability Company Franchisee.

(a) The name and address of each member or other equity holder of Franchisee and his or her percentage of ownership in the limited liability company is set forth below:

<u>Name</u>	<u>Address</u>	<u>Percentage of Ownership Interest</u>
		___% interest
		___% interest

(b) The name and address of each director and/or manager of Franchisee is set forth below:

<u>Name</u>	<u>Address</u>	<u>Title</u>
-------------	----------------	--------------

(c) The address where Franchisee's records are maintained is \_\_\_\_\_.

(d) If Franchisee has officers, the names, addresses and titles of Franchisee's officers are set forth below: Franchisee must designate the Principal Operator (See Section 4.3(a)) in this Subsection whether or not Franchisee has officers.

<u>Name</u>	<u>Office Held</u>	<u>Address</u>
-------------	--------------------	----------------

(e) Franchisee shall notify Franchisor in writing within ten (10) days of any change in the information set forth in subparagraphs (a) through (d) above.

OR

13.04. Sole Proprietor or General Partnership Franchisee.

(a) If Franchisee is currently an individual franchisee conducting business as a sole proprietor or a husband and wife conducting business as a general partnership, the name and address of the sole proprietor or of each general partner of Franchisee is set forth below:

<u>Name</u>	<u>Address</u>	<u>Percentage of Ownership Interest</u>
		___ % interest
		___ % interest

(b) If Franchisee is a general partnership, the name and address of the manager general partner of Franchisee is set forth below:

<u>Name</u>	<u>Address</u>	<u>Title</u>
		Managing General Partner

(c) The address where Franchisee's records are maintained is \_\_\_\_\_.

(d) Franchisee's Principal Operator's (See Section 4.3(a)) name and address is set forth below:

<u>Name</u>	<u>Office Held</u>	<u>Address</u>
	Principal Operator	

(e) Franchisee shall notify Franchisor in writing within ten (10) days of any change in the information set forth in subparagraphs (a) through (d) above.

(f) If a sole proprietor or general partner franchisee desires to later assign his and/or her rights, titles and interests under this Agreement and in and to the Franchised Business to a corporation, limited liability company or other entity that is acceptable to the Franchisor, then such Franchisee must comply with all of the following requirements: (i) Franchisee must not be in default under any of Franchisee's obligations to Franchisor, (ii) Franchisee must deliver to Franchisor a written request for Franchisor's approval of such transfer which request must include the type of entity of the proposed transferee and the proposed owner(s) and operator(s) of the proposed transferee, (iii) the Franchisee must deliver to Franchisor such additional information and documentation concerning the proposed transferee and its owners and operators as Franchisor requests, (iv) the Franchisee, the principals of the Franchisee, the proposed transferee and the principals of the proposed transferee must execute the Assignment and Assumption Agreement attached as Exhibit "\_\_\_" to this Agreement together with such other agreements and documents as Franchisor requires.]]

(b) The Franchise Agreement is hereby amended to provide that the Assignee shall be the Franchisee for all purposes pursuant to the terms of the Franchise Agreement.

(c) The Franchise Agreement is further amended so that the description of the Territory attached as Exhibit "\_\_\_" hereto shall be the Territory for the purposes of the Franchise Agreement.

3. Consent by CBAC. CBAC agrees to consent to the assignment from Assignor to Assignee as provided in this Agreement contingent upon the Assignor's and Assignee's execution and delivery of this Agreement together with any other documents or agreements requested by CBAC in connection with this Assignment, the Franchise Agreement and/or CBAC's relationship with Assignor and Assignee.

#### 4. General Provisions.

4.1 Successors and Assigns. This Assignment Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their successors and assigns.

4.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

4.3 Counterparts; Governing Law. This Assignment Agreement may be executed and delivered (including by facsimile or Portable Document Format (pdf) transmission) in any number of counterparts with the same effect as if all signatories had signed the same document. Facsimile and other electronic copies of manually signed originals shall have the same effect as manually signed originals and shall be binding on the undersigned parties. Each counterpart shall be deemed an original but all counterparts shall be construed together to constitute one and the same instrument. This Assignment Agreement shall be governed by the laws of the State of Texas.

4.4 Further Assurances. Assignor and Assignee each agree to take all such further action and execute such further documents as may be reasonably necessary or advisable to perfect Assignee's right, title and interest to and in the Assigned Interests and to otherwise carry out the provisions of this Assignment Agreement.



4.5 Rule of Construction. The parties hereto hereby acknowledge that each of the parties and their counsel have reviewed and revised this Assignment Agreement and that the normal rule of construction – to the effect that any ambiguities are to be resolved against the drafting party – shall not be employed in the interpretation of this assignment Agreement or any exhibits or amendments hereto.

4.6 Dispute Resolution. If a dispute, controversy or claim arises between the parties, including without limitation any dispute, controversy or claim that arises out of or relates to this Assignment Agreement or any other agreement or instrument between or among any of the parties to this Assignment Agreement (collectively the “parties”), or the breach, termination or invalidity of the Assignment Agreement or any such other agreement or instrument, AND including but not limited to a claim based on or arising out of a claim for tortious interference or other tortious or statutory claims arising before, during or after termination of the Assignment Agreement (all of the foregoing shall be collectively referred to as “Dispute”), the parties agree to resolve the Dispute by binding arbitration pursuant to the Dispute Resolution Agreement set out in the Franchise Agreement.

**IN WITNESS WHEREOF**, Assignor and Assignee have executed this Assignment Agreement by and through the duly authorized representatives, all on the date first above written.

**ASSIGNEE:**

\_\_\_\_\_

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

**ASSIGNOR:**

\_\_\_\_\_

\_\_\_\_\_

**EXECUTED FOR THE SOLE PURPOSE OF CONSENTING TO THE ASSIGNMENT AND ASSUMPTION PURSUANT TO THE TERMS OF THIS AGREEMENT:**

**FRANCHISOR:**

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**

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

**Mark A. Don Carr, Chief Executive Officer President**

**EXHIBIT I**  
**STATE SPECIFIC ADDENDUM**

Attached as Exhibit I is the State Specific Addendum.

**AMENDMENT TO CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
FOR THE STATE OF ILLINOIS**

The Christian Brothers Automotive Corporation Disclosure Document (the “Disclosure Document”) and Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Christian Brothers Automotive Corporation, a Texas corporation (“CBAC”), dated \_\_\_\_\_, 20\_\_\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this “Amendment”):

**ILLINOIS LAW MODIFICATIONS**

1. The Illinois Attorney General requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 815 ILCS 705/1 – 705/44 (the “Act”), specifically section 705/41 of the Act. To the extent that the Disclosure Document and/or Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Agreement requires the Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action of CBAC that would violate the Act, or a rule or order under the Act. Such release shall exclude claims arising under the Act, and such acknowledgments shall be void with respect to claims under the Act. Section 41 of the Act states that any condition, stipulation, or provision (in our Agreement) purporting to waive compliance with any provision of this Act **or any other law of this State** is void.

b. The Agreement and Item 17 of the Disclosure Document designate a jurisdiction, forum and venue and choice of law outside of Illinois. This requirement shall not be interpreted to limit any rights that Franchisee may have under Sec. 705/4 of the Act, to bring suit in the state of Illinois. Applicable sections of the Franchise Agreement and Item 17v and 17w of the Disclosure Document are hereby amended to indicate Illinois as the governing law and choice of forum.

c. The Agreement requires prospective Franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Act in order to purchase our franchise. Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Act.

