

## FRANCHISE DISCLOSURE DOCUMENT

**CAR-X, LLC**  
a Delaware limited liability company  
1100 E. Woodfield Road, Suite 105  
Schaumburg, Illinois 60173  
(800) 359-2359  
dlegault@carx.com  
www.carx.com



The franchised business is a motor vehicle center specializing in the repair and replacement of automotive products and services such as air conditioning, brake systems, maintenance service, muffler and exhaust systems, ride control products, tires, and other automotive products and services that is operated under the Car-X Auto Service and Car-X Tire and Auto brand name. You may purchase a single franchise or an area development franchise.

The total investment necessary to begin operation of a Car-X franchise is from \$315,200 to \$512,000. This includes from \$30,000 to \$35,000 that must be paid to the franchisor or affiliate and an additional \$260,000 to \$395,000 that may be paid to the franchisor or affiliate. If you purchase an area development franchise you must pay an additional area development fee that will be negotiated based on the number of franchises to be developed and the development schedule, but you will only pay an initial franchise fee of \$7,500 for each franchise developed.

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

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Daniel LeGault at 1100 E. Woodfield Road, Suite 105, Schaumburg, Illinois 60173; (800) 359-2359.

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

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

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

Issuance Date: May ~~23~~29, ~~2023~~2024.

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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 New York. 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 New York than in your own state.

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



**THE FOLLOWING PROVISIONS APPLY ONLY TO  
TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

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

(3) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(4) 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 franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor 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.

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attention: Franchise  
670 G. Mennen Williams Building  
525 West Ottawa  
Lansing, Michigan 48933  
Telephone Number: (517) 335-7567

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## **ITEM 1--THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

### The Franchisor

The Franchisor is Car-X, LLC. In this Franchise Disclosure Document, the Franchisor will be referred to as “we,” “us,” or “Car-X” and the person who buys the franchise will be referred to as “you.” If the prospective franchisee is a corporation, partnership, limited liability company or other entity, “you” will mean the entity and the owners of the entity.

We are a Delaware limited liability company, organized on April 23, 2015 under the name C-X Acquisition, LLC. On May 12, 2015, we changed our name to Car-X, LLC. We do business as Car-X, LLC, Car-X Auto Service, Car-X, Car-X Tire and Auto, Car-X Muffler Shop, Car-X Muffler & Brake and Car-X Tire and Auto Service. Our principal business address is 1100 E. Woodfield Road, Suite 105, Schaumburg, Illinois 60173. Our agents for service of process are disclosed in Exhibit B.

### Parents, Predecessors and Affiliates

Our parent company is Monroe, Inc. (“Monro”), formerly known as Monroe Muffler Brake, Inc., a New York corporation with its principal place of business at 200 Holleder Parkway, Rochester, New York 14615. Monro operates facilities in 32 states under the following trade names: Monroe Auto Service and Tire Centers, Mr. Tire Auto Service Centers, Tire Warehouse Tires for Less, Tire Barn Warehouse, Ken Towery’s Tire & Auto Care, Tire Choice Auto Service Centers, Free Service Tire & Auto Centers, and Car-X Tire & Auto (collectively, “Monro Stores”), which facilities are substantially similar to the business of a Car-X franchise. Monro has conducted a business similar to the type operated by our franchisees since 1966. Monro has not offered franchises in any line of business.

Our predecessor is CXAC, Inc. (formerly known as Car-X Associates Corp.), a Delaware corporation incorporated on March 15, 2002, with its principal business address at 7150 Granite Circle, Toledo, Ohio 43617. CXAC, Inc. offered franchises for Car-X Centers (defined below) from March 2002 until May 2015.

On April 24, 2015, we acquired substantially all of the assets, including the trademarks and existing franchise agreements, of CXAC, Inc. Following the transaction, we became the franchisor of the Car-X brand.

Both our parent, Monro, and our affiliate, Monro Service Corporation (“MSC”), provide certain franchisees the option to purchase certain products from them (see Item 8). MSC’s principal place of business is 200 Holleder Parkway, Rochester, New York 14615. MSC holds all assets, rights, responsibilities and liabilities associated with Monro’s warehousing, purchasing, advertising, accounting, office services, payroll, cash management and certain other operations. MSC has neither conducted a business similar to the type operated by our franchisees nor offered franchises in any line of business.

We do not otherwise have any affiliates that offer franchises in any line of business or that provide products or services to our franchisees.

## Franchisor's Business and Prior Business Experience

We offer and sell Car-X franchises. Also, we or Monro may operate businesses that are the same or similar to Car-X franchises ("company owned units") and we may sell or lease real estate, inventory, equipment, products and supplies to our franchisees. In addition, through Monro, we also operate other auto service centers not using the Car-X name and will continue to do so when we acquire other businesses. See Item 12. We have operated company-operated units and offered Car-X franchises since May 2015. We have not offered franchises in any other lines of business.

## The Car-X Franchise

The Car-X franchise is a retail automotive center ("Car-X Center") that specializes in the repair and replacement of automotive products and services such as air conditioning, brake systems, maintenance service, muffler and exhaust systems, ride control products, tires, and other automotive products and services we authorize. The Car-X Center will operate under the Car-X trademarks, which are described in Item 13 of this Franchise Disclosure Document ("Car-X trademarks"). Most new Car-X Centers are using the "Car-X Tire & Auto" name, although the majority of existing Car-X Centers operate under the "Car-X Auto Service" name. There are also Car-X Centers that operate under earlier variations of the Car-X brand name, such as Car-X Muffler and Brake. The Car-X Center will operate in accordance with our specifications ("Car-X system").

You acquire the right to operate a Car-X Center by signing our current standard Franchise Agreement (see Exhibit C-2). If you purchase a company-operated unit from us, you will also sign an Agreement for Sale of Assets and related documents (see Item 10 and Exhibit L).

Certain Car-X franchisees are operating under existing franchise agreements that provide them with the right to open additional Car-X Centers. If you are one of these franchisees, you will sign a License Agreement (see Exhibit D) before the opening of each additional Car-X Center.

If you are renewing your Car-X franchise, you may sign our current standard Franchise Agreement as well as a Renewal Addendum (see Exhibit E). The Renewal Addendum modifies some of the provisions of the standard Franchise Agreement to reflect your status as an existing franchisee. If you acquire an existing Car-X franchise by transfer from another franchisee, you will sign our standard Franchise Agreement as well as a Transfer Addendum (see Exhibit F). The Transfer Addendum modifies some of the provisions of the standard Franchise Agreement to reflect the fact that you are acquiring an open and operating Car-X Center.

The market for auto service businesses in some areas is developed. You will generally sell your products and services to vehicle owners in your market area. We have negotiated and established a List of Fleet Accounts. These Fleet Account customers put us on a preferred network listing to have their vehicles serviced at Car-X locations. Our List of Fleet Accounts includes: Automotive Resources International (ARI); Corporate Claims Management (CCM); Enterprise Fleets, Inc.; GE Capital Fleet Services; Lease Plan International; Network; Element Fleet Management; Union Leasing; Voyager Fleet Systems, Inc.; and Wheels, Inc. / Maps, Inc.

The auto service business is highly competitive. You may compete with other businesses performing similar services, including numerous national franchise programs similar to ours, automobile dealerships and automobile tire and repair centers, such as the Monro Stores.

### Area Development Franchises

If you desire to open a number of Car-X Centers within a particular area, we may enter into an Area Development Agreement with you (see Exhibit G). The Area Development Agreement requires the franchisee ("area developer") to open a specified number of Car-X Centers in a specified area within a specified time period.

### Industry Regulations

There are a number of regulations specific to the industry in which Car-X franchises operate. Federal Environmental Protection Agency (EPA) regulations prohibit tampering with emission control systems in automobiles. These regulations prohibit disconnecting and altering the emission control systems or informing customers how to disconnect or alter the systems or supplying parts to disconnect the systems. Federal EPA regulations require that air conditioning service be performed by licensed technicians and also require recordkeeping regarding the use of Freon. Federal EPA regulations require that tires be recycled following specific guidelines for storage, disposal, customer charges for this service and recordkeeping. In addition, there are Federal EPA and State regulations on the use and disposal of lead wheel weights. The Federal EPA also regulates the disposal of oil, oil filters and other automotive fluids. The Occupational Health and Safety Administration (OSHA) develops and enforces occupational safety and health standards that will apply to your business. OSHA has issued a "Hazardous Communications" rule, which deals with the usage of hazardous chemicals. You must maintain a Material Safety Data Sheets (MSDS) binder at your location that will contain information about the chemicals used in your business. Some state regulations impose requirements in addition to the requirements imposed under federal regulations. For example, state laws may require licensed technicians to provide certain services or may establish more stringent regulations relating to emission systems or air conditioning servicing. Additionally, there are EPA and OSHA guidelines that, though not specific to the industry, influence the operating procedures for Car-X Centers. These regulations generally address the handling and disposal of hazardous materials. There may be other regulations applicable to your business and we urge you to make inquiries about the described regulations and other regulations that may impact your business.

We do not assume responsibility for advising you on these regulatory or legal matters. You should consult with your attorney about federal, state, and local laws that may affect your Car-X franchise. Compliance with these laws, regulations, and orders, as they may be amended from time to time, can increase your operational costs and affect your bottom line.

## **ITEM 2--BUSINESS EXPERIENCE**

### **Maureen E. Mulholland, Secretary and Board Member**

Ms. Mulholland has been the Secretary and a Board Member of Car-X since April 2015, and is based in Rochester, New York. She has been the Executive Vice President - Chief Legal Officer and Secretary of Monro since October 2020. Ms. Mulholland served as Senior Vice President - General Counsel and Secretary of Monro since August 2017. Before that, she was the Vice President and General Counsel of Monro since May 2012, and General Counsel since October 2003.

### **Daniel LeGault, Jr., Executive Director**

Mr. LeGault has been Executive Director of Car-X since September 2017, and is based in Schaumburg, Illinois. Mr. LeGault served as Director of Franchise Operations and Training for Car-X from April 2015 to September 2017. From April 2010 to April 2015, he was Director of Franchise Operations and Training for CXAC, Inc.

### **Michael De Marco, Director of Franchise Operations and Training**

Mr. De Marco has been Director of Franchise Operations and Training since September 2019, and is based in Schaumburg, Illinois. Mr. De Marco served as Franchise Operations Manager for Car-X from September 2014 to September 2019. From April 2013 to September 2014, he was Area Manager for The Pep Boys. From May 1996 to April 2013, he was Market Manager for Midas, Inc.

### **James Sherman, Director of Marketing**

Mr. Sherman joined Car-X in June 2015, and is based in Schaumburg, Illinois. From April 2013 to June 2015, he was Principal at Gamma Partners LLC in Bannockburn, Illinois. From November 2007 to March 2013, he was Director, Relationship & Integrated Marketing with Midas International in Itasca, Illinois.

### **Michael Broderick, Board Member**

Mr. Broderick has been a Board Member of Car-X since April 2021, and is based in Rochester, New York. Mr. Broderick has been the President and Chief Executive Officer of Monro since April 2021. From January 2017 to April 2021, Mr. Broderick served as the Executive Vice President of Merchandising and Store Operations Support at Advance Auto Parts in Raleigh, North Carolina. Before that, he was the Senior Vice President of the automotive division of Canadian Tire Corporation from 2014 to 2016 in Toronto, Ontario Canada.

### **Brian D'Ambrosia, Board Member**

Mr. D'Ambrosia has been a Board Member of Car-X since June 2017, and is based in Rochester, New York. He has been the Executive Vice President - Finance, Treasurer and Chief Financial Officer of Monro since April 2018. Before that, since January 2017, he served as Senior Vice President - Finance, Chief Financial Officer and Treasurer of Monro, and was appointed Assistant Secretary in May 2017. Mr. D'Ambrosia served as Vice President-Finance from May 2016 to December 2016 and Vice President-Controller from January 2013 to May

2016. Mr. D'Ambrosia was named Chief Accounting Officer in December 2015 and continued in that role until being named Chief Financial Officer in January 2017.

### **ITEM 3--LITIGATION**

No litigation is required to be disclosed in this Item.

### **ITEM 4--BANKRUPTCY**

No bankruptcy proceedings are required to be disclosed in this Item.

### **ITEM 5--INITIAL FEES**

We currently charge an initial franchise fee of \$25,000. We generally require a reservation deposit of \$6,000 at the time you submit your franchise application, at which time you will be required to deliver a Franchise Reservation Agreement (see Exhibit C-1). If we decide not to issue a franchise to you, your entire deposit will be returned. If you decide you do not want to purchase a franchise after payment of the deposit, we may retain up to two-thirds of the deposit to cover our costs in processing your franchise application and/or securing a location for your franchise. We will return the remaining portion of the deposit to you in that circumstance. If you sign a Franchise Agreement, the deposit is applied to the initial franchise fee due. The balance of the initial franchise fee must be paid at the earliest of: (i) the date of signing of the Franchise Agreement, (ii) the first day of the initial formal training program, and (iii) the signing of a lease or sublease for the franchise location. If you do not pay a deposit, you will pay the entire initial franchise fee on the signing of the Franchise Agreement. Once the Franchise Agreement is signed, the initial franchise fee is not refundable. Except as described below, the initial franchise fee is uniform for all new franchisees currently acquiring a franchise.