d. No action can be maintained to enforce any liability created by the Illinois law unless brought before the earlier of (i) the expiration of 3 years after the act or transaction constituting the violation upon which such action is based; (ii) the expiration of 1 year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by Illinois Law; or (iii) 90 days after delivery to you of a written notice disclosing the violation.

e. The Agreement contains certain provisions regarding termination and non-renewal of franchise and notice and opportunity to cure. To the extent any provision of the Agreement and/or the Disclosure Document are inconsistent with Sections 705/19 - 705/20 of the Act, those provisions of the Agreement and/or Disclosure Document are hereby amended accordingly.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Disclosure Document and Agreement on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**FRANCHISOR:**

**CHRISTIAN BROTHERS AUTOMOTIVE  
CORPORATION**  
a Texas corporation

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

**FRANCHISEE:**

\_\_\_\_\_

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

**AMENDMENT TO CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
FOR THE STATE OF INDIANA**

The Christian Brothers Automotive Corporation Disclosure Document (the “Disclosure Document”) and Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Christian Brothers Automotive Corporation, a Texas corporation (“CBAC”), dated \_\_\_\_\_, 20\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this “Amendment”):

**INDIANA LAW MODIFICATIONS**

1. Indiana Secretary of State requires that certain provisions contained in franchise documents be amended to be consistent with Indiana law, including the Indiana Franchise Law, Indiana Code, Title 23, Article 2, Chapter 2.5, Section 1 – 51 and Chapter 2.7, 1 – 7 (the “Act”). To the extent that the Disclosure Document and/or Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Agreement requires the Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action of the CBAC that would violate the Act, or a rule or order under the Act. Such release shall exclude claims arising under the Act, and such acknowledgments shall be void with respect to claims under the Act.

b. The Agreement requires litigation to be conducted in a forum other than the State of Indiana. This requirement shall not be interpreted to limit any rights that Franchisee may have under the Act to bring suit in the state of Indiana.

c. The Franchise Agreement requires prospective Franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law in order to purchase our franchise. Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Act.

d. Any claims arising under the Act must be brought before the expiration of 3 years after the discovery by the plaintiff of the facts constituting the violation.

e. The Agreement contains certain provisions regarding termination and non-renewal of franchise and notice and opportunity to cure. To the extent any provision of this Agreement and/or the Disclosure Document are inconsistent with Chapter 2.7, Section 1 – 3 of the Act, those provisions of the Agreement and/or Disclosure Document are hereby amended accordingly.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Disclosure Document and Franchise Agreement on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**FRANCHISOR:**

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**

a Texas corporation

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

**FRANCHISEE:**

\_\_\_\_\_

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

**AMENDMENT TO CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
FOR THE STATE OF MARYLAND**

The Christian Brothers Automotive Corporation Disclosure Document (the “Disclosure Document”) and Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Christian Brothers Automotive Corporation, a Texas corporation (“CBAC”), dated \_\_\_\_\_, 20\_\_\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this “Amendment”):

**MARYLAND LAW MODIFICATIONS**

1. The Maryland Office of the Attorney General requires that certain provisions contained in franchise documents be amended to be consistent with the Maryland Franchise Registration and Disclosure Law, MD. BUS. REG. CODE ANN. §14-201 et. seq. (2010 Repl. Vol. and Supp. 2012). To the extent that the Disclosure Document and/or Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended.

2. **Releases.** Item 17.c. and 17.m. of the Disclosure Document are amended as follows:

The general release language required as a condition of renewal, sale and/or assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The following language is added to the end of Sections 3.05(c) and 13.02(h) of the Agreement:

However, such general release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. **Insolvency.** Item 17.h. of the Disclosure Document is amended as follows:

The provision in the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.)

The following language is added to the end of Section 14.02(a) of the Agreement:

; termination upon insolvency might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but Franchisee and CBAC agree to enforce this provision to the maximum extent the law allows.

4. **Consent to Jurisdiction.** Item 17.v. of the Disclosure Document is amended as follows:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

The following language is added to the end of Section 24.01(d) of the Agreement:

However, Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **Acknowledgements.**

The following language is added as a new Section 22.01(i) of the Agreement:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability 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.

6. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

***/SIGNATURE PAGE FOLLOWS/***



IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Disclosure Document and Agreement on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**FRANCHISOR:**

**CHRISTIAN BROTHERS AUTOMOTIVE  
CORPORATION**

a Texas corporation

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

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

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

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

**AMENDMENT TO CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA**

The Christian Brothers Automotive Corporation Disclosure Document (the “Disclosure Document”) and Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Christian Brothers Automotive Corporation, a Texas corporation (“CBAC”), dated \_\_\_\_\_, 20\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this “Amendment”):

**MINNESOTA LAW MODIFICATIONS**

1. The Minnesota Department of Commerce requires that certain provisions contained in franchise documents be amended to be consistent with the Minnesota Franchise Law, Minnesota Statute Chapter 80C, which regulates the sale of franchises to be located in Minnesota or to be sold to residents of Minnesota. Registration is required by the franchisor offering and selling the franchise. To the extent that the Disclosure Document and/or Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Agreement requires the Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action of CBAC that would violate the Act, or a rule or order under the Act. Minn. Rule 2860.4400D prohibits requiring a franchisee to assent to a general release. Any release of claims or acknowledgment of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Minnesota Franchises Act or a rule or order promulgated thereunder shall be void with respect to claims arising under the Minnesota Franchises Act.

b. The following language must amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections of the Franchise Disclosure Document and agreement(s):

“Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) 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 the jurisdiction.”

c. The Minnesota Department of Commerce requires that CBAC indemnify you against liability to third parties for infringement resulting from your use of the trademarks licensed under the Agreement. Article 10 of the Agreement describes the circumstances under which CBAC will indemnify you against third party liability for trademark infringement. Requirements imposed under the Minnesota Franchises Act will supersede inconsistent provisions contained in Article 10 of the Agreement.

d. Sec. 80C.17, Subd. 5 of the Minnesota Franchises Act provides that no action may be commenced thereunder more than three (3) years after the cause of action accrues. To the extent that the Agreement conflicts with this law, the Minnesota law will control.

e. The Agreement contains certain provisions regarding termination and non-renewal of franchise and notice and opportunity to cure. To the extent any provision of this Agreement and/or the Disclosure Document are inconsistent with respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement, those provisions of the Agreement and/or Disclosure Document are hereby amended accordingly. Requirements imposed under the Minnesota Franchise Act will supersede inconsistent provisions contained in the Agreement.

f. Any section of the Agreement (pertaining to liquidated damages) is hereby deleted; provided, that such deletion shall not excuse you from liability for actual or other damages and the formula for assessing liquidated damages shall be admissible in any litigation or proceeding as evidence of actual damages.

g. 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. To the extent that the Agreement conflicts with this law, the Minnesota law will control.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of Minnesota law applicable to the provisions are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Agreement, CBAC reserves the right to challenge the enforceability of the state law.

4. All other provisions of the Agreement are hereby ratified and confirmed.

***/SIGNATURE PAGE FOLLOWS/***

IN WITNESS WHEREOF, the parties acknowledge that they have read and understand the contents of this Amendment, that they have had the opportunity to obtain the advice of counsel. Intending to be legally bound, the parties have fully and duly executed, sealed and delivered this Amendment on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**FRANCHISOR:**

**CHRISTIAN BROTHERS AUTOMOTIVE  
CORPORATION**

a Texas corporation

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

**FRANCHISEE:**

\_\_\_\_\_

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

**AMENDMENT TO CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
FOR THE STATE OF NEW YORK**

The Christian Brothers Automotive Corporation Disclosure Document (the “Disclosure Document”) and Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Christian Brothers Automotive Corporation, a Texas corporation (“CBAC”), dated \_\_\_\_\_, 20\_\_\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this “Amendment”):

**NEW YORK LAW MODIFICATIONS**

1. In recognition of the requirements of the General Business Law of the State of New York, Article 33, Sections 680 through 695, the Disclosure Document and Agreement for Christian Brothers Automotive Corporation for use in the State of New York shall be amended as follows:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. 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 PROSPECTUS.

All references to “Disclosure Document” shall be deemed to include the term “Offering Prospectus” as used under the General Business Law.

The following paragraphs are added at the beginning of Item 3 of the Disclosure Document:

Except as provided below, neither the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under our principal trademark:

A. 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, including 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.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of a 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.

C. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

The following paragraph is added at the beginning of Item 4 of the Disclosure Document:

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

Modifications that we make to our Manual(s) as permitted by the Agreement will not impose an unreasonable economic burden on you.

**RELEASES.** The “Summary” sections of Items 17(c) and 17(m) in the Disclosure Document and Sections 3.05(c) and 13.02(h) of the Agreement are amended by adding the following:

; provided, however, that to the extent required by Article 33 of the General Business Law of the State of New York, 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 GBL Sections 687.4 and 687.5 be satisfied.

**TERMINATION BY FRANCHISEE.** The “Summary” section of Item 17(d) in the Disclosure Document and Section 14.02 (c) of the Agreement are amended by adding the following:

You may terminate the franchise agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

**ASSIGNMENT OF CONTRACT BY FRANCHISOR.** The “Summary” section of Item 17(j) in the Disclosure Document and Section 13.01 of the Agreement are amended by adding the following:

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

**CHOICE OF FORUM AND GOVERNING LAW.** The “Summary” sections of Items 17(v) and 17(w) in the Disclosure Document and Sections 20.01(a) and 24.01(c) of the Agreement are amended by adding the following:

The forgoing 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.

2. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York, Article 33, are met independently without reference to this Addendum to the Disclosure Document.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Disclosure Document and Franchise Agreement on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**FRANCHISOR:**

**CHRISTIAN BROTHERS AUTOMOTIVE  
CORPORATION**

a Texas corporation

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

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

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

**FRANCHISEE:**

\_\_\_\_\_

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

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

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



**AMENDMENT TO CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
FOR THE STATE OF VIRGINIA**

The Christian Brothers Automotive Corporation Disclosure Document (the “Disclosure Document”) and Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Christian Brothers Automotive Corporation, a Texas corporation (“CBAC”), dated \_\_\_\_\_, 20\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this “Amendment”):

**VIRGINIA LAW MODIFICATIONS**

1. The Virginia Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Virginia law, including the Retail Franchising Act, Sections 13.1-557 through 13.1-574 of the Virginia Code (the “Act”). To the extent that the Disclosure Document and/or Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Agreement requires the Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action of CBAC that would violate the Act, or a rule or order under the Act. Such release shall exclude claims arising under the Act, and such acknowledgments shall be void with respect to claims under the Act.

b. The Agreement designates a jurisdiction and venue outside of the State of Virginia. This requirement shall not be interpreted to limit any rights that Franchisee may have under the Act to bring suit in the state of Virginia.

c. The Franchise Agreement requires prospective Franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Act in order to purchase our franchise. Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Act.

d. Any claims arising under the Act must be brought within 4 years after the grant of the franchise.

e. The Agreement contains certain provisions regarding the termination and non-renewal of a franchise. To the extent any provision of this Agreement and/or the Disclosure Document are inconsistent with Section 13.1-565 of the Act, those provisions of the Agreement and/or Disclosure Document are hereby amended accordingly.

f. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Christian Brothers Automotive Corporation for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to 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 ground 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.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Disclosure Document and Franchise Agreement on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**FRANCHISOR:**

**CHRISTIAN BROTHERS AUTOMOTIVE  
CORPORATION**  
a Texas corporation

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

**FRANCHISEE:**

\_\_\_\_\_

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

**AMENDMENT TO CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
FOR THE STATE OF WASHINGTON**

The Christian Brothers Automotive Corporation Disclosure Document (the “Disclosure Document”) and Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Christian Brothers Automotive Corporation, a Texas corporation (“CBAC”), dated \_\_\_\_\_, 20\_\_ (the “Agreement”) shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this “Amendment”):

**WASHINGTON LAW MODIFICATIONS**

1. The Washington Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180 (the “Act”). To the extent that the Disclosure Document and/or Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The state of Washington has a statute, RCW 19.100.180 which may supersede the Agreement in your relationship with CBAC including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Agreement in your relationship with CBAC including the areas of termination and renewal of your franchise.

b. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

c. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

d. A release of waiver of rights executed by a Franchisee or a transferor shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

e. Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have fully executed, sealed and delivered this Amendment to the Disclosure Document and Franchise Agreement on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**FRANCHISOR:**

**CHRISTIAN BROTHERS AUTOMOTIVE  
CORPORATION**

a Texas corporation

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

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

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

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

**EXHIBIT J**  
**INVENTORY LIST**

Attached as Exhibit J is the Inventory List.

<b>REQUIRED INVENTORY ITEMS</b>				
<b>Description</b>	<b>Quantity</b>	<b>Part Number</b>	<b>Unit Price</b>	<b>Extension</b>
Oil Filters—Auto Extra	12	AXO618-51036	1.77	21.24
-	12	AXO618-51040	1.77	21.24
-	12	AXO618-51042	2.07	24.84
-	12	AXO618-51060	1.77	21.24
-	12	AXO618-51085	1.77	21.24
-	6	AXO618-51212	8.57	51.42
-	12	AXO618-51223	5.27	63.24
-	12	AXO618-51315	2.37	28.44
-	12	AXO618-51334	1.77	21.24
-	12	AXO618-51348	1.77	21.24
-	6	AXO618-51355	3.57	21.42
-	12	AXO618-51356	2.07	24.84
-	6	AXO618-51358	2.87	17.22
-	6	AXO618-51361	2.37	14.22
-	12	AXO618-51365	2.37	28.44
-	12	AXO618-51372	1.77	21.24
-	12	AXO618-51393	2.87	34.44
-	12	AXO618-51394	1.77	21.24
-	12	AXO618-51396	2.69	32.28
-	12	AXO618-51515	1.77	21.24
-	12	AXO618-51516	1.77	21.24
-	6	AXO618-51522	1.77	10.62
-	6	AXO618-51734	8.97	53.82
-	6	AXO618-57021	3.87	23.22
-	6	AXO618-57033	3.57	21.42
-	12	AXO618-57060	1.77	21.24
-	12	AXO618-57082	3.57	42.84
-	6	AXO618-57090	3.17	19.02
-	12	AXO618-57092	2.87	34.44
-	12	AXO618-57203	2.97	35.64
Sub-total Oil Filters	-	-	-	815.46
-				
Air Filters—Auto Extra	1	AXO619-42487	5.67	5.67
-	1	AXO619-42843	5.37	5.37
-	1	AXO619-46116	2.77	2.77
-	1	AXO619-46253	4.27	4.27
-	1	AXO619-46418	6.37	6.37
-	1	AXO619-46440	7.37	7.37
-	1	AXO619-46443	4.87	4.87
-	1	AXO619-46673	6.27	6.27
-	1	AXO619-46699	6.17	6.17
-	1	AXO619-46834	7.97	7.97