We currently offer a reduced initial franchise fee for a new franchisee that is a U.S. military veteran or first responder, or a corporation, limited liability company, or other entity for which a U.S. military veteran or first responder owns a majority of the equity interests, in each case as established in accordance with our policies as we may adopt periodically (the "Veteran and First Responder Incentive Program"). For franchisees eligible for the Veteran and First Responder Incentive Program, the initial franchise fee will be \$10,000, rather than \$25,000. The discount under the Veteran and First Responder Incentive Program will apply only to a new franchisee's first Car-X Center, and may not be combined with any other discount or incentive programs. We reserve the right to change or discontinue the Veteran and First Responder Incentive Program at any time.

The Veteran and First Responder Incentive Program is available to all qualified individuals who have received an honorable discharge from one of the U.S. Armed Forces (i.e. Army, Navy, Air Force, Coast Guard, Marine Corps, or Space Force), and their entities as noted above. To be eligible to participate in the Veteran and First Responder Incentive Program, a veteran is required to provide a copy of his or her DD-214, and such other documents and information as we may request from time to time.

The Veteran and First Responder Incentive Program is also available to first responders who were employed for a minimum of two years as a law enforcement officer, medical doctor, nurse, emergency medical technician, or fire fighter, and their entities as noted above. To be eligible to participate in the Veteran and First Responder Incentive Program, a first responder is

required to provide us evidence of such service as a first responder, and such other documents and information as we may request from time to time.

In addition, we currently offer a reduced initial franchise fee for a new franchisee that is a woman or Minority (as defined below), or a corporation, limited liability company, or other entity for which a woman or Minority owns a majority of the equity interests, in each case as established in accordance with our policies as we may adopt periodically (the “MWBE Incentive Program”). For franchisees eligible for the MWBE Incentive Program, the initial franchise fee will be \$10,000, rather than \$25,000. The discount under the MWBE Incentive Program will apply only to a new franchisee’s first franchised location and may not be combined with any other discount or incentive programs. We reserve the right to change or discontinue the MWBE Incentive Program at any time.

For purposes of the MWBE Incentive Program, a “Minority” is a United States citizen or permanent resident alien who is Asian, Black, Hispanic, or Native American. To be eligible to participate in the MWBE Incentive Program, a Minority or woman is required to provide us such documents and information as we may request from time to time.

Several existing franchisees have contractual rights under agreements previously entered into with our predecessor (and which were assigned to us) entitling them to obtain licenses for additional Car-X Centers in certain specified instances. The initial license fee payable for these additional licenses varies. We may charge reduced initial franchise fees to our and our affiliate’s employees and former employees and to persons who convert a competitive business to a Car-X Center. All reduced fees must be paid in full before opening the franchise. As described below, an area developer pays a reduced initial franchise fee for each Car-X Center opened under an Area Development Agreement.

Under our current policies, we do not charge a franchise fee or a renewal fee when you renew your franchise. If you acquire an existing Car-X franchise by transfer from another franchisee, you will not pay an initial franchise fee. However, you must pay a transfer fee. The transfer fee under our current Franchise Agreement is 50% of the initial franchise fee being charged by us at the time of the transfer. We charge a reduced initial franchise fee to existing franchisees that open additional Car-X Centers. However, we may change this policy in the future. Currently, we charge an initial fee of \$20,000 for a second Car-X Center, \$15,000 for a third Car-X Center, and \$10,000 for the fourth or any other Car-X Center.

The initial fee paid by an area developer is negotiated, depending on the number of Car-X Centers to be developed and the time period for that development. We will generally propose an initial area development fee equal to 25% of the total initial franchise fees that would be payable for the number of Car-X Centers that must be opened. For example, if 10 Car-X Centers must be opened, the initial area development fee is  $.25 \times 10 \times \$25,000$ , or \$62,500. We will not refund the initial area development fee. An area developer must also pay an initial franchise fee in an amount to be negotiated (we generally propose \$7,500) for each Car-X Center opened under the area development agreement and will incur the other initial expenses described in this Item for each franchise developed by the area developer.

You must also pay an initial advertising fee of \$5,000 to \$10,000. This fee will vary from \$5,000 to \$10,000 at our discretion depending on the size and media offerings of the market in which your franchise is located. You will pay the initial advertising fee when you pay the initial franchise fee or, if you pay a deposit toward your initial franchise fee, you will pay the initial advertising fee when you pay the balance of the initial franchise fee. We will not refund this

fee. All new franchisees must pay this fee, except we do not always require franchisees that own more than one franchise, or that convert a competitive business to a Car-X franchise, to pay the fee. Also, if you are renewing your franchise or you are acquiring an existing Car-X franchise by transfer, we may charge a reduced initial advertising fee. The initial advertising fee will be used to promote your franchise business.

If we lease or sublease the franchise location to you, you may pay us a security deposit and the first month's rent before opening for business. We estimate that the deposit and first month's rent will range from \$8,000 to \$30,000. We offer an optional Car-X Center Opening package that ranges from \$193,000 to \$270,000. This package can include such items as equipment, signs, computer and software, and small tools. Specific items to be included, such as automotive hoists, brake lathes, pipe bender, welding and torch equipment, air compressors, alignment equipment, wheel service equipment, air conditioning recycling equipment, miscellaneous other equipment and hand tools, storage rack and shelving, computer terminal and software, waiting room fixtures and employee lockers, will be determined based on specific location criteria. You may also purchase an operating company-operated unit from us or from Monro, if any are available for sale. The cost of an operating unit can vary greatly. We may finance the sale of company-operated units (See Item 10 and Exhibit L). We will not refund any of the amounts referred to in this paragraph.

#### ITEM 6--OTHER FEES

<b>Type of Fee <sup>(1)</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty	2.5% of gross sales for the first 180 days of operation of a new franchise; otherwise 5% of gross sales <sup>(2)</sup>	Wednesday of each week	Gross sales include all revenue, regardless of form of payment, except sales tax.
Advertising and Promotion	Not to exceed 10% of weekly gross sales <sup>(2)</sup>	Wednesday of each week	See Note 2 and Item 11.
Additional Training	To be determined <sup>(3)</sup>	Before additional training	You may be required to attend and pay a reasonable fee for additional training programs.
Lease Payments	\$4,000 to \$15,000 per month <sup>(4)</sup>	Monthly on the day specified in the sublease	
Transfer Fee	50% of the initial franchise fee being charged by us at the time of the transfer	Before closing of the transfer	Paid when you transfer the franchise or a controlling interest in the franchisee.
Maintenance and Repairs	Actual cost to us	On receipt of billing	If you fail to maintain your franchise location, we may do so at your expense.
Insurance <sup>(5)</sup>	\$5,000 to \$12,000 annually	As incurred	Some of these fees may be paid to us. See Item 8.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			Otherwise, these fees are paid directly to the insurance company.
Late charge and NSF fees	1.5% per month for late charges; NSF fees equal to amount charged by our bank and additional reasonable administrative fees	On receipt of our invoice	This charge must be paid on all overdue amounts and NSF payments.
Preparation of monthly P&L's and balance sheets	\$500 to \$750 per month	30 <sup>th</sup> day of each month	We may require that you have monthly P&L's and balance sheets prepared by an accounting services company designated by us.
Audit	Cost of audit <sup>(6)</sup>	On receipt of our invoice	This cost must be paid if an audit shows an understatement of at least 2% for any reporting period or if the audit is necessary because of your failure to provide required information.
Audit surcharge	25% of underpayment	On receipt of our invoice	You must pay this charge if an audit shows any underpayment.
Indemnification	Amount will vary under circumstances	As incurred	You must reimburse us if we incur liability from the operation of your franchise.
Costs and attorney fees	Will vary under circumstances	As incurred	You must pay our costs if we must take action to enforce your obligations to us.
Dealers Advisory Council Membership Dues	May vary	As determined by Council	These dues are imposed by and payable to the Council.
Testing	Cost of testing <sup>(7)</sup>	On receipt of our invoice	This covers the cost of testing new products or inspecting new suppliers you propose.
AllData Software	<del>\$53.50</del> <u>80.00</u> per month per Car-X Center <sup>(8)</sup>	Within 30 days of receipt of invoice	If you choose to use AllData software, we will collect from you, and remit to the software owner, AllData LLC, a monthly fee.
Products From Us or Our Affiliates	Varies	Within 30 days of receipt of invoice	We and/or our affiliate may give you the opportunity to purchase certain products

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			from us.

Notes to Item 6 Table

(1) Except as noted, all fees are imposed by and payable to us. Except as may be described below, all fees payable to us are uniform as to franchises being offered at this time. All fees are non-refundable. If we specify, you must pay your fees by electronic funds transfer. All fees paid to us will be allocated in the manner chosen by us.

(2) The reduced royalty for the first 180 days of operation only applies to newly developed franchises and does not apply to a renewal or a transfer of an existing franchise. You only have to pay a royalty of 40% of the full royalty amount specified in the Franchise Agreement and an advertising fund contribution of 50% of the advertising fund contribution specified in the Franchise Agreement on gross sales arising from the sale of tires and/or batteries. Gross sales arising from the sale of tires and/or batteries means gross sales arising from tires, tire stems, tire balancing, road hazard warranties, tire rotation, tire repairs, batteries, battery cables and related labor. Several existing franchisees have contractual rights under agreements previously entered into with us entitling them to pay reduced royalties at existing Car-X Centers and additional Car-X Centers developed by them. Area developers pay a reduced royalty of 2.5% of gross sales for a six-month period for the second and succeeding franchises opened under the Area Development Agreement. If you convert a competitive business to a Car-X Center, we may offer you a temporary reduced royalty. This reduction is within our discretion and is based on your knowledge, experience and financial ability. We may change these policies. See Item 11 under the subheading “Advertising” for an explanation of our current advertising policies and the amounts that must be paid by existing and new franchisees for advertising.

(3) We do not currently charge any fees for additional training.

(4) We may lease or sublease the franchise location to you. Market conditions will control the amount of the lease or sublease payments. If we sublease the location to you, we will mark-up the rent to cover our administrative costs and other expenses we may have incurred. Lease payments can vary greatly depending on the age, size and condition of the building and the local real estate market. The estimates in the table are based on the range of rents paid to us in 2021.

(5) See Item 8 for a description of the types and amounts of insurance you must purchase. This figure does not include workers compensation insurance, which can vary greatly from state to state and depending on payroll costs.

(6) A typical audit costs approximately \$~~3,200~~5,000.

(7) It has not been necessary yet for us to charge a franchisee for the cost of testing a product.

(8) Use of AllData software is optional. If you choose to use AllData software, we will collect from you, and remit to the software owner, AllData LLC, a monthly fee. We may earn a profit on the monthly fee you pay for the AllData software (see Item 8).

## ITEM 7—ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Reservation Deposit <sup>(1)</sup>	\$6,000	One payment	As required. See item 5	Us
Initial Franchise Fee <sup>(1)</sup>	\$25,000	One or Two payments	See Item 5	Us
Equipment and Furniture <sup>(2)</sup>	\$220,000 - \$275,000	One payment if purchased from us, otherwise, as agreed	Before opening as required	Us or third parties
Signs <sup>(3)</sup>	\$17,000 - \$50,000	One payment if purchased from us, otherwise, as agreed	Before opening as required	Us or third parties
Inventory <sup>(4)</sup>	\$12,000 - \$18,000	As required	As required	Third parties
Lease and First Month's Rent <sup>(5)</sup>	\$8,000 - \$30,000	Lump sum	As specified in Lease or Sublease	Us or third parties
Miscellaneous Pre-Opening Expenses <sup>(6)</sup>	\$15,000 - \$40,000	As required	As required	Us or third parties
Travel and Living Expenses While Training	\$1,200 - \$4,000	As required	As required	Third parties
Initial Advertising Fee <sup>(7)</sup>	\$5,000 - \$10,000	Lump sum	Before opening	Us
Additional Funds <sup>(8)</sup> – 3 months	\$12,000 - \$60,000	On hand/as incurred	Before opening	N/A
<b>Total Estimated Initial Investment</b> <small>(9)(10)(11)(12)(13)(14)(15)</small>	<b>\$315,200 - \$512,000</b>			

#### Notes to Item 7 Table

- (1) We currently charge an initial franchise fee of \$25,000. We generally require a deposit of \$6,000 at the time you submit your franchise application. If we decide not to issue a franchise to you, your entire deposit will be returned. If you decide you do not want to purchase a franchise after payment of the deposit, we may retain up to two-thirds of the deposit to cover our costs in processing your franchise application and/or securing a location for your franchise. We will return the remaining portion of the deposit to you in that circumstance. If you sign a Franchise Agreement, the deposit is applied to the initial franchise fee due. The balance of the initial franchise fee must be paid at the earliest of: (i) the date of signing of the Franchise Agreement, (ii) the first day of the initial formal training program, and (iii) the signing of a lease or sublease for the

franchise location. We will refund the initial franchise fee under certain circumstances and will reduce the initial franchise fee in certain situations, including the purchase of additional franchises by existing franchisees. See Item 5 for an explanation of those situations.