Sub-total Air Filters	-	-	-	57.10
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Description	Quantity	Part Number	Unit Price	Extension
Fuel Filters—Generic	1	AXF616-33033	2.49	2.49
-	1	AXF616-33044	1.49	1.49
-	1	AXF616-33296	5.99	5.99
-	1	AXF616-33311	5.49	5.49
-	1	AXF616-33319	11.49	11.49
-	1	AXF616-33481	3.49	3.49
-	1	AXF616-33558	13.09	13.09
-	1	AXF616-33559	11.99	11.99
-	1	AXF616-33595	6.49	6.49
-	1	AXF616-33623	7.49	7.49
Sub-total Fuel Filters	-	-	-	69.50

Description	Quantity	Part Number	Unit Price	Extension
Hose Clamps—Ideal	1	MPRA101	44.99	44.99
Sub-total Hose Clamps	-	-	-	44.99

Description	Quantity	Part Number	Unit Price	Extension
Headlamps—Wagner	2	9003	5.34	10.68
-	2	9005	5.60	11.20
-	2	9006	5.34	10.68
-	2	9007	5.60	11.20
Asst.	1	TLF32	99.99	99.99
Sub-total Headlamps	-	-	-	143.75

Description	Quantity	Part Number	Unit Price	Extension
Anco Wiper Blades	2	ANC31-15	4.17	8.34
-	2	ANC31-16	4.17	8.34
-	4	ANC31-17	4.17	16.68
-	6	ANC31-18	4.17	25.02
-	4	ANC31-19	4.17	16.68
-	4	ANC31-20	4.17	16.68
-	4	ANC31-21	4.17	16.68
-	4	ANC31-22	4.17	16.68
-	4	ANC31-24	4.17	16.68
-	2	ANC31-28	4.17	8.34
Sub-total Wiper Blades	-	-	-	150.12

Description	Quantity	Part Number	Unit Price	Extension
A/C O-Ring Assortments—4 Seasons	1	24813	144.68	144.68
Sub-total A/C O-Ring Assortments	-	-	-	144.68

Description	Quantity	Part Number	Unit Price	Extension
A/C Flush—Johnson/Interdynamics	2	6545-6	11.58	23.16
-	-	-	-	-
Sub-total A/C Flush	-	-	-	23.16

Description	Quantity	Part Number	Unit Price	Extension
Battery Terminals—SS	1	7000	10.99	10.99

	1	7410	9.99	9.99
Sub-total Battery Terminals	-	-	-	20.98

Description	Quantity	Part Number	Unit Price	Extension
Vacuum Hose—Gates	1	27072—3/16	27.00	27.00
-	1	27073—1/4	30.00	30.00
-	1	27074—5/16	36.00	36.00
Sub-total Fuel & Vacuum Hose	-	-	-	93.00

-				
Description	Quantity	Part Number	Unit Price	Extension
Freon—Johnsons—R134A	2	6330—30lb	99.00	198.00
—Check Market	-	-	-	-
Sub-total Freon R-134A	-	-	-	198.00

-				
Description—BG Products	Quantity	Part Number	Unit Price	Extension
6600 Transmission Kits	24	6600	\$16.95	406.80
5901 Coolant Kits	24	5901	\$13.95	334.80
2901 Fuel Kits	6	2901	\$30.95	185.70
2902 Fuel Kits	16	2902	\$31.95	511.20
6550 Fuel Saver	12	6550	\$15.95	191.40
84032 Brake Fluid	12	84032	\$11.50	138.00
PF 910 Brake Test Strips	1	PF910	\$65.00	65.00
6700 Red Power Steering	6	6700-Red	\$27.95	167.70
6700 Power Steering	6	6700	\$27.95	167.70
7018 Dye	6	7018	\$14.95	89.70
110 MOA	12	110	\$7.50	90.00
109 Compression Perf Restoration	6	109	\$6.95	41.70
208 44K Fuel System Cleaner	12	208	\$15.25	183.00
Battery Kit Bat50,Bat40	6	Bat50,Bat40	\$5.95	35.70
825 Pre-Lube	3	825	\$7.75	23.25
4068 Throttle Body Cleaner	12	4068	\$6.95	83.40
203 CF5 Carbon Fighter 5 with Ethanol corrosion inhibitors	12	203	\$7.35	88.20
Dab-A-lube	1	Lube	\$10.00	10.00
997-1 Coolant Test strips	1	997-1	\$17.25	17.25
BG-75264+328	6	75264+328	\$43.55	261.30
BG-752 Qt of 75x140	6	752	\$17.75	106.50
BG-792 Synco Shift II in-QT	6	792	\$15.90	95.40
Sub-total BG Products	-	-	-	3293.70

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Description—Ram Products	Quantity	Part Number	Unit Price	Extension
Tuff Torq Fastener Assortment	1	LP79	-	0.00

Metric Assortment—Part 1	1	Assortment	-	0.00
Metric Assortment—Part 2	1	Assortment	-	0.00
Industrial Terminal Assortment	1	LP191	-	0.00
16-14 GA Nylon Insul Ring Terminals	1	86042	-	0.00
GM Door Handle Rivets	1	97640	-	0.00
Heavy Duty Rack	2	A33	-	0.00
Roller Rack Stand	1	A26	-	0.00
Vacuum Hose Connector Assortment	1	LP308	-	0.00
Cotter Pin Assortment	1	LP70	-	0.00
Mini/ATO/Maxi Fuse Assortment	1	LP652	-	0.00
Sheet Metal Screw Assortment	1	LP135	-	0.00
Assortment with Drawers Total	1	-	-	1269.67
Sales Tax	1	-	-	104.74
Sub-total Rams Products	-	-	-	1374.41

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Description—Oil Products	Quantity	Part Number	Unit Price	Extension
Bulk Engine Oil—Bulk Gallons	250	Bulk 5w30	8.20	2050.00
Bulk Engine Oil—Bulk Gallons	50	Bulk 5w20-Syn	15.48	774.00
Gear Lube—120#	1	80w90-GL-4	135.75	135.75
Trans Fluid—55-Gallon Drum	1	DEXRON-III	424.19	424.19
Wheel Bearing Grease—35#	1	MP 35#	44.54	44.54
Grease Gun Cartridges—Case	1	MP 10/14	10.88	10.88
Sub-total Oil Products	-	-	-	3439.36

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Miscellaneous	-	-	-	-
Mirror Glue Kits—Permatex	4	11109	2.49	9.96
Valve Stems—Generic	25	Long	0.29	7.25
Valve Stems—Generic	25	Short	0.22	5.50
Coolant Tabs—BARS J100	1	J100	23.99	23.99
Ultra Black RTV—Permatex	6	82180	6.99	41.94
Ultra GREY RTV—Permatex	6	82194	6.99	41.94
Yellow Adhesive—3M	2	8001	5.41	10.82
Black Weatherstrip Adhesive—3M	2	8011	6.76	13.52
Electrical Tape—3M	4	49656	0.99	3.96
Brake Fluid—Johnson	2	2032—32oz.	6.49	12.98
Dot 4 Brake Fluid	2	80035	7.99	15.98
Engine Degreaser—Generic	12	72415	3.29	39.48
Brake Cleaner—Generic	24	72408	3.79	90.96
Power Steering Fluid—Johnson	3	72810—32oz.	5.29	15.87
P.S. Fluid / Honda—Johnson	3	80813—12oz.	3.99	11.97
Wheel Brg. Grease	1	Val 616	9.99	9.99
High Temp master Pro-Grease	4	90376	3.29	13.16
Brake Caliper Grease 8oz.	2	CRC5359	10.99	21.98
Hose Clamp Asst.	1	MPRA101	44.99	44.99
Rotella 15w40 Oil Gal.	6	T15-40-1	16.99	101.94
PB-Blaster	6	PBB	5.29	31.74
Battery Cleaner	2	CRC5023	3.99	7.98
Battery Protector	2	CRC5046	3.99	7.98
Silicone Spray	2	4603	3.49	6.98
Dorman Drain Plug Kit	1	030-001	122.55	122.55
DiElectric Grease	2	CRC5105	8.99	17.98