- (2) The equipment includes hoists, air compressors, a computer vehicle scanner, brake lathe and accessories, computer aligner and accessories, air conditioning equipment, digital battery electrical tester, recycler and starter kit, fluid exchange equipment, tire equipment, storage racks, torch equipment, specialty tools, grinders, hand tools, computer and software, and point of sale equipment. The cost varies, depending on the size of the franchise location and the type of equipment selected. Office and waiting room furnishings include a desk, chairs, tables, telephones, and miscellaneous supplies. You may include this expense in a finance or lease package if you finance a portion of your initial investment.
- (3) This estimate includes installation and delivery of the signs. You may include this expense in a finance or lease package if you finance a portion of your initial investment.
- (4) The cost of your inventory will vary depending on the approved supplier you choose, the size of your Car-X Center, whether you elect to stock tires, etc.
- (5) You will probably rent the necessary land and building for your franchise location. We estimate that your annual rent will range from \$60,000 to \$180,000, if your location is new construction. This rental amount does not include all expenses you will incur in leasing your franchise location. For example, you will also be responsible for real estate taxes, building insurance and any applicable state sales tax, which you generally must pay into an escrow account on a monthly basis in addition to your rent. The rent for an existing building may be less expensive. The square footage of a building for a Car-X Center will range between 3,680 to 6,000 square feet. Your rent may be subject to escalation clauses based on inflation, increased costs of construction, etc. The annual rent amount will vary significantly depending on the condition, location and size of the building and the demand for the building among prospective tenants. Leasehold improvements will almost always be included in your lease, so the table does not include our estimate for that expense.

Your initial investment will be much greater if you purchase real estate and construct your franchise location. We estimate the cost of land and a building purchased and constructed by you to range between \$800,000 and \$2,000,000. This cost will vary significantly depending on the size and location of the property, the size and complexity of the building, the condition of the local real estate market and local construction costs. You may be able to convert an existing building at certain locations at a lower cost.

- (6) These expenses include miscellaneous opening expenses, including installation of telephones, deposits for gas, electricity and related items, workers compensation insurance deposit, business licenses, legal and accounting expenses, insurance premiums, supplies, shop floor sealant, etc.
- (7) We use this fee for grand opening advertising or other initial advertising for your franchise. You will pay the initial advertising fee when you pay the initial franchise fee or, if you pay a deposit toward your initial franchise fee, you will pay the initial advertising fee when you pay the balance of the initial franchise fee. This fee will vary

from \$5,000 to \$10,000, depending on the size and media offerings of the market in which your franchise is located. The initial advertising fee may be waived or reduced in certain circumstances. See Item 5.

- (8) This category covers expenses you will incur during the three-month initial phase of your franchise. These expenses include royalty and advertising fund contributions, insurance premiums, additional expenditures for initial local advertising, payroll costs, additional inventory and supplies, etc. These figures are estimates and we cannot guaranty that you will not have additional expenses starting the business. Your costs during this initial phase will depend on factors including: how much you follow our procedures; your management skill, experience and business abilities; local economic conditions; the local market for your products; the prevailing wage rate; competition; and the sales level reached during this initial phase.
- (9) We relied on Monro's experience, the experience of our predecessor and our experience in the business and in opening franchises and operating company owned units to compile these estimates. You should, of course, review these figures carefully with a business advisor before making any decision to purchase the franchise.
- (10) Except as noted, none of the payments to us are refundable. The refundability of payments to third parties is determined by your agreements with those parties.
- (11) Unless you purchase a company-operated unit from us, we do not offer any direct financing for any part of your initial investment (See Item 10 and Exhibit L). You may, however, finance a portion of your initial investment with a third party. The availability and terms of financing with third parties will depend on factors including the availability of financing generally, your credit history, collateral you may have and lending policies of financial or leasing institutions. Some financing programs available to you, if you meet the requirements of those programs, are described in Item 10.
- (12) The initial investment described in this Item 7 relates to the development of a new location. If you are renewing your franchise for an existing unit, you will not incur most of the expenses referenced in this Item 7. However, you may be responsible for remodeling or upgrading your franchise and any related expenses. If you are acquiring an existing franchise by transfer, in addition to the price you negotiate for the purchase of the franchise, you will be responsible for the transfer fee (see Item 6) and you may be responsible for remodeling or upgrading the franchise and any related expenses.
- (13) Area developers will incur the expenses listed above for each franchise that they open. An area developer generally will not incur any additional expenses in connection with entering into the area development agreement except for the initial area development fee, which will be negotiated (see Item 5) and possibly additional legal and accounting expenses for reviewing and negotiating the area development agreement, which we estimate to be \$2,500 to \$5,000.
- (14) Our estimate of your initial investment to develop a Car-X Center is described in the table above. The estimate covers the period before the opening of your franchise and includes a category for additional expenses you may incur during the initial three-month phase after the opening of your franchise. The estimate does not include an owner's salary or draw. The estimate also does not include cash requirements to cover operating losses or owner's draw after the initial three month phase of the franchise.

You may need additional funds available, whether in cash or through credit lines, or have other assets that you may liquidate or that you may borrow against, to cover your personal living expenses and any operating losses after the initial phase of your franchise. The estimates above also do not reflect an amount for investment in real estate, since it is assumed that you will lease your premises. We urge you to retain the services of an experienced accountant or financial adviser in order to develop a business plan and financial projections for your franchise.

- (15) Your actual investment may vary depending on local conditions peculiar to your geographic area or market, for example, real estate demand, availability and occupancy rates. Additional variables that may impact your initial investment may be: the size of your facility; age of the structure; length of your lease or other instrument granting you the right to occupy the premises; if your space is to be built out by the developer with no initial out-of-pocket costs to you; lease arrangements; location in the market; whether you are converting existing premises and whether in the same business; costs of demolishing existing leasehold improvements; construction costs; other variable expenses and whether you currently hold a lease for an acceptable location.

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

We may require you to lease or sublease your franchise location from us or a person affiliated with us. If you sublease your franchise location from us, you must generally sign one of our standard Subleases (see Exhibits H and I). We may, however, need to use a non-standard form of Sublease because of the terms of the lease between the landlord and us. Generally, if we or an affiliate sublease the franchise location to you, we or the affiliate will mark-up the rent paid for the location (see Item 6). Also, if a build-to-suit landlord constructs your franchise location and we or an affiliate are responsible under the prime lease for the franchise location, we or an affiliate will receive a development fee from the landlord.

We may require you to purchase invoices, estimate forms, warranties, or other forms from us. We may require that you purchase other forms from a specified third party. We may require you, at your expense, to have monthly P&L's and balance sheets prepared on our format by an accounting services company specified by us, which may be our auditing firm.

If you do not lease or sublease the franchise location from us, your lease must be approved by us and must include our standard lease addendum (see Exhibit J). In addition, your franchise location must be constructed or improved in accordance with our specifications. We will furnish you standard plans and specifications for a Car-X Center, including requirements for dimensions, exterior design, interior layout, building materials, equipment, signs and color scheme. Also, if you request, we will provide standard blueprints to you for a modest fee. You must have these plans and specifications, or blueprints modified, at your expense, by an architect licensed in the subject state, to ensure compliance with all applicable federal, state, and local codes. After you obtain possession of the franchise location, you must: (1) prepare and submit to us for approval, which will not be unreasonably withheld, any modifications to our standard plans and specifications you propose; plans and specifications may be modified only to the extent necessary to comply with applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions, and you may make modifications only if you first notify us and receive our approval; (2) obtain all required building, utility, sign, health, sanitation and business permits and licenses and any other required permits and licenses; (3) construct all required improvements to the franchise location and decorate the franchise location in compliance with plans and specifications approved by us

and all applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions; (4) purchase or lease and install all equipment, fixtures, furniture, signs and inventory required for your Car-X Center; and (5) secure all financing to fully develop your Car-X Center and complete the development of the Car-X Center within a reasonable time after obtaining possession of the franchise location.

You must purchase the signs, equipment, computer hardware and software, fixtures and furnishings for your franchise in accordance with our specifications and only from approved suppliers or manufacturers. We maintain lists of these specified items and suppliers in our office and will deliver a list of recommended equipment and suppliers for your franchise to you during the development of your franchise. You must purchase these items from a supplier designated by us if we participate in your financing of these items (See Item 10).

You may purchase an operating company-operated unit from us or from Monro, if any are available for sale. In connection with a purchase of a company-operated unit, you may assume certain contractual obligations that we have incurred; for example, yellow pages obligations, oil supply and equipment contracts, phone equipment and/or service contracts, etc. See Item 10 and Exhibit M. In some cases, we may have to continue to hold the contracts in our name and to bill you for the amounts due under those contracts.

You must purchase the products and inventory necessary for operation of your franchise in accordance with our specifications and only from approved suppliers. Our Operations Manual contains a list of approved products and suppliers. We will issue approval or disapproval or notification of revocation of approval of products or suppliers to you in memos, bulletins, or our Operations Manual. If we have not specified a manufacturer or a supplier for a product included on our list of approved products, you may purchase that product from any supplier if the product meets our specifications for quality. We do not provide material benefits to franchisees based on a franchisee's use of designated or approved sources.

Our specifications for products and suppliers and supplier approval stress quality, uniformity and price and include minimum standards for composition, quality, packaging, performance, safety, uniformity, price, use of the Car-X trademarks, availability, reporting of shipments, support from the supplier, and other relevant standards that we establish. We formulate and revise our specifications based on our knowledge and experience in the industry as well as the testing of products and equipment. We do not issue these specifications to our franchisees. We approve products based on the ability of the products to meet or exceed our specifications. We approve suppliers based on the demonstrated ability of the supplier to consistently furnish products or services that meet or exceed our specifications. We may enter into agreements with our suppliers, which, in addition to other provisions, may require that the supplier pay us a fee based on the sale of products or services to our franchisees. As noted below, our agreements with suppliers also do, in some cases, include price terms for the benefit of our franchisees. We do not have any purchasing or distribution cooperatives.

We have negotiated purchase arrangements, including price terms, with several key suppliers for the benefit of our franchisees. Some of the suppliers with whom we have negotiated purchase arrangements, including price terms, include: AllData LLC; Phoenix Systems, Inc. and Castle Products, Inc.; Snap-On Incorporated; Rotary Lift Corp; Hennessey Inc.; Champion Products; Hunter Engineering Company; Ashland Oil (Valvoline); ~~Advance Auto Parts~~; AutoZone; NAPA; ~~Carquest~~; O'Reilly Auto Parts; American Tire Distributors; Continental Tire; Goodyear Tire Company; US Auto Force; Tire Centers, Inc.; Factory Motor Parts, Inc. and

Pronto. In the future, we may negotiate additional purchase arrangements with suppliers, including price terms.

You may request to have a product or supplier authorized by us. The request must be in writing and must include information about the product or supplier relating to our specifications, a sample of the product or service to be approved and a contact person at the manufacturer or supplier that we can contact for information. We may submit the information to an independent laboratory or another appropriate independent expert to determine if the product or supplier meets our specifications. We will attempt to notify you of our decision within 90 days of the date of your request. We have the right to charge you a reasonable fee to cover the costs that we incur in making this determination. We also reserve the right to limit the total number of approved products and/or suppliers.

We have developed product and service warranties that are provided to customers of Car-X Centers. You must furnish all warranties authorized by us to customers who qualify. You may not offer any warranty that is not approved by us. You must also honor warranties issued by your Car-X Center, other Car-X Centers or automotive repair operations under a common warranty program. You may offer greater warranties so long as we approve the greater warranty and you follow our procedures when offering these warranties. If there is a dispute between any customer of your Car-X Center and you over any warranty issued by your Car-X Center or any other Car-X Center, we will have the right to evaluate the dispute and to make a determination of the manner in which these disputes will be resolved by you, and you agree to be bound by this determination. You must not make any untrue or misleading representations to customers or prospective customers concerning any warranties you issue, and you must make all disclosures specified by us or required by applicable law.