<del>Yellow Funnel</del>	<del>2</del>	<del>10703</del>	<del>1.49</del>	<del>2.98</del>
<del>Antisieze compound</del>	<del>2</del>	<del>Ver13010</del>	<del>6.49</del>	<del>12.98</del>
<del>Trans Gel/Tub</del>	<del>2</del>	<del>LBG19250</del>	<del>7.49</del>	<del>14.98</del>
<del>Sub-total — Misc.</del>	<del>-</del>	<del>-</del>	<del>-</del>	<del>764.33</del>

<del>Sub-total Oil Filters</del>	<del>-</del>	<del>815.46</del>
<del>Sub-total Air Filters</del>	<del>-</del>	<del>57.10</del>
<del>Sub-total Fuel Filters</del>	<del>-</del>	<del>69.50</del>
<del>Sub-total Hose Clamps</del>	<del>-</del>	<del>44.99</del>
<del>Sub-total Headlamps &amp; Small Bulbs</del>	<del>-</del>	<del>143.75</del>
<del>Sub-total Wiper Blades</del>	<del>-</del>	<del>150.12</del>
<del>Sub-total A/C Flush</del>	<del>-</del>	<del>23.16</del>
<del>Sub-total A/C O-Rings</del>	<del>-</del>	<del>144.68</del>
<del>Sub-total Battery Terminals</del>	<del>-</del>	<del>20.98</del>
<del>Sub-total Fuel &amp; Vacuum Hose</del>	<del>-</del>	<del>93.00</del>
<del>Sub-total Freon R-134A</del>	<del>-</del>	<del>198.00</del>
<del>Sub-total BG Products</del>	<del>-</del>	<del>3293.70</del>
<del>Sub-total Ram Products</del>	<del>-</del>	<del>1374.41</del>
<del>Sub-total Oil Products</del>	<del>-</del>	<del>3439.36</del>
<del>Sub-total — Misc.</del>	<del>-</del>	<del>764.33</del>

<del>TOTAL REQUIRED INVENTORY ITEMS</del>	<del>-</del>	<del>\$10,632.54</del>
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<del>Consignment:</del>
<del>Batteries — Interstate</del>
<del>Batteries — Continental</del>

The above prices are subject to change.

**~~EXHIBIT K~~****COPY OF CURRENT RECEIPT AND ACKNOWLEDGEMENT LETTER AGREEMENT**

Attached as Exhibit K is a copy of the current Receipt and Acknowledgement Letter Agreement and the current Receipt and Acknowledgement Letter Agreement (with financing provisions) and Promissory Note.

**Receipt and Acknowledgement Letter Agreement**

Christian Brothers Automotive Corporation  
17725 Katy Freeway, Suite 200  
Houston, Texas 77094  
[Date]

[First & Last name of Principal Operator and Spouse]  
[Address 1]  
[Address 2]  
[City, State and Zip Code]

Re: Acknowledgement and Receipt

Dear Mr. and Mrs. [Franchisee's Last Name]:

The purpose of this letter is to document the understanding between you and Christian Brothers Automotive Corporation ("CBAC") as of the date of this letter. You are in the process of becoming a franchisee of CBAC, and in connection with this process, you have requested that your franchise (the "Franchise") be in the [Location] area (the "Location"). CBAC is in the process of purchasing Land or acquiring an Existing Business and is incurring expenses in connection with that purchase. "Land" means real property that is located in the general area of the Location. "Existing Business" means an operating CBAC franchise business in the general market of the Location. In order to proceed, CBAC has requested that you pay \$85,000 (the "Down Payment") of your initial Franchise Fee at this time. As you are aware, \$13,500 of the Down Payment is non-refundable in consideration of administrative and other expenses CBAC incurs and for lost or deferred opportunities to enter into a franchise agreement with others.

You have requested CBAC's assurance that the Down Payment will be applied to the Franchise Fee of \$135,000 described in the Franchise Disclosure Document. To document these agreements, CBAC and you are affirming the following understanding and agreeing to the following terms:

1. You will pay CBAC \$85,000 on the date you sign this letter. CBAC will sign this letter after receiving your payment, and CBAC's signature will constitute its acknowledgement of the receipt of your Down Payment.
2. You acknowledge that CBAC may not be able to purchase the Land or acquire an Existing Business. CBAC agrees to notify you in writing if it determines, for any reason, that it will not purchase the Land or acquire an Existing Business. CBAC will then give you the option

of either (a) choosing another one of the locations which CBAC has determined to establish a franchise or acquire another existing CBAC franchise business, or (b) having your Down Payment (minus the \$13,500 non-refundable portion) returned.

3. In the event a Termination Event occurs prior to CBAC executing a Contract for the Land or the Existing Business, then CBAC will deduct the \$13,500 non-refundable portion of the Down Payment and also deduct the reasonable costs that it has incurred in selecting the site for the Land, determining the viability of acquiring an Existing Business and preparing to enter into the franchise relationship with you, and return any remainder of the Down Payment to you, provided that such deductions will not exceed \$38,500. "Termination Event" means any of the following (i) you do not qualify for the necessary financing to open and operate your Franchise, (ii) you choose not to proceed with the decision to open the selected store, (iii) you choose not to proceed with the decision to acquire the Existing Business from CBAC, and/or (iv) you are unable to complete any of your other obligations that are conditions to your owning and operating a CBAC franchise. "Contract" means a contract for either (a) the acquisition of land in the general area of the Location, or (b) a contract for the acquisition of an existing business.
4. In the event a Termination Event occurs ~~after CBAC has executed a Contract but at any point~~ prior to ~~CBAC (a) submitting site plans to the appropriate authority~~ you opening your Franchise in the Location, CBAC shall retain all amounts you have paid toward the Down Payment, including interest. "Termination Event" means any of the following: (i) you do not qualify for approval in connection the necessary financing to open and operate your Franchise, (ii) you choose not to proceed with the purchase of the Land, or (b) performing due diligence decision to open the selected store in connection the Location, (iii) you choose not to proceed with the acquisition of an decision to acquire the Existing Business, then from CBAC, (iv) you fail to timely make any payment due under the Note, and/or (v) you are unable to complete any of your other obligations that are conditions to your owning and operating a CBAC will deduct \$38,500 from the \$85,000 Down Payment and return \$46,500 to you Franchise.
- ~~5.1. In the event a Termination Event occurs after CBAC has executed a Contract and either (a) has submitted site plans to the appropriate authority for approval in connection with the purchase of the Land, or (b) has performed due diligence in connection with the acquisition of an Existing Business, then CBAC will retain all of the \$85,000 Down Payment.~~
5. If no Termination Event occurs, you acknowledge that you will pay the remaining amount of your franchise fee as provided in the Franchise Agreement to be entered into between you (or an entity formed and owned by you for the sole purpose of owning and operating the Franchise) and CBAC.
6. You acknowledge that you will pay the remaining amount of your Franchise Fee as provided in the Franchise Agreement to be entered into between you (or an entity formed and owned by you for the sole purpose of owning and operating the Franchise) and CBAC.

If you agree to the forgoing, please acknowledge your agreement by executing each counterpart of this letter agreement in the space provided below, retain one copy for your files, and return the other counterpart to the attention of the undersigned at your earliest convenience.

*[Signatures Appear on Following Page]*

CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION

By: \_\_\_\_\_  
~~MarkDon~~ Carr, ~~Chief Executive Officer~~President

ACCEPTED, AGREED TO AND ACKNOWLEDGED  
AS OF \_\_\_\_\_, ~~201-20~~

\_\_\_\_\_  
Mr. [Principal Operator]

ACCEPTED, AGREED TO AND ACKNOWLEDGED  
AS OF \_\_\_\_\_, ~~201-20~~

\_\_\_\_\_  
Mrs. [Principal Operator's Spouse]

**Receipt and Acknowledgement Letter Agreement (with financing provisions) and Promissory Note**

Christian Brothers Automotive Corporation  
 17725 Katy Freeway, Suite 200  
 Houston, Texas 77094  
 \_\_\_\_\_, 2019

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

Re: Acknowledgement and Receipt

Dear Mr. and Mrs. \_\_\_\_\_:

The purpose of this letter is to document the understanding between you and Christian Brothers Automotive Corporation ("CBAC") as of the date of this letter. You are in the process of becoming a franchisee of CBAC, and in connection with this process, you have requested that your franchise (the "Franchise") be in the \_\_\_\_\_ MSA (the "Location"). CBAC is in the process of purchasing Land or acquiring an Existing Business and is incurring expenses in connection with that purchase. "Land" means real property that is located in the general area of the Location. "Existing Business" means an operating CBAC franchise business in the general market of the Location. In order to proceed, CBAC has requested that you pay \$85,000 (the "Down Payment") of your initial franchise fee at this time, which Down Payment will be applied to the franchise fee described in the Franchise Disclosure Document unless there is a Termination Event as described below. To document these agreements, CBAC and you are affirming the following understanding and agreeing to the following terms:

1. You have informed CBAC, and CBAC acknowledges that you are unable to pay the full \$85,000 Down Payment upon execution of this letter. In lieu of paying the full Down Payment immediately, CBAC agrees to allow you to pay \$ \_\_\_\_\_ upon execution of this letter (the "Initial Payment") and execution of a promissory note in the form attached as Exhibit "A" which will state the remaining \$ \_\_\_\_\_ will be financed by CBAC over \_\_\_\_\_ months at a 10% annualized interest rate amortized over \_\_\_\_\_ months, with a balloon payment due at the end of the term. The Note will require you to pay CBAC \$ \_\_\_\_\_ per month beginning on the first day of the first month after you sign the Note with the remaining balance of \$ \_\_\_\_\_ (the "Balloon Payment") due and payable on or before \_\_\_\_\_, as shown on the amortization schedule attached to the Note. CBAC will sign this letter after receiving the Initial Payment and executed Note, and CBAC's signature will constitute its acknowledgement of the receipt of your Initial Payment as well as CBAC's agreement regarding the terms of the Note. Thirteen Thousand Five Hundred and No/100 Dollars (\$13,500.00) of the Initial Payment is non-refundable.
2. You acknowledge that CBAC may not be able to purchase the Land or acquire an Existing Business. CBAC agrees to notify you in writing if it determines, for any reason, that it will not purchase the Land or acquire an Existing Business. CBAC will then give you the option

of either (a) choosing another one of the locations which CBAC has determined to establish a franchise or acquire another existing CBAC franchise business, or (b) having the principal portion of the amount you have paid toward the Down Payment as of the date of the notice returned with CBAC retaining any interest paid on such amounts.

3. In the event a Termination Event occurs ~~at any point~~ prior to ~~you opening your Franchise in the Location,~~ CBAC ~~shall retain all amounts you have paid toward the executing a Contract for the Land or the Existing Business,~~ then CBAC will deduct the \$13,500 non-refundable portion of the Down Payment, ~~including interest.~~ and also deduct the reasonable costs that it has incurred in selecting the site for the Land, determining the viability of acquiring an Existing Business and preparing to enter into the franchise relationship with you, and return any remainder of the Down Payment to you, provided that such deductions will not exceed \$38,500. "Termination Event" means any of the following: (i) you do not qualify for the necessary financing to open and operate your Franchise, (ii) you choose not to proceed with the decision to open the selected store, (iii) you choose not to proceed with the decision to acquire the Existing Business from CBAC, ~~(iv) you fail to timely make any payment due under the Note, and/or (v) and/or (iv)~~ you are unable to complete any of your other obligations that are conditions to your owning and operating a CBAC franchise. "Contract" means a contract for either (a) the acquisition of land in the general area of the Location, or (b) a contract for the acquisition of an existing business.
4. ~~If no~~In the event a Termination Event occurs after CBAC has executed a Contract but prior to CBAC (a) submitting site plans to the appropriate authority for approval in connection with the purchase of the Land, or (b) performing due diligence in connection with the acquisition of an Existing Business, then CBAC will deduct \$38,500 from the \$85,000 Down Payment and return \$46,500 to you.
5. In the event a Termination Event occurs after CBAC has executed a Contract and either (a) has submitted site plans to the appropriate authority for approval in connection with the purchase of the Land, or (b) has performed due diligence in connection with the acquisition of an Existing Business, then CBAC will retain all of the \$85,000 Down Payment.
- ~~4.6.~~You acknowledge that you will pay the remaining amount of your ~~franchise fee~~Franchise Fee as provided in the Franchise Agreement to be entered into between you (or an entity formed and owned by you for the sole purpose of owning and operating the Franchise) and CBAC.

If you agree to the forgoing, please acknowledge your agreement by executing each counterpart of this letter agreement in the space provided below, retain one copy for your files, and return the other counterpart to the attention of the undersigned at your earliest convenience.

[Signatures Appear on Following Page]

CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION

By: \_\_\_\_\_  
~~Josh Wall, Chief Development Officer~~  
Don Carr, President

ACCEPTED, AGREED TO AND ACKNOWLEDGED  
AS OF \_\_\_\_\_, 2019

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

ACCEPTED, AGREED TO AND ACKNOWLEDGED  
AS OF \_\_\_\_\_, 2019

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



Exhibit “A”

See attached Promissory Note

## Promissory Note

**Name of Borrower:**

**Name of Lender:** Christian Brothers Automotive Corporation

1. For value received, Borrower promises to pay to Lender the amount of \$\_\_\_\_\_ on or before \_\_\_\_\_ *[date payment is due]* at 17725 Katy Freeway, Suite 200, Houston, Texas 77094, together with interest at the rate of 10% per year from the date this note was signed until the date it is paid in full.

2. Borrower agrees that this note will be paid in installments, which include principal and interest, of not less than \$\_\_\_\_\_ per month, due on the first day of each month, until the principal and interest are paid in full. The principal and interest of each payment are determined in accordance with the amortization schedule attached hereto as Schedule "1".