You must purchase or are responsible for insurance coverage that we specify in the amounts that we specify. If you lease or sublease your location from us (except under an Affiliated Sublease), we will acquire the insurance in the following table and, under the terms of the lease or sublease, you will be responsible for the cost of the insurance and any deductibles. If you do not lease or sublease your location from us (or if you sublease from us under an Affiliated Sublease), you must directly acquire the insurance in the following table (other than the Loss of Rents Insurance).

Building Insurance – Fire and Extended Coverage (Insuring the building, improvements and betterments, landscaping, plate glass and any other real property as required under the prime lease).	100% of replacement value (replacement value will be determined by us and/or the prime landlord)
*Loss of Rents Insurance	100% of the rent under the prime lease for one year
*Commercial General Liability (Inclusive of Lessor’s Risk as respect to us and the landlord under the prime lease)	The amount required under the prime lease for the location but not less than \$1,000,000 Each Occurrence; \$1,000,000 Personal & Advertising Injury; \$2,000,000 General Aggregate and \$2,000,000 Products/completed Operations Aggregate
Excess (Umbrella Liability)	The amount required under the prime lease for the location but not less than \$2,000,000 Each

	Occurrence and \$2,000,000 Annual
Environmental Liability	The amount required under the prime lease but not less than \$1,000,000 per occurrence, \$3,000,000 aggregate

In addition to the insurance in the preceding table, you must directly acquire the insurance in the following table, whether or not you lease or sublease your location from us.

*Garage Liability	\$1,000,000 combined single limit for bodily injury and property damage
*Automobile Liability	\$1,000,000 combined single limit for bodily injury and property damage for all owned, non-owned and hired autos
*Garage Keeper's Legal Liability	\$250,000 limit
Business Personal Property- Fire and Extended Coverage for franchisee's equipment, stock, inventory, signage and the building's plate glass.	100% of replacement value Needs to be included and shown on certificate
Business income and extra expense for minimum of 6 months	50% of annual gross revenues but not less than \$300,000
Worker's Compensation *Employer's Liability *Employer's Stop Gap Liability	In compliance with your state's laws, show limits (If applicable; i.e. Ohio)
Any other insurance coverage required under the prime lease	

In each policy listed above designated by an asterisk (\*), we and the landlord under the prime lease and the prime landlord's mortgagee (if applicable) must be named as additional insureds. You may incur an additional cost for naming additional insureds. Also, each policy must require 60 days' notice to us before the policy is canceled or changed. For each insurance policy that you directly acquire, you must provide us with certificates of insurance (on the standard Accord form) in the amounts and with the coverages specified above. The insurance must be issued by insurance providers rated A-7 or better by Best's Insurance Review. Certificates for the insurance you directly acquire must be initially provided to us at least ten days before the opening of your franchise. Certificates of renewal must be provided to us no later than thirty days before the expiration date of each policy. If you do not provide us with certificates of any insurance policies at any due date, we may purchase the insurance at your expense. You must immediately pay for any insurance we purchase for you by paying the insurance broker selected by us directly, or by paying us if we have already paid for the insurance.

We are currently an approved supplier of equipment and signs you will purchase to establish your franchise and of warranty forms you will use to operate your franchise. We are also an approved supplier of AllData software and the lessor and sublessor of leases and subleases with certain franchisees (see below). We may earn a profit from your purchases of

goods and services from us. Our parent, Monro, and our affiliate, MSC, are approved suppliers of tires. Except for warranty forms, which you must purchase from us, neither we nor any parent or affiliate is the only supplier of any of the goods or services you must purchase. Except for us and MSC, there are no approved suppliers in which any of our officers owns an interest.

In Monro's fiscal year ending March ~~2530~~, ~~2023~~2024, we did not derive any revenue from franchisees required purchases or leases, but we may do so in the future. As described above, some franchisees may opt to enter into leases or subleases with us and/or opt to make payments to us for the use of AllData software (see Item 6). We may earn a profit on lease and sublease payments and on payments for AllData software. In Monro's fiscal year ending March ~~2530~~, ~~2023~~2024, we derived ~~\$54,0340~~ in revenue from lease and sublease payments and ~~\$49,344~~59,329 in revenue for AllData software. Our total revenue from franchisees for Monro's fiscal year ending March ~~2530~~, ~~2023~~2024, was ~~\$2,531,648~~4,655,393 and the percentage of our total revenues that was from franchisees' payments of lease and sublease payments is ~~30~~% and the percentage of our total revenues that was from franchisees' AllData software payments is ~~31.5~~%.

All of your purchases from us, approved suppliers or in accordance with our specifications represent 90% to 100% of your total purchases in the establishment of your Car-X Center and 90% to 100% of your total purchases in operating your Car-X Center.

#### ITEM 9--FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 6.1, 6.2, 6.3, 7.1, 7.2, 7.3, 7.4, 14.4(j) and 14.4(k) of Franchise Agreement; Section H of Renewal Addendum; Section H of Transfer Addendum; Affiliated Lease Agreement; Affiliated Sublease; Sublease SF; Sublease LF; Section 4(a) of Area Development Agreement	Items 7, 8, 11 and 17
b. Pre-opening purchases/leases	Sections 8.1, 8.2, 8.3 and 9.3 of Franchise Agreement; Section I of Renewal Addendum; Section I of Transfer Addendum	Items 5, 7, 8 and 10
c. Site development and other pre-opening requirements	Sections 3.1(c) and 8.2 of Franchise Agreement; Section I of Renewal Addendum; Section I of Transfer Addendum	Items 5, 7 and 11
d. Initial and ongoing training	Sections 11.1 and 11.2 of Franchise Agreement; Section K of Renewal Addendum	Item 11
e. Opening	Sections 8.5 and 14.4(i) of Franchise	Items 11 and 17

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
	Agreement; Section I of Renewal Addendum; Sections B and I of Transfer Addendum; Section 3 of Area Development Agreement	
f. Fees	Sections 3.1, 9.2, 10.3 and 13.4(e) of Franchise Agreement; Section F of Renewal Addendum; Sections F and G of Transfer Addendum; Sections 2, 4(d) and 4(e) of Area Development Agreement; Section 3 of Sublease SF; Section 6 of Sublease LF	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	Sections 1.1, 4.1 4.3, 4.4, 5.2, 8.1, 8.2, 9.1, 9.2, 9.3, 9.5, 9.7, 9.12, 10.3, 10.5 and 13.4 of Franchise Agreement; Section E of Renewal Addendum; Section E of Transfer Addendum	Items 8, 11, 13 and 16
h. Trademarks and proprietary information	Sections 1.1, 5.1, 5.2, 12.1 and 12.2 of Franchise Agreement; Section 6 of Area Development Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 9.2 and 9.3 of Franchise Agreement	Items 8, 11 and 16
j. Warranty and customer service requirements	Sections 9.1, 9.2, 9.10 and 9.12 of Franchise Agreement	Item 11
k. Territorial development and sales quotas	Section 3 of Area Development Agreement	Item 12
l. Ongoing product/service purchases	Sections 9.2 and 9.3 of Franchise Agreement	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Sections 2.2(d) and 9.5 of Franchise Agreement; Section E of Renewal Addendum; Section E of Transfer Addendum; Sections 11 and 13 of Sublease SF; Sections 11 and 17 of Sublease LF	Items 11 and 17
n. Insurance	Section 9.5 of Franchise Agreement; Section 16 of Sublease SF; Section 9 of Sublease LF	Items 7 and 8
o. Advertising	Sections 10.1, 10.2 and 10.3 of Franchise Agreement; Section G of Transfer Addendum	Items 5, 6, 7 and 11
p. Indemnification	Section 16.3 of Franchise Agreement; Section 10 of Area Development Agreement; Section 6 of Sublease SF; Section 12 of Sublease LF	Item 6
q. Owner's	Sections 9.4 and 9.14 of Franchise	Items 11 and 15

Obligation	Section in Agreement	Disclosure Document Item
participation/ management/staffing	Agreement	
r. Records and reports	Sections 4.1, 4.2, 4.3, 4.4 and 9.13 of Franchise Agreement	
s. Inspections and audits	Sections 3.1(f), 4.5 and 4.6 of Franchise Agreement; Section 15 of Sublease SF; Section 19 of Sublease LF	Item 6
t. Transfer	Sections 13.1 through 13.6 of Franchise Agreement; Transfer Addendum; Section 7 of Area Development Agreement; Section 12 of Sublease SF; Section 5 of Sublease LF	Item 17
u. Renewal	Section 2.2 of Franchise Agreement; Renewal Addendum; Section 5 of Area Development Agreement; Section 2 of Sublease SF; Section 5 of Sublease LF	Item 17
v. Post-termination obligations	Sections 12.2, 12.4 through 12.6, 14.5(c), 14.6, 14.7, 15.1 through 15.6 and 19.2 of Franchise Agreement; Section 9 of Area Development Agreement	Item 17
w. Non-competition covenants	Sections 12.2 and 12.4 through 12.6 of Franchise Agreement	Item 17
x. Dispute resolution	Article 17 of Franchise Agreement; Section 12 of Area Development Agreement; Section 17 of Sublease SF; Section 30 of Sublease LF	Item 17

### ITEM 10--FINANCING

The following financing program is currently available to you, if you meet the credit requirements of the lender. The lender has final discretion to determine whether you are credit worthy and otherwise qualify for the financing.

Advantage+ (trade name of Advantage Leasing Corporation) offers loan financing for your equipment, fixtures, furniture, computers and signs. The amount of financing will vary depending on your costs, but Advantage+ will finance up to \$100,000 for your equipment (including furniture, computers and signs). The interest rate will vary from 9% to 14% depending on prevailing conditions, your individual credit history, personal financial condition and other underwriting criteria. The term of the loan can range from 24 to 48 months. Advantage will take a lien on the equipment financed. You may prepay the loan without penalty at any time. The principals of the franchisee and their spouses will be expected to personally guaranty the loan. Late payments, after a 5 day grace period, are subject to a late charge of 15% of the monthly payment or \$25, whichever is greater. If you default under the loan you may be immediately liable for all future loan payments less the net proceeds from any dispositions of the assets financed, and for all costs of collection, including reasonable attorney fees. Also, Advantage may repossess the assets financed and we may terminate your franchise and

sublease. In the loan agreement, you waive certain notices and any defenses to your obligations to Advantage+. Specimen copies of the loan (Equipment Finance Agreement) and related documents, as of the date of this Franchise Disclosure Document, are attached as Exhibit K.

There may be additional vendors added that offer limited financing to our franchisees and vendor programs may be discontinued. Any current vendor programs available will be covered during the training program.

None of the financing sources described above are affiliated with us and we do not receive any direct or indirect payments for placing financing with them.

Occasionally, we may sell the assets of company-operated units to franchisees on an installment basis and may agree to finance all or a portion of that sale to a franchisee. These assets would typically include the equipment, fixtures, signs, inventory and leasehold improvements of the company-operated unit and the right to sublease the location. If financed, you must sign a note with a reasonable rate of interest. As of the date of this Franchise Disclosure Document, we charge an APR of 6% to 10% depending on credit worthiness. The term of the note will be up to 5 to 15 years. If financed, you must grant us security in all the assets of your franchise. Also, all the principals of the franchisee and their spouses must personally guaranty the note. The note may be prepaid at any time and is not subject to any prepayment penalty. If you default on the note, or under your Franchise Agreement, you may be immediately liable for the entire principal balance of the note and all costs of collection, including reasonable attorney fees. Also, we may foreclose on the collateral and your franchise and sublease may be terminated by us. In our Note and Security Agreement, you waive certain notices, but you do not waive any other legal rights or defenses. In our Note and Security Agreement, you also agree to jurisdiction of the courts of New York. We may assign notes to a bank as collateral for loans from the bank to us and also intend to sell or discount notes to a third party. If your note is assigned, you may lose any defenses you have as a result of the assignment. Specimen copies of our Agreement for Sales of Assets, Bill of Sale, Promissory Note, Security Agreement and Closing Statements as of the date of this Franchise Disclosure Document are attached as Exhibit L.

Generally, we do not guaranty any of your obligations to the third party lenders. If, however, you request that we participate in your financing by guaranty or otherwise and we agree to participate in your financing, you must purchase the items that are being financed from a supplier designated by us.

In addition to the financing arrangements described above, if requested, we may assist you in obtaining other financing. Financing terms and interest rates will vary depending on the financial institution and the financing program offered by that institution. Your ability to obtain other financing will depend on your financial strength and ability to provide collateral.

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

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

### Before Opening

Before you open your business, we will:

1. Assist you in obtaining a location for your business and review for approval any location proposed by you (Section 6.1 of Franchise Agreement).