3. Borrower agrees to make one final payment for the entire balance owed on or before \_\_\_\_\_ *[date balloon payment is due]*. If only the minimum monthly payments are made, the final payment in the amount of \$\_\_\_\_\_ will be due on or before \_\_\_\_\_.

4. If any installment payment due under this note is not received by Lender within three (3) days of its due date, the entire amount of unpaid principal will become immediately due and payable at the option of Lender without prior notice to Borrower.

5. If Lender prevails in a lawsuit to collect on this note, Borrower agrees to pay Lender's attorney fees in an amount the court finds to be just and reasonable.

*The term Borrower refers to one or more borrowers. If there is more than one borrower, they agree to be jointly and severally liable. The term Lender refers to any person who legally holds this note, including a buyer in due course.*

**BORROWER:**

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

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

Address:

SCHEDULE 1  
Amortization Schedule

**EXHIBIT ~~LK~~**  
**GENERAL RELEASE**

The following is Christian Brothers Automotive Corporation current general release agreement that Christian Brothers Automotive Corporation may require a Franchisee and/or transferor to sign as part of a renewal, an approved transfer or a termination.

**CHRISTIAN BROTHERS AUTOMOTIVE CORPORATION**  
**TERMINATION OF FRANCHISE AGREEMENT AND RELEASE AGREEMENT**

**THIS TERMINATION AND RELEASE AGREEMENT** (this “Agreement”) is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the “Effective Date”), by and between Christian Brothers Automotive Corporation, a Texas corporation (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_, with an address for purposes of this Agreement at \_\_\_\_\_ (“Franchisee”).

**RECITALS**

**WHEREAS**, Franchisee is a party to that certain Franchise Agreement executed between Franchisee and Franchisor, dated on or about \_\_\_\_\_ (such Franchise Agreement, together with all exhibits, amendments and addendums thereto, being collectively referred to in this Agreement as the “Franchise Agreement”), pursuant to which Franchisee was granted the right to operate a Christian Brothers Automotive business at \_\_\_\_\_ (the “Franchised Business”);

**WHEREAS**, the parties have agreed to certain matters, including the termination of the Franchise Agreement, as set forth herein;

**NOW, THEREFORE**, for and in consideration of the premises and the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Definitions.** Capitalized terms used but not otherwise defined in this Agreement shall have the same meanings as set forth in the Franchise Agreement.
2. **Covenant of Ownership.** Franchisee covenants, warrants, and agrees that it is fully authorized to execute and perform this Agreement, and that it has the authority to bind the Franchisee Parties (as hereinafter defined) to this Agreement as provided herein.
3. **Fees Due and Owing.** It is acknowledged by the parties hereto that as consideration of this Agreement, Franchisee shall pay to Franchisor upon the execution of this Agreement, the following sums that are due and owing from Franchisee to the Franchisor, the net sum of outstanding \_\_\_\_\_ and \_\_\_\_\_ due to date, which sum equals \_\_\_\_\_ Dollars (\$\_\_\_\_\_).

4. **Termination.** Subject to Section 5 of this Agreement, the Franchise Agreement is hereby terminated effective immediately; provided, however, that such provisions of the Franchise Agreement as one would reasonably expect to survive such termination of the Franchise Agreement shall survive such termination and continue in full force and effect, including, without limitation, (i) all indemnification and hold harmless obligations of Franchisee, under the Franchise Agreement; and (ii) all confidentiality, non-competition and other similar obligations of Franchisee under the Franchise Agreement.

5. **Obligations on Termination.** As of the Effective Date, Franchisee covenants, warrants, and agrees that it will comply with its obligations on termination contained in the Franchise Agreement.

6. **Releases.**

6.1. **Release by Franchisee Parties.** Except as provided in Section 6.3 below, Franchisee, for itself and its affiliates, and for its and its affiliates' directors, officers, shareholders, partners, members, managers, employees and agents, and for the predecessors, successors, assigns, heirs, administrators and executors of it and any and all of them (collectively, the "Franchisee Parties"), hereby releases, remises, acquits, and forever discharges Franchisor, its affiliates, its and its affiliates' directors, officers, shareholders, members, managers, employees and agents, and the predecessors, successors, assigns, heirs, administrators and executors of it and any or all of them (collectively, the "Franchisor Parties"), from and against any and all obligations, debts, liabilities, demands, claims, actions, causes of action, loss, losses, damage, and damages (actual, consequential, multiplied, exemplary, enhanced, punitive, or otherwise), of any nature or kind, contingent or fixed, known or unknown, at law or in equity or otherwise, for any matter accruing or arising prior to the Effective Date of this Agreement (collectively, "Claims"), arising out of or related to: (i) the Franchise Agreement, including without limitation, its termination, and (ii) the Franchised Business.

6.2. **Release by Franchisor Parties.** Except as provided in Section 6.3 below, Franchisor, on behalf of itself and the Franchisor Parties, hereby releases, remises, acquits, and forever discharges the Franchisee Parties from and against any and all Claims arising out of or related to: (i) the Franchise Agreement, including without limitation, its termination, and (ii) the Franchised Business.

6.3. **Exceptions.** Excepted from the releases set forth in Sections 6.1 and 6.2 above are: (i) Claims arising out of any provisions of the Franchise Agreement that will not terminate as provided in Section 4 above (including, without limitation, any third party Claims); and (ii) Claims arising under this Agreement.

6.4. **Acknowledgement.** Each party acknowledges and agrees that the release given by such party set forth in this Section 6 has been voluntarily given and such party has had the opportunity to consult with its legal counsel with respect to such release. Each party represents and warrants to the other party that no Claims released under this Section 6 have been assigned to any third party.

7. **Indemnification.** Franchisee will indemnify, defend, and hold harmless the Franchisor Parties against, and reimburse any and all of the Franchisor Parties for, any and all Claims arising out of or related to any act or omission by the Franchisee Parties, or any of them, in violation of or contrary to this Agreement. Under no circumstances will any Franchisor Party be required to seek recovery from any insurer, other third party, or otherwise, or to mitigate its losses and expenses, in order to maintain and recover fully a Claim under this Section 7. Franchisee, for itself and the other Franchisee Parties, agrees that a failure to pursue such recovery or to mitigate a loss will in no way reduce or alter the amounts any Franchisor Party may recover.

8. **Miscellaneous.**

8.1. **No Waiver.** In the event of any conflict between any provision of the Franchise Agreement and any provision of this Agreement, this Agreement shall control. No delay or failure by any party in the exercise of any right, power, or remedy shall operate as a waiver thereof, and no single or partial exercise by any party of any right, power, or remedy shall preclude any further exercise thereof or the exercise of any other right, power, or remedy.

8.2. **Entire Agreement.** This Agreement supersedes all prior discussions, negotiations and agreements among the parties with respect to the subject matter hereof and contains the sole and entire agreement among the parties with respect to the matters covered hereby. The Recitals portion of this Agreement shall be construed as a material part of this Agreement and in no event may be considered mere surplusage or prefatory material. This Agreement shall not be altered or amended except by an instrument in writing signed by each party hereto.

8.3. **Confidentiality.** The parties agree that this Agreement and any of the other agreements, documents or papers contemplated or referenced herein and the terms thereof shall be treated as confidential and shall not be disclosed to any third party, with the exception that such information may be disclosed (i) to the parties' attorneys, auditors, accountants, successors, assigns, business partners and consultants of a party concerning an engagement, transaction or relationship as to which such information is relevant; (ii) to any governmental agency or representative to which the parties are required to disclose such information; (iii) in response to any valid subpoena or other valid compulsory process, provided that the producing party shall first make all legitimate, good faith objections, if any, to the production of such information and, if production is required, will seek a protective order limiting dissemination of such agreement and its contents solely to persons having a need to know for purposes of the proceeding in which the production is sought.