In some cases, we will find a site and sign a lease for the site before identifying the franchisee for the site. Accordingly, you may be considering sites that we have already begun to develop. If you are not considering a site that we have already begun to develop, if you desire, we will provide our expertise and assistance in obtaining a location for you. However, you are ultimately responsible for your location, whether or not we provide the location or assist you in obtaining the location. It is your responsibility to research and evaluate the suitability and commercial value of the location for operation of your franchise business. Our location recommendations and our procurement or approval of a location do not constitute a representation, warranty or guarantee of the commercial value or success of your location.

In all cases, we must approve the site for your franchise business. The factors that we consider when we recommend or approve a site are: density of population; income levels; number of cars that have visibility to the site on a daily basis; land costs; construction and site work costs; rent; size of site; access to the site; local zoning; level of competition in the area; local sign ordinances; and advertising costs in the area. We will generally not sign the Franchise Agreement until a suitable site for your franchise has been located and secured. The Franchise Agreement does not establish a time limit for us to approve or disapprove of a site. If you have paid a deposit and propose a site, we can usually give our approval or disapproval within 45 to 60 days. If you have signed a Franchise Agreement before your site has been located and we cannot agree on a site, your Franchise Agreement may be terminated.

2. At our option, purchase or lease the location for your business for lease or sublease to you. See Item 8. Generally, we will not own the location for your business. As noted above, sometimes, but not always, we will lease the location from the landlord and sublease the location to our franchisee. If we do not purchase or lease your location, we will assist you in negotiating your lease and will review any proposed lease of the location for approval (Sections 7.1 and 7.2 of Franchise Agreement).

3. Provide you with our specifications for construction or improvement of your franchise location and with our standard blueprints for construction or improvement if you desire (see Item 8). If you do not use our standard blueprints, we will review your construction or improvement plans for approval. We will also assist in the construction or improvement of the franchise location, if requested, by being available to interpret approved plans, periodically visiting the construction site and generally providing our expertise in constructing or improving franchise locations (Section 8.2 of Franchise Agreement).

4. Provide you with a list of approved and recommended equipment and signage necessary for development of your franchise location and the names of approved manufacturers for major pieces of equipment (Section 8.1 and 8.3 of Franchise Agreement).

You may purchase these items from us (see Items 5, 7 and 8). If you purchase these items from us, we will arrange for delivery and installation of these items at your franchise location.

Assist you in recruiting, interviewing, hiring and training your initial employees (Section 8.4 of Franchise Agreement).

5. Provide one or more of our employees to assist in the set-up of your franchise business for approximately one week before opening (Section 8.4 of Franchise Agreement).

6. Loan you one copy of the operations manual. The operations manual is confidential and remains our property (Section 9.1 of Franchise Agreement). The Operations Manual is described in more detail below.

7. Assist you with your grand opening advertising program and expend all or a portion of your initial advertising payment for that program (Section 10.1 of Franchise Agreement).

8. Train you and/or another person you designate, to operate your Car-X Center (Section 11.1 of Franchise Agreement). Our training program is described in more detail below.

Our obligations as outlined above generally will not apply if you are renewing your franchise or acquiring an existing franchise by transfer except that, on a transfer we will provide the initial training described in number 9 above (see the Renewal Addendum and Transfer Addendum).

#### Time of Opening

Franchisees typically open their Car-X Centers one to 36 months after signing a Franchise Agreement or paying consideration to us. The factors that affect this time period are the availability of a suitable site, the complexity of zoning and real estate problems peculiar to the site, the timing of construction, the franchisee's personal time table, the time table of the local government, the publication date of the local telephone directory advertising and the season of the year.

If you enter into an area development agreement with us, the area development agreement will specify when each franchise must be opened to comply with the minimum development schedule.

#### During Operation

During the operation of your franchise, we will:

1. Indemnify you against liability to third parties resulting from claims that your use of the Car-X trademarks infringes trademark rights of the third party, but only if you have used our trademarks in accordance with our specifications and you provide notice to us of the claim within 10 days of the claim and tender the defense of the claim to us (Section 5.1 of Franchise Agreement).

2. Review any alternate location proposed by you if your franchise location becomes unusable (Section 6.3 of Franchise Agreement).

3. Update our specifications relating to the franchise business, including specifications for: installation and servicing of products or rendering of services; selection, supervision or training of personnel; sales, advertising and promotional techniques, programs and procedures; construction maintenance and appearance of your location; issuing warranties or guaranties; payment, credit accounting and financial reporting; purchase and maintenance of signs, equipment, fixtures and inventory; hours and manner of operation; trademark and signage usage; and insurance coverage. The specifications may be contained in our operations manual or may be issued in other written materials. We have the right to change our specifications and you must comply with the change in specifications, except that these changes cannot change your fundamental rights under the Franchise Agreement (Section 9.1 of Franchise Agreement).

4. Provide one or more of our employees to assist in the set-up and operation of your franchise business for approximately one week after the opening of your franchise business (Section 9.3 of Franchise Agreement). This obligation does not apply on renewal or transfer (Section I of Renewal Addendum; Section J of Transfer Addendum).

5. Have an operations manager periodically visit your business throughout the term of your franchise. During these visits, the operations manager will evaluate your operations and provide operational advice (Section 9.3 of Franchise Agreement).

6. Provide guidance on pricing of products and services if you request. You are not, however, required to follow our guidelines in pricing (Section 9.3 of Franchise Agreement).

7. Provide reasonable operational assistance to you by telephone, including advice on specific services or products, if you request (Section 9.3 of Franchise Agreement).

8. We may require that you attend a performance assessment after your franchise has been in operation for approximately three months. If required, the performance assessment will take place over a one-day period at our office and we will pay your travel costs for attending the performance assessment. During the performance assessment, we will assess the financial and administrative aspects of your operations and provide advice and assistance deemed necessary by us. We will provide you at least 14 days' notice of the date and time of the performance assessment (Section 9.3 of Franchise Agreement). This provision does not apply on renewal (Section I of Renewal Addendum).

9. Designate the products and services that you must offer at your Car-X Center or that you may offer at your Car-X Center. You are prohibited from offering any products or services at your Car-X Center that we have not authorized. We will expand or restrict our required or authorized products or services for good faith marketing reasons and on a uniform basis for all similarly situated franchisees (Section 9.4 of Franchise Agreement).

10. Review products or suppliers as potential approved products or suppliers (Section 9.6 of Franchise Agreement).

11. Administer advertising and promotional programs (Section 10.1 of Franchise Agreement). Additional information about advertising is provided below.

12. Review for approval all additional advertising materials proposed by you (Section 10.2 of Franchise Agreement).

13. Review prospective transferees of your business for approval of any proposed transfers (Section 13.4 of Franchise Agreement).

#### Area Development Agreements

We do not have any significant additional obligations under the area development agreement. Except as may be noted, we will provide the services described in this Item with respect to each franchise developed under the area development agreement.

#### Advertising

We may periodically formulate, develop, produce and/or conduct advertising and promotional programs. Advertising and promotion may include radio, internet website, television, newspaper, direct mail and promotional materials. The media may be regional and/or local in scope and is directed at your market area. The source of the advertising is both our in-house advertising staff as well as regional advertising agencies. We have a Dealer Advisory Council currently consisting of five members. Council members are selected by vote of franchisees according to their own by-laws. The Council serves in an advisory capacity. There is no provision in the Council by-laws giving us the right to change or dissolve the Dealer Advisory Council. There is also an Advertising Committee currently consisting of three franchisees appointed by the Dealer Advisory Council and serving in an advisory capacity.

Franchisees may develop and use their own advertising and promotional materials. You must submit all advertising and promotional materials to be used to us for approval. You must not use any advertising or promotional materials we have disapproved. You must not use the Internet, websites, domain names, any social networks, wikis, podcasts, online forums, content sharing communities, blogging, microblogging or other social media, toll-free telephone numbers, or similar methods with potential local, regional, national or worldwide scope in connection with your Car-X Center, except with our written consent and then only in accordance any policies and procedures we specify. We may, in our discretion, maintain one or more websites, domain names, other Internet listings, directories or sites, social media accounts or toll-free telephone numbers for the Car-X franchise system and allow you to participate in those marketing methods or the business generated by those methods under guidelines we specify. If you acquire or establish any websites, domain names, social media accounts or toll-free telephone numbers for use in your Car-X Center and/or that contain or are advertised with any of the Car-X trademarks or any portion or derivation of the Car-X trademarks, we may require you, at any time, to assign, transfer or convey ownership and possession of any of those websites, domain names, social media accounts and/or toll-free telephone numbers to us. If we require you to transfer any of those items to us, our sole responsibility will be to reimburse you for any of your actual costs paid for such items.

You must pay your proportionate share of the cost of the formulation, development, production, media and other costs of advertising and promotion prepared for and conducted in or benefiting your market area (including the proportionate compensation of our employees who devote time and render services in the conduct, formulation, development and production of advertising and promotion programs or the administration of the funds used for those programs), not to exceed 10% of the weekly gross sales of your Car-X Center (the advertising payment on gross sales arising from the sales of tires and batteries will only be 50% of the specified advertising payment). We have the right to increase or decrease the percentage payable by franchisees (up to the maximum percentages) on 30 days' written notice. We will normally establish at the beginning of each year the percentage of weekly gross sales payable

by a franchisee for that calendar year. Car-X Centers operated by us contribute on the same basis as all other franchisees in their market. Advertising contributions are not audited. We will submit to you, on request, an annual statement of the receipts and disbursements of the advertising and promotional programs for your market.

Although we have the right to make the final decisions for advertising creation and placement, we consult with the franchisees in each DMA or MSA as to decisions for advertising in that DMA or MSA. Under current policies, we usually follow the decisions of the majority of franchisees in a DMA or MSA.

Advertising fund contributions of approximately 5% to 6% of gross sales for media and non-media expenses have been the historical practice. Our current advertising policies require a franchisee to pay a percentage of their gross sales (excluding tire and battery sales) into a segregated non-media account that we may use for producing advertising, covering administrative expenses and other advertising, promotional or marketing uses as determined by us. We establish the non-media account percentage each year based on marketing needs, functional costs and advertising plans. The non-media account percentage has been set as 0.35% beginning April 1, 2022.

In addition to funding the non-media account, existing franchisees are encouraged to spend additional amounts on their own or through local advertising cooperatives on local resources, including but not limited to database marketing, direct mail and free standing newspaper inserts and other printed materials. We do not collect those additional amounts and franchisees must pay vendors directly.

Under our current advertising policies, new franchisees will pay a non-media account percentage established by us (currently 0.35% of all gross sales excluding tires and batteries), but may also be required to pay an additional advertising fund contribution specified by us for advertising in that franchisee's market area. The percentages established for the non-media account and media advertising for existing and new franchisees may be revised in the future and our overall advertising policy may be revised in the future.

Three markets, Chicago, Cincinnati, and Minneapolis, will have a form of advertising co-op. Currently, franchisees in those markets pay between 1.75% and 3% of gross sales into a segregated market media account to be administered by Car-X for market-wide advertising and vendor payments. These advertising fees will vary by participating market. We may use a buying service or ad agency to manage and execute these advertising programs for those markets.

During our fiscal year ending December 31, ~~2022~~2023, the non-media fund was used as follows: ~~16.2~~16.8% of expenditures were used on production of advertising; ~~68.8~~68.2% for media placement; and 15% for administrative costs. Neither we nor any of our affiliates receive payments for providing goods or services to the advertising programs. We must spend franchisee advertising contributions for advertising and for production of materials used for advertising in that franchisee's local or regional market. Advertising contributions are also used to maintain our website. The website contains information about franchise opportunities with us. Otherwise, no monies collected for advertising and promotion are used for advertising that is a solicitation for the sale of franchises. We may not actually spend all advertising contributions collected during a particular calendar year. If we do not, the contributions will be carried over to the next calendar year.

## Computer Systems

You must purchase or lease and use the point of sale electronic and/or computer systems and other such equipment we specify for the operation of your franchise. The equipment that we currently specify for establishing a Car-X Center includes a Windows based personal computer ("PC") with monitor and printer. For franchisees new to the Car-X system, we also currently specify that you acquire a software package for use on the PC. This software package is used for sales, inventory, financial functions, and reports. This software, VAST Enterprise Retail, can be acquired from Kerridge Commercial Systems, 512 Township Line Road, Two Valley Square, Suite 220, Bluebell, PA 19422, (302) 593-3350, luis.bonilla@kerridgecs.com. The estimated cost of purchasing the specified electronic point of sale and computer systems is \$3,000 to \$6,000. This amount is included in Item 7 under the "Equipment and Furniture" category.

Kerridge Commercial Systems is the owner of all proprietary rights in the VAST Enterprise Retail software. Suppliers are responsible for proper operation of their software. We are not responsible for proper operation of the software or upgrades or maintenance to the software. Repairs to the hardware or maintenance or updates of the software are available from the suppliers at your option, for an additional cost. The current annual cost for maintenance and support, including upgrades, offered by Kerridge Commercial Systems is \$2,916. The software will track sales and inventory, prepare financial reports and provide royalty and advertising reporting information for your business. We currently do not have independent access to the information stored on or generated by the software, although we could require you to electronically transmit reports to us in the future.

In addition, we may develop point of sale electronic and/or computer systems and specifications for certain components of the point of sale electronic and/or computer systems in the future and may modify such specifications and the components of the point of sale electronic and/or computer systems. As part of the point of sale electronic and/or computer systems, we may require you to obtain specified computer hardware and/or software including a license to use proprietary software developed by us or others. Modification of the specifications for the components of the point of sale electronic and/or computer systems may require you to incur costs to purchase, lease and/or license new or modified computer hardware and/or software and to obtain service and support for the point of sale electronic and/or computer system during the term of the Franchise Agreement. All such point of sale electronic and/or computer systems must be compatible with our system, must be connected to our facilities by modem or other internet access if required by us, and must be maintained and used in compliance with our specifications. Within 90 days after you receive notice from us, you must obtain and have operational the components of the point of sale electronic and/or computer system that we specify; provided that, you will not have to spend more than \$15,000 for additional or different point of sale electronic and/or computer systems during the term of the Franchise Agreement.

We will have the right to independently access the sales information and other data produced by your point of sale electronic and/or computer systems and there are no contractual limitations on our right to access and use that information and data. You must provide us access to the information on the point of sale electronic and/or computer systems in the manner specified by us and must supply us with any and all security codes necessary to obtain such access. We may retrieve, analyze, download and use the software and all data on your point of sale electronic and/or computer systems at any reasonable times as long as such access does not unreasonably interfere with the operation of your business. You must maintain Internet

access at all times in the manner specified by us for communication with customers and us by email or other electronic means and, if specified by us, to allow us to access information from your point of sale electronic and/or computer system. (Section 4.2 of Franchise Agreement).

### Operations Manual

Our Operations Manual provides details concerning the methods of operation of a Car-X Center. As of the date of this Franchise Disclosure Document, the Operations Manual is a total of approximately 531 pages. The Table of Contents of the Operations Manual, which includes the number of pages devoted to each subject, is attached as Exhibit M.

### Training Program

You or your designated representative must attend our new dealer training program before opening your Car-X Center. The training program must be completed to our satisfaction. We recommend that you complete the training program one to three months before opening for business. The new dealer training program has historically been conducted at the Car-X office in Schaumburg, Illinois (“HQ”) and/or at other sites specified by us. The instructional materials include handouts, the Operations Manual, question and answer sessions, hands-on work at a Car-X Center, role play, training videos and sign and acknowledge checklists. ~~This in-person approach to new dealer training may be modified (either to an exclusively online training or a hybrid approach to ensure social distancing) due to COVID-19 pandemic restrictions.~~

Up to two owners and a manager for your franchise may attend the new dealer training program. The training program is up to four-weeks, the length depending on your knowledge and experience, and is conducted as often as necessary to train new franchisees. There is no extra charge for the training program. You are, however, responsible for all travel and living expenses you incur during training.

The Director of Operations and Training in charge of the new dealer training program has over 30 years of experience in the automotive repair industry and in training related to the automotive repair industry. The Training Manager of the new dealer training program has over 38 years of experience in the automotive repair industry— 32 years as an ASE Master Tech (one of only 18,000 in the U.S.)—and over 25 years of experience in training related to the automotive repair industry. ~~Additionally, we have one Franchise Technical Trainer who has over 20 years of training experience in the automotive industry and over 10 years with Car-X and its predecessor and~~ we have two Field Operations Managers who have over 30 years of operations experience in the automotive industry.

The following table provides detailed information about our new dealer training program.

#### **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Daily Operations	8		HQ
Marketing/ Advertising	6		HQ
Finance/ Accounting	6		HQ

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Customer Relations	8		HQ
Phone	4		HQ
Human Resources	4		HQ
Shop Computers	8		HQ
Suppliers' Program Seminar	11		HQ
EPA/OSHA/MAP Regulation Seminar	4		HQ/EPA
Insurance Seminar	2		HQ
Shop Safety/Orientation Clinic	4		HQ
Exhaust System Emissions System Clinic	5		HQ
Braking Systems Clinic	6		HQ
Starting/Charging Systems Clinic	3		HQ
A/C and Heating/Cooling Clinic	6		HQ
Drive Train/Axles Clinic	2		HQ
Steering and Suspension System, and Tires Clinic	6		HQ
Lube/Oil/Filter Preventative Maintenance	2		HQ
On-the-Job Training On-Site		40	At a Car-X Center

We may require that you attend a performance assessment after your franchise has been in operation for approximately three months. If required, the performance assessment will take place over a one-day period at our office and we will pay your travel costs for attending the performance assessment. During the performance assessment, we will assess the financial and administrative aspects of your operations and provide advice and assistance deemed necessary by us. We will provide you at least 14 days' notice of the date and time of the performance assessment (Section 9.3 of Franchise Agreement). This provision does not apply on renewal (Section I of Renewal Addendum). If you fail to attend the performance assessment, we may terminate your franchise.

We may require you to attend additional training or refresher training courses. Under our current policies, franchisees do not have to attend additional training or refresher courses. When new products or services are introduced to the Car-X system, we may provide training courses for the new products or services. We may require you to attend these training

programs before we authorize you to offer the product or service to the public. Under current policies, we provide additional training programs without charge to you, but we reserve the right to charge for these training programs in the future.

## **ITEM 12--TERRITORY**

### Car-X Franchises

You must operate your franchise only from a specific location, which will be designated on Appendix A to the Franchise Agreement. We must approve your location. You are not granted a minimum or maximum territory in which to operate your franchise business. As long as you provide your services from your franchise location, you are not limited in the area from which you may draw your customers. You cannot relocate your Car-X Center without our approval. The factors we consider for relocating franchises are the same factors we consider for your initial location (see Item 11). You will not have any options, rights of first refusal or similar rights to acquire additional franchises unless you purchase an area development franchise, which is described below.

You will receive a protected area around your location. Generally, and unless otherwise specified in Item 2 of Appendix A to the Franchise Agreement, your protected area will be the geographic area within a three mile radius of your franchise location, excluding any Car-X Centers existing or under development as of the date of your Franchise Agreement. If a different protected area is specified in Item 2 of Appendix A of your Franchise Agreement, that protected area may be described in terms of a radius around your location or by use of streets or natural borders. A different protected area may be specified if we believe the population density, car registrations, level of competition, income levels and number of cars that have visibility to the site on a daily basis are materially different than the usual situation. Except as described above with respect to any Car-X Centers existing or under development as of the date of your Franchise Agreement, we will not operate or authorize any other person to operate under the Car-X trademarks from a location in your protected area. You do not have to meet a certain sales volume, market penetration or other contingencies to continue your protected area and we do not have the right to modify your protected area because of population increases or any other circumstances. All rights not expressly granted to you in the Franchise Agreement are reserved to us, including the right to: (1) operate and authorize others to operate businesses using the Car-X trademarks at any location outside your protected area; and (2) operate and authorize others to operate businesses that are the same or similar to a Car-X Center under names or trademarks other than the Car-X trademarks at any location inside or outside your protected area.

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

We are not prohibited from establishing other franchises or company owned units that market similar products or services in your protected area under a different trademark. As noted in Item 1, our parent, Monro, operates Monro Stores, which are businesses that sell goods and services substantially similar to those offered by Car-X Centers but under the Monro tradenames, as well as certain company-operated units. It is possible that Monro Stores may be operated by us or our affiliates in your protected area. Also, Monro Stores operated by us or our affiliates may solicit or service customers from your protected area. We and Monro intend to let the Monro and Car-X franchise systems follow normal expansion plans, although we intend to try to avoid conflicts between the systems as much as practicable. We will resolve any conflicts between us and our franchisees or between each system regarding territory, customers and franchisor support using our business judgment. Monro's principal business address is 200 Holleder Parkway, Rochester, New York 14615.

We may in the future acquire independently owned or franchised automotive service center chains with the purpose of expanding the Car-X and/or Monro Systems. In those situations, we may operate (or license others to operate) those units under names other than the Car-X and/or Monro trademarks until it is feasible to convert the units to Car-X Centers or Monro Stores. In some situations, we may not be able to convert the units to Car-X or Monro locations and the units may continue to be operated under other names. It is possible that this could occur in the future and could involve the operation of a competing business in your protected area under a name other than the Car-X or Monro trademarks.

You can market and sell products and services to customers outside your protected area if your services are provided from your franchise location. You may not use alternative distribution channels to make sales inside or outside your protected area.

#### Area Development Franchises

Area developers receive a larger protected area that may be described in terms of a DMA, MSA, DMA's or MSA's, political subdivisions, including cities, townships or counties, or by streets and natural borders. The size of an area developer's protected area will depend on population density and car registrations as well as the number of franchises that must be developed. We will not operate or authorize any other person to operate under the Car-X trademarks from a location in the Area Developer's protected area. The area developer's protected area will be described in the Area Development Agreement. The area developer must open a specified number of stores within the protected area on a set time schedule. If these market penetration requirements are not met, we may terminate the Area Development Agreement, which would include termination of the protected area.

The protected area provided in any Franchise Agreement executed under the Area Development Agreement will remain in effect after termination of the Area Development Agreement unless the Franchise Agreement is terminated.

Area developers will not have any options, rights of first refusal or similar rights to acquire additional area development rights or franchises within any territories not included in the protected area.

An area developer's protected area does not give the area developer exclusivity of marketing territory or customers. We and other franchisees and area developers can market and sell products and services under the Car-X trademarks to customers located in the

protected area if those services are not provided from a location in the protected area. Although we have not done so in the past, the Area Development Agreement does not prohibit us or our affiliates from selling products under the Car-X trademarks inside or outside the protected area through any method of distribution other than a dedicated Car-X Auto Service Center, including, sales through alternative distribution channels. Although we have not done so in the past, the Area Development Agreement does not prohibit us or our affiliates from selling products under different trademarks inside your protected area through alternative distribution channels. You will not receive any compensation if we, our affiliates or franchisees solicit or accept customers or orders from inside the protected area.

We are not prohibited from establishing other franchises or company-operated units or alternative distribution channels that market similar products or services in an area developer's protected area under a different trademark. As noted in Item 1 and above in this Item, our affiliate, Monro, operates Monro Stores, which are businesses that sell goods or services substantially similar to those offered by Car-X Centers but under the Monro name, as well as certain company-operated units. It is possible that Monro Stores may be operated by us or our affiliates in an area developer's protected area. Also, Monro Stores operated by us or our affiliates may solicit or service customers from the protected area. We and Monro intend to let the Monro and Car-X franchise systems follow normal expansion plans, although we intend to try to avoid conflicts between the systems as much as practicable. We will resolve any conflicts between us and our franchisees or between each system regarding territory, customers and franchisor support using our business judgment.

We may in the future acquire independently owned or franchised automotive service center chains with the purpose of expanding the Car-X and/or Monro Systems. In those situations, we may operate or license others to operate those units under names other than the Car-X and/or Monro trademarks until it is feasible to convert the units to Car-X Centers or Monro Stores. In some situations, we may not be able to convert the units to Car-X or Monro locations and the units may continue to be operated under other names. It is possible that this could occur in the future and could involve the operation of a competing business in your protected area under a name other than the Car-X or Monro trademarks.

Area developers can market and sell products and services to customers outside their protected area if the services are provided from a franchise location in the protected area. Area developers may not use alternative distribution channels to make sales inside or outside the protected area.

### ITEM 13--TRADEMARKS

You must operate your Car-X Center under the Car-X trademarks. The Car-X trademarks include the following tradenames and trademarks: "Car-X Tire & Auto," "Car-X Tire & Auto Service" and "Car-X Auto Service." Our principal trademarks include these Car-X tradenames and the registered trademarks listed below, all of which are registered with the United States Patent Office ("USPTO") on the principal register. All required affidavits and renewals have been filed for these trademarks.

Car-X (logo)	CAR-X
Registration No.: 995,484	Registration No.: 1,003,042 Registered: January 28, 1975
Registered: October 8, 1974	

~~Car<sub>x</sub> cares (stylized)~~  
~~Registration No.:~~  
~~1,444,476~~  
~~Registered: June 23,~~  
~~1987~~

Fast Tire Lube Brakes Alignment  
Registration No.:3392479  
Registered: March 4, 2008

[We filed the following trademark application with the USPTO:](#)

[Car<sub>x</sub> Tire & Auto \(logo\)](#)  
[Application Serial No.: 97/673,027](#)  
[Application Date: November 11, 2022](#)

Most new Car-X Centers are using the “Car-X Tire & Auto” name, although the majority of existing Car-X Centers operate under the “Car-X Auto Service” name.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, any pending interference, opposition or cancellation proceeding nor any pending material federal or state court litigation involving the Car-X trademarks. There are no agreements currently in effect that limit our rights to use or license the Car-X trademarks in any manner material to your franchise. We do not know of any superior prior rights or infringing uses of the Car-X trademarks that could materially affect your use of the Car-X trademarks [in the states where your franchised business will be located](#).