8.4. **Non-Disparagement.** The parties hereby covenant and agree that each shall, at all times hereafter, refrain from making or implying any derogatory or negative references, statements or allusions concerning the other party, or the other party's affiliates' directors, officers, shareholders, partners, members, managers, employees, agents, predecessors, successors, assigns, heirs, administrators and executors, or their respective businesses or business activities, except for statements made under oath in any legal process.

8.5. **Jurisdiction; Applicable Law; Attorneys' Fees.** The parties agree that any dispute arising under this Agreement shall be resolved in accordance with the dispute resolution

provisions of the Franchise Agreement. This Agreement shall be governed by the laws of the State of Texas. In the event of any conflict of law, the laws of Texas shall prevail, without regard to, and without giving effect to, the application of Texas conflict of law rules.

8.6. Beneficiaries. The Franchisor Parties and Franchisee Parties are first-party direct beneficiaries or intended third-party beneficiaries of Sections 6 and 7 hereof, are entitled to the benefits of such Sections, and are entitled to enforce the terms of such Sections.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this Termination and Release Agreement as of the Effective Date.

**FRANCHISOR:**

**CHRISTIAN BROTHERS AUTOMOTIVE  
CORPORATION**

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

**FRANCHISEE:**

\_\_\_\_\_

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

The following Franchisee Parties hereby acknowledge and consent to this Termination and Release Agreement as of the Effective Date.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Name

\_\_\_\_\_  
Name



**State Effective Dates**

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

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

<b><u>State</u></b>	<b><u>Effective Date</u></b>
<u>California</u>	
<u>Hawaii</u>	
<u>Illinois</u>	
<u>Indiana</u>	
<u>Maryland</u>	
<u>Michigan</u>	
<u>Minnesota</u>	
<u>New York</u>	
<u>North Dakota</u>	
<u>Rhode Island</u>	
<u>South Dakota</u>	
<u>Virginia</u>	
<u>Washington</u>	
<u>Wisconsin</u>	

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 **ML**-1

### RECEIPT

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

If Christian Brothers Automotive Corporation ("CBAC") 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. New York and Rhode Island require that CBAC provides you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign a binding agreement with, or make payment to, CBAC or one of its affiliates in connection with the proposed sale. Michigan requires that CBAC provide you with this Disclosure Document ten business days before you sign a binding agreement with, or make payment to, CBAC or one of its affiliates in connection with the proposed sale.

If CBAC 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, D.C. 20580 and the Office of the State Agency listed on Exhibit E.

The Franchisor is CBAC, located at 17725 Katy Freeway, Suite 200, Houston, Texas 77094. Its telephone number is (281) 675-6100.

Issuance Date: April ~~18, 2019~~ **15, 2020**.

The name, principal business address and telephone number of each franchise seller offering the franchise is as follows: ~~Josh Wall, Chief Development Officer~~ **Brad Fink**, Christian Brothers Automotive Corporation, located at 17725 Katy Freeway, Suite 200, Houston, Texas 77094, (281) 675-6100; and

~~CBAC authorizes the respective state agencies identified on Exhibit E to receive service of process for it in the particular state.~~

~~I received a Disclosure Document dated April~~ CBAC authorizes the respective state agencies identified on Exhibit E to receive service of process for it in the particular state.

I received a Disclosure Document dated April **18, 2019** **15, 2020**, that included the following Exhibits:

- |  |  |
|--|--|
| A. Audited Financial Statements                        | G. Former Franchisee Contact Information                                     |
| B. Franchise Agreement                                 | H. Assignment and Assumption Agreement                                       |
| C. Table of Contents of Confidential Operations Manual | I. <u>State Specific Addendum</u>  |
| D. Current Franchisees Contact Information             | <del>J. Receipt and Acknowledgement Agreement</del> <b>J. Inventory List</b> |
| E. State Administrators/Agents for Service of Process  | <del>K. Receipt and Acknowledgement</del> <b>General Release Agreement</b>   |
| F. Nonuse and Nondisclosure Agreement                  | <del>L. General Release Agreement</del>                                      |

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

\_\_\_\_\_  
Signature of Prospective Franchisee

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Printed Name

You should keep this copy for your records. Please sign, date and return the additional copy to Christian Brothers Automotive Corporation by delivering it personally to CBAC, by mailing it to CBAC at 17225 Katy Freeway, Suite 200, Houston, Texas 77043, by emailing it to ~~Josh-Wall~~Brad Fink at ~~Josh-Wall~~Brad.Fink@cbac.com or by faxing a copy of the signed receipt to CBAC at (281) 675-~~6119~~6214.

## EXHIBIT ML-2 RECEIPT

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

If Christian Brothers Automotive Corporation ("CBAC") 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. New York and Rhode Island require that CBAC provides you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign a binding agreement with, or make payment to, CBAC or one of its affiliates in connection with the proposed sale. Michigan requires that CBAC provide you with this Disclosure Document ten business days before you sign a binding agreement with, or make payment to, CBAC or one of its affiliates in connection with the proposed sale.

If CBAC 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, D.C. 20580 and the Office of the State Agency listed on Exhibit E.

The Franchisor is CBAC, located at 17725 Katy Freeway, Suite 200, Houston, Texas 77094. Its telephone number is (281) 675-6100.

Issuance Date: April ~~18, 2019~~ 15, 2020.

The name, principal business address and telephone number of each franchise seller offering the franchise is as follows: ~~Josh Wall, Chief Development Officer~~ Brad Fink, Christian Brothers Automotive Corporation, located at 17725 Katy Freeway, Suite 200, Houston, Texas 77094, (281) 675-6100; and

CBAC authorizes the respective state agencies identified on Exhibit E to receive service of process for it in the particular state.

I received a Disclosure Document dated April 15, 2020 ~~CBAC authorizes the respective state agencies identified on Exhibit E to receive service of process for it in the particular state.~~

I received a Disclosure Document dated April 18, 2019 that included the following Exhibits:

- |  |  |
|--|--|
| A. Audited Financial Statements                        | G. Former Franchisee Contact Information                                     |
| B. Franchise Agreement                                 | H. Assignment and Assumption Agreement                                       |
| C. Table of Contents of Confidential Operations Manual | I. State Specific Addendum   |
| D. Current Franchisees Contact Information             | <u>J. <del>J.</del> Inventory List Receipt and Acknowledgement Agreement</u> |
| E. State Administrators/Agents for Service of Process  | <u>K. <del>Receipt and Acknowledgement</del> General Release Agreement</u>   |
| F. Nonuse and Nondisclosure Agreement                  | <u><del>L. General Release Agreement</del></u>                               |

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

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Printed Name

This copy should be signed, dated and returned to Christian Brothers Automotive Corporation by delivering it personally, by mailing it to CBAC at 17725 Katy Freeway, Suite 200, Houston, Texas 77094, by emailing it to ~~Josh Wall~~Brad Fink at ~~Josh.Wall~~Brad.Fink@cbac.com or by faxing a copy of the signed receipt to Christian Brothers Automotive Corporation at (281) 675-~~6119~~6214. You may keep the second copy for your records.