You must use the Car-X trademarks only in accordance with our rules. You must only use the Car-X trademarks in connection with the sale of products and services authorized by us from your Car-X Center. You must not reproduce or cause to be reproduced any Car-X trademarks in any manner, including production on diagnostic forms, invoices, repair orders, warranties and in connection with advertising or on the Internet or in an Internet domain name, homepage, electronic address or otherwise in connection with a website, or in connection with any social networks, wikis, podcasts, online forums, content sharing communities, blogging, microblogging or other social media, without our written approval. You may not use the Car-X trademarks in your corporate or partnership name or in any manner not approved by us.

You must promptly notify us of any unauthorized use of the Car-X trademarks or any name or mark confusingly similar to the Car-X trademarks or any claim or litigation against you involving the Car-X trademarks. We may, in our discretion, take any affirmative action necessary to protect the Car-X trademarks. We have the right to control any actions involving the Car-X trademarks, although you must cooperate fully in those actions. We will indemnify you against liability to third parties resulting from claims that your use of the Car-X trademarks infringes trademark rights of the third party, but only if you have used our trademarks in accordance with our specifications and you provide notice to us of the claim within 10 days of the claim and tender the defense of the claim to us. Otherwise, the Franchise Agreement does not require us to participate in your defense and/or to indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Car-X trademarks or if the proceeding is resolved unfavorably to you.

We may, in our discretion, modify or discontinue one or more of the Car-X trademarks, but only on a uniform basis for all similarly situated franchisees in a particular market. If we modify or discontinue the Car-X trademarks, you will have the right under the Franchise Agreement to use the modified trademarks and you will have the obligation to make those changes at your expense.

#### **ITEM 14--PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We do not own any patents that are material to your franchise. We do not have any pending patent applications that are material to your franchise. We claim copyright protection of our operations manual and similar materials, although these materials are not registered with the United States Registrar of Copyrights.

Our operations manual and other aspects of the Car-X system are considered proprietary and confidential. This information may include site selection criteria, training and operations materials, methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience, knowledge of operating results, financial performance and related intellectual property. You must use the operations manual and the other aspects of the Car-X system only as provided in the Franchise Agreement. You may not use our operations manual or any other aspect of the Car-X system in any unauthorized manner and you must take reasonable steps to prevent disclosure of this information to others. We may require that you have your employees sign an agreement of confidentiality in a form specified by us before disclosing confidential information to them.

There are no currently effective material determinations of the United States Copyright Office or any court regarding any of our copyrighted materials. There are no agreements currently in effect that limit our rights to use or license the copyrighted materials or any of our confidential information. We do not know of any superior prior right or infringing uses of our copyrighted materials or our confidential information that could materially affect your use of those materials or information.

We are not required by any agreement to protect or defend our copyrights or confidential information or to take affirmative action when notified of infringement of our copyrights or confidential information or to defend you against claims arising from our use of copyrighted or confidential information. If there is litigation involving our copyrights or confidential information, we would have the right to control that litigation. We do not have an obligation under the Franchise Agreement to participate in your defense or to indemnify you for expenses or damages in a proceeding involving a copyright or confidential information licensed to you.

We may, in our discretion, modify our copyrights and confidential information. If we modify our copyrights or confidential information, you will have the right under the Franchise Agreement to use the modified materials and you will have the obligation to make changes specified by us at your expense.

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

If you are an individual, you must devote your full time and effort to the actual management and operation of your Car-X Center. If you are a corporation or other entity, unless otherwise stated in Item 5 of Appendix A to the Franchise Agreement, each individual owning an equity or voting interest of 10% or more of the franchisee will be considered a principal of the franchisee (each a "principal" and together the "principals"). One or more of the principals must devote their full time and effort to the actual management and operation of your Car-X Center. If, however, you desire to have a manager carry out on-site management responsibilities, the manager must be approved by us. We have the right to require the manager to successfully complete our training program as a condition of approval. The on-premises manager is not required to have an equity interest in the franchise. As described in Item 14, we may require your manager to sign a confidentiality agreement. If the franchisee is a corporation or other entity, the principals and their spouses must personally guaranty all of the franchisee's obligations to us. Also, if you own affiliated entities that operate Car-X Centers, those affiliated entities must guaranty all of the franchisee's obligations to us. See the "Obligations of Individuals involved in Franchisee's Business" at the end of the Franchise Agreement and the Guaranty and Subordination Agreement attached to the Franchise Agreement as Appendix C.

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

You must sell all products and services specified by us. You may offer products and services that we authorize as optional, if you meet our requirements for offering those products and services. You may not offer any products or services that we have not authorized (See Items 8 and 9). You also must not use your franchise location for any purpose other than the operation of a Car-X Center. We have the right to change the authorized products and services, but we may only make these changes for good faith reasons on a uniform basis for similarly situated franchisees. You may solicit any customers, no matter who they are or where they are located, as long as your services are provided from the authorized location of your Car-X Center (See Item 12).

## **ITEM 17--RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

### **THE FRANCHISE RELATIONSHIP**

**These tables list certain important provisions of the Franchise and related agreements. You should read these provisions in the agreements attached to this Franchise Disclosure Document.**

#### Franchise Agreement

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 2.1; Section C of Renewal Addendum; Section C of Transfer Addendum	Generally, 15 years but may vary depending on the term of the lease for the franchise location

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
b. Renewal or extension of the term	Section 2.2; Section D of Renewal Addendum; Section D of Transfer Addendum	Generally, two additional periods of 5 years each but may vary depending on the term of the lease for the franchise location
c. Requirements for you to renew or extend	Section 2.2; Section D of Renewal Addendum; Section D of Transfer Addendum	The Franchise Agreement automatically renews unless you elect not to renew, or we do not consent to renewal. As conditions to renewal, we may require that you release us from claims, execute our standard form of Franchise Agreement in use at the time of renewal and renovate your franchise location (you may be asked to sign a Franchise Agreement with materially different terms and conditions than your original Franchise Agreement)
d. Termination by you	Sections 14.1 and 14.5	If we breach the Agreement and do not cure after notice
e. Termination by us without cause	None	
f. Termination by us with cause	Sections 14.2, 14.3, 14.4 and 14.5; Section K of Renewal Addendum; Section K of Transfer Addendum	If you breach the Agreement or commit any one of the violations listed in Sections 14.3 and 14.4 of the Franchise Agreement (see g. and h. below)
g. "Cause" defined—curable defaults	Sections 14.4 and 14.5; Section K of Renewal Addendum; Section J of Transfer Addendum	Notice and cure period is 10 days for monetary defaults and 30 days for other defaults. The defaults include: failure to pay suppliers; a breach by you or any affiliate of any other agreement with us; failure to complete training; suspension of license; failure to pay us or supply reports; inaccuracies in the reporting of sales; failure to use approved equipment or products; failure to properly display the trademarks; failure to open by designated date; loss of right to occupy the franchise location; destruction of the business and the failure to rebuild; failure to submit to an audit; failure to meet quality control standards; repeated failure to comply with standards; failure to hold information in confidence; failure to honor warranties; cancellation of guaranties; other breaches of the Franchise Agreement or Operations Manual
h. "Cause" defined—non-curable defaults	Sections 14.3 and 14.5	Willful misrepresentation; issuance of improper guaranties; unauthorized transfer; conviction of a crime;

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
		abandonment; materially adverse conduct; repeat defaults; bankruptcy; an assignment for the benefit of creditors
i. Your obligations on termination/ non-renewal	Section 14.6	Termination of lease, complete de-identification, transfer of telephone numbers, payment of amounts due and sale of proprietary inventory
j. Assignment of contract by us	Section 13.6	No restriction on our right to assign
k. "Transfer" by you—defined	Section 13.1	Includes transfer of interest in franchise, interest in the corporation or other business entity, or assets of the franchise
l. Our approval of a transfer by you	Sections 13.1 and 13.4	We must approve all transfers, but will not unreasonably withhold approval
m. Conditions for our approval of the transfer	Sections 13.4 and 13.5	New franchisee qualifies, all amounts are paid, portion of purchase price escrowed to ensure payment of advertising obligations and your obligations to us, transfer fee paid, purchase agreement approved, training arranged, release signed by you, guaranty of purchaser's obligations to us signed by you, escrow is established to secure the guaranty, current Franchise Agreement signed by new franchisee
n. Our right of first refusal to acquire your business	Section 13.3	We can match any offer for the purchase of your business
o. Our option to purchase your business	Sections 15.1 through 15.6	We have the option to purchase your business on termination or expiration for fair market value
p. Your death or disability	Section 13.2	Your estate may operate the franchise if a manager is approved by us; we have an option to operate the franchise for your estate
q. Non-competition covenants during the term of the franchise	Sections 12.4 and 12.6	No direct or indirect involvement in a competing business anywhere
r. Non-competition covenants after the franchise is terminated or expires	Sections 12.5 and 12.6	No direct or indirect involvement in a competing business for 2 years within 5 miles of former franchise location or within 5 miles of any other Car-X location; these restriction do not apply if: (a) you terminate the Franchise Agreement for cause; or (b) all of the following are met: (i) you own the real estate, (ii) there are no other Car-X Centers in your advertising market and (iii)

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
		we do not acquire the franchise location
s. Modification of agreement	Sections 9.1 and 19.7	No modifications unless in writing, but operations manual subject to change
t. Integration/merger clause	Section 19.7	Only the terms of the Franchise Agreement are binding (subject to applicable state law); however, we do not disclaim and you do not waive reliance on any authorized statements in this disclosure document or in its exhibits and amendments
u. Dispute resolution by arbitration or mediation	Section 9.12	We and you must arbitrate all disputes in the metropolitan area of our then current business address (currently, New York, New York)
v. Choice of forum	Section 17.1	Subject to arbitration requirement, litigation must be in a state or federal district court of competent jurisdiction in the state, county and judicial district in which our principal place of business is then located (currently New York, New York), except that we may bring an action for an injunction in any court with jurisdiction (see Franchise Agreement). (Subject to state law)
w. Choice of law	Section 17.1	Subject to applicable state law, New York law applies

#### Area Development Agreement

<b>Provision</b>	<b>Section in Area Development Agreement</b>	<b>Summary</b>
a. Length of the franchise Term	Section 5	Negotiated
b. Renewal or extension of the term	Section 5	5 years
c. Requirements for you to renew or extend	Section 5	Not in default, provide notice, agreement on new development schedule
d. Termination by you	None	
e. Termination by us without cause	None	
f. Termination by us with cause	Section 8	We can terminate if you commit any of several listed violations
g. "Cause"	None	

<b>Provision</b>	<b>Section in Area Development Agreement</b>	<b>Summary</b>
defined—curable defaults		
h. “Cause” defined—non-curable defaults	Section 8	Expiration or termination of Franchise Agreement, default under other agreements, failure to develop, unauthorized assignment, material misrepresentation or other breach of the agreement
i. Your obligations on termination/ non-renewal	Section 9	All your rights as area developer cease; you can continue to operate under existing Franchise Agreements
j. Assignment of contract by us	None	No restriction on our right to assign
k. “Transfer” by you—defined	Section 7	Transfer of any rights under agreement
l. Our approval of a transfer by you	Section 7	We have the right to approve all transfers, but will not unreasonably withhold approval
m. Conditions for our approval of the transfer	None	We will follow our standard policies
n. Our right of first refusal to acquire your business	None	
o. Our option to purchase your business	None	
p. Your death or disability	None	
q. Non-competition covenants during the term of the franchise	None	Franchise Agreement provision applies
r. Non-competition covenants after the franchise is terminated or expires	None	Franchise Agreement provision applies
s. Modification of the Agreement	Section 13(b)	No modifications, except in writing
t. Integration/ merger clause	Section 14(b)	Only the terms of the Agreement are binding (subject to applicable state law); however, we do not disclaim, and you do not waive reliance on any authorized statements in this disclosure document or in its exhibits and amendments
u. Dispute resolution by	None	We and you must arbitrate all disputes in the metropolitan area of our then current

<b>Provision</b>	<b>Section in Area Development Agreement</b>	<b>Summary</b>
arbitration or mediation		business address (currently, New York, New York)
v. Choice of forum	Section 12	Subject to arbitration requirement, litigation must be in a state or federal district court of competent jurisdiction in the state, county and judicial district in which our principal place of business is then located (currently New York, New York), except that we may bring an action for an injunction in any court with jurisdiction (see Franchise Agreement). (Subject to state law).
w. Choice of law	Section 12	Subject to applicable state law, New York law applies

### Subleases

<b>Provision</b>	<b>Section in Subleases</b>	<b>Summary</b>
a. Length of the franchise term	Section 2 of Sublease SF; Section 4 of Sublease LF	Will mirror the term of the underlying lease
b. Renewal or extension of the term	Section 2 of Sublease SF; Section 5 of Sublease LF	Will mirror the renewal options in the underlying lease; renewal is automatic unless you or we elect not to renew, or we do not consent to renewal
c. Requirements for you to renew or extend	Section 2 of Sublease SF; Section 5 of Sublease LF	You and your affiliates are not in default, provide notice, have timely paid obligations under sublease; have not received notices of default in last 12 months; we do not have reasonable concerns regarding your creditworthiness
d. Termination by you	None	
e. Termination by us without cause	None	
f. Termination by us with cause	Section 8 of Sublease SF; Section 23 of Sublease LF	We can terminate if you default under sublease, Franchise Agreement or any other agreement
g. "Cause" defined—curable defaults	Section 8 of Sublease SF; Section 23 of Sublease LF	Failure to pay rent or other breaches of the Sublease
h. "Cause" defined—non-curable defaults	Section 8 of Sublease SF; Section 23 of Sublease LF	Expiration or termination of Franchise Agreement, default under other agreements, termination or cancellation of the underlying lease, 3 or more late payments in 12 months, act by you that creates a default in the underlying lease,

<b>Provision</b>	<b>Section in Subleases</b>	<b>Summary</b>
		abandonment of the premises, assignment for the benefit of creditors or proceeding for receiver
i. Your obligations on termination/ non-renewal	Section 8 of Sublease SF; Section 24 of Sublease LF	You have to return the premises to us; you are still liable for rent
j. Assignment of contract by us	None	No restriction on our right to assign
k. "Transfer" by you—defined	Section 12 of Sublease SF; Section 21 of Sublease LF	Transfer of any rights under agreement
l. Our approval of a transfer by you	Section 12 of Sublease SF; Section 21 of Sublease LF	We have the right to approve all transfers, all transfers must be made to a Car-X franchisee
m. Conditions for our approval of the transfer	Section 12 of Sublease SF; Section 21 of Sublease LF	We will follow our standard policies; all transfers must be made to a Car-X franchisee
n. Our right of first refusal to acquire your business	None	
o. Our option to purchase your business	None	
p. Your death or disability	None	
q. Non-competition covenants during the term of the franchise	None	
r. Non-competition covenants after the franchise is terminated or expires	None	
s. Modification of the Agreement	Section 20(b) of Sublease SF; Section 39 of Sublease LF	No modifications, except in writing
t. Integration/ merger clause	Section 20(b) of Sublease SF; Section 39 of Sublease LF	Only the terms of the Sublease are binding (subject to applicable state law) as to the subject matter of the Sublease; however, we do not disclaim and you do not waive reliance on any authorized statements in this disclosure document or in its exhibits and amendments
u. Dispute resolution by arbitration or mediation	None	
v. Choice of forum	Section 17 of Sublease	Action for possession may be brought in

Provision	Section in Subleases	Summary
	SF; Section 30 of Sublease LF	any court with jurisdiction; other litigation must be in New York (subject to applicable state law)
w. Choice of law	Section 17 of Sublease SF; Section 30 of Sublease LF	New York law applies except action for repossession will be governed by the law of the state in which the premises are located (subject to applicable state law)

### ITEM 18--PUBLIC FIGURES

We do not use any public figure to promote our franchise.

### ITEM 19—FINANCIAL PERFORMANCE REPRESENTATIONS

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

Actual results may vary from unit to unit and we cannot estimate any results of any particular franchise. The following information is provided for the purpose of helping you evaluate the potential earnings capability of a Car-X Center. Please carefully read all information in this Item 19, including the statements following the table, which explain the information and the limitations on the information contained in this Item 19.

As of December 31, ~~2022~~2023, there were ~~145~~124 Car-X Centers in operation; ~~76~~50 were franchised and ~~69~~74 were company-owned. The gross sales, annual car count and average repair ticket information in the table is based on gross sales for ~~2022~~2023 for the ~~75~~50 franchised Car-X Centers that, as of December 31, ~~2022~~2023, had been in operation for at least two full calendar years. The cost information in the table (cost of goods sold, management labor and direct labor) is based on information for ~~2022~~2023 for ~~68~~69 company-owned Car-X Centers that, as of December 31, ~~2022~~2023, had been in operation for at least 12 calendar months.

Description	Average	Median	High	Low	# and % That Met or Exceeded Average
Gross Sales ( <del>75</del> 50 Franchises)	\$ <del>877,805</del> <u>818,944</u>	\$ <del>778,414</del> <u>731,14</u> <u>1</u>	\$ <del>2,206,656</del> <u>2,049,87</u> <u>0</u>	\$ <del>128,449</del> <u>100,328</u>	<del>28</del> 17 of <del>75</del> 50 <del>(37.334.</del> <u>00%)</u>

Description	Average	Median	High	Low	# and % That Met or Exceeded Average
Annual Car Count ( <del>7550</del> Franchises)	<del>3,380</del> 2,718	<del>2,969</del> 2,594	<del>15,052</del> 15,009	425,451	<del>2723</del> of <del>7550</del> ( <del>36.046</del> %)
Average Repair Ticket ( <del>7550</del> Franchises)	<del>\$281.67</del> \$310.73	<del>\$280.50</del> \$329.33	<del>\$492.03</del> \$34.31	<del>\$41.37</del> \$2.93	<del>3726</del> of <del>7550</del> ( <del>49.352</del> %)
Cost of Goods Sold as a Percentage of Sales ( <del>6869</del> Company-Owned Car-X Centers)	<del>36.1%</del> 38.39%	<del>35.2%</del> 7.07%	<del>50.9%</del> 56.63%	<del>24.4%</del> 2.592%	<del>2831</del> of <del>6869</del> ( <del>41.244</del> %)
Management Salary Paid as a Percentage of Sales ( <del>6869</del> Company-Owned Car-X Centers)	<del>8.9%</del> 8.77%	<del>7.7%</del> 7.74%	<del>26.6%</del> 21.14%	<del>3.7%</del> 3.20%	<del>2329</del> of <del>6869</del> ( <del>33.842</del> %)
Direct Labor Paid as a Percentage of Sales ( <del>6869</del> Company-Owned Car-X Centers)	<del>23.8%</del> 23.47%	<del>22.6%</del> 2.16%	<del>37.6%</del> 48.03%	<del>12.7%</del> 1.360%	<del>3132</del> of <del>6869</del> ( <del>45.646</del> %)

Notes:

1. The figures in the table (other than the figures for company-owned Car-X Centers) reflect information reported to our predecessor and us by independent owners of Car-X Centers. We do not know if the figures reported to our predecessor and to us were audited or whether they were prepared in accordance with generally accepted accounting principles (GAAP). We have not independently audited the figures. The information for our predecessor's company-owned units (now operated under a license agreement between us and CXAC, Inc.) was audited in accordance with GAAP.
2. For purposes of this table, "met or exceeded" means that the unit performed the same or better than the average. For sales, this means sales were the same or higher. For expenses, this means expenses were the same or lower.
3. Gross sales, COGS and costs of labor do not reflect the actual potential net income of a Car-X Center and should not be relied on in calculating profitability. There are a number of fixed and variable costs associated with a Car-X Center that are not reflected in the information set forth above and that vary among individual Car-X Centers. These additional expenses, which are likely to be significant, include, but are not limited to, the following: costs described in Items 6 and 7 of this Franchise Disclosure Document; rent and other occupancy costs; taxes; insurance; royalty and advertising fund contributions; interest or finance charges if you finance some or all of the cost of the franchise; depreciation on property and equipment; utilities; accounting and legal fees and general administrative expenses; any pre-opening or amortization of organization costs; costs associated with regulatory compliance; management costs; fringe benefits; and repairs

and maintenance. We strongly encourage you to consult with your financial advisors in reviewing the information in this Item 19, in particular, in estimating the categories and amount of additional expenses you will incur in establishing and operating a Car-X Center.

4. You should be aware that the financial performance of any particular Car-X Center might be affected by a number of factors that may vary due to the individual characteristics of the Car-X Center. These factors include, but are not limited to: competition from other auto service centers; appreciation and acceptance of the products and services offered by your franchise in the community in which your franchise is located; your experience; the quality and effectiveness of your managerial skills; and your decisions with respect to location, additional advertising programs, personnel and cost controls; geographic and socioeconomic conditions in you locality; business cycles; and the performance of the local, national and world economy.
5. Substantiation of the data used in preparing the figures in the table will be made available to you on reasonable request.

**SOME FRANCHISEES HAVE SOLD THE AMOUNTS SET FORTH IN CHART ABOVE. YOUR INDIVIDUAL RESULTS MAY DIFFER. THERE IS NO ASSURANCE THAT YOU'LL SELL AS MUCH.**

**YOUR INDIVIDUAL FINANCIAL RESULTS ARE LIKELY TO DIFFER FROM THE RESULTS STATED ABOVE. THE FIGURES IN THE TABLES SHOULD NOT BE CONSIDERED THE ACTUAL, POTENTIAL OR PROBABLE GROSS SALES THAT WILL BE REALIZED BY ANY OF OUR FRANCHISEES. WE DO NOT PROVIDE ANY GUARANTY OR ASSURANCE THAT ANY FRANCHISEE MAY ATTAIN SUCH GROSS SALES, OR ANY INCOME OR PROFIT THAT COULD BE DERIVED FROM SUCH GROSS SALES OR COGS. IF ANYONE RELIES ON THESE FIGURES, THEY MUST ACCEPT THE RISK OF NOT DOING AS WELL.**

Other than the preceding financial performance representations, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Daniel LeGault, Jr. 1100 East Woodfield Road, Suite 105 Schaumburg, IL 60173 847-273-8926., the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20--OUTLETS AND FRANCHISEE INFORMATION

Information in the following tables is provided as of December 31 of each year.

**Table No. 1**  
**System Wide Outlet Summary**  
**For Years ~~2020~~2021 to ~~2022~~2023**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised/Licensed	<del>2020</del>	97	95	-2
	2021	95	80	-15
	2022	80	76	-4
	<u>2023</u>	<u>76</u>	<u>50</u>	<u>-26</u>
<del>Company</del>	<del>2020</del>	64	57	-7
<u>Company</u>	2021	57	68	11
	2022	68	69	1
	<u>2023</u>	<u>69</u>	<u>74</u>	<u>5</u>
<b>Total</b>	<del>2020</del>	<del>161</del>	<del>152</del>	<del>-9</del>
<b>Total</b>	<b>2021</b>	<b>152</b>	<b>148</b>	<b>-4</b>
	<b>2022</b>	<b>148</b>	<b>145</b>	<b>-3</b>
	<b><u>2023</u></b>	<b><u>145</u></b>	<b><u>124</u></b>	<b><u>-21</u></b>

**Table No. 2**

**Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)**  
**For Years ~~2020~~2021 to ~~2022~~2023**

State	Year	Number of Transfers
All States	<del>2020</del>	0
	2021	0
	2022	0
	<u>2023</u>	<u>0</u>
<b>Totals</b>	<del>2020</del>	0
	<b>2021</b>	0
	<b>2022</b>	0
	<b><u>2023</u></b>	<b><u>0</u></b>

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years ~~2020~~2021 to ~~2022~~2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Illinois	<del>2020</del>	24	0	4	0	0	0	20
	2021	20	0	0	0	0	0	20
	2022	20	0	0	1	0	1	18
	<u>2023</u>	18	0	0	0	0	0	18
<del>Indiana</del>	<del>2020</del>	17	0	0	0	0	4	16
<u>Indiana</u>	2021	16	1	0	1	0	1	16
	2022	16	0	0	1	0	0	15
	<u>2023</u>	15	0	0	0	0	13	2
Iowa	<del>2020</del>	14	0	0	0	0	0	14
	2021	11	0	0	0	11	0	0
	2022	0	0	0	0	0	0	0
	<u>2023</u>	0	0	0	0	0	0	0
Kentucky	<del>2020</del>	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	<u>2023</u>	4	0	0	0	0	2	2
Minnesota	<del>2020</del>	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	<u>2023</u>	3	0	0	0	0	0	3
Missouri	<del>2020</del>	17	0	0	0	0	0	17
	2021	17	0	0	0	0	0	17
	2022	17	0	0	0	0	0	17
	<u>2023</u>	17	0	0	0	0	0	17
Ohio	<del>2020</del>	17	0	0	0	0	0	17
	2021	17	0	0	0	0	0	17
	2022	17	0	0	0	0	0	17
	<u>2023</u>	17	0	0	0	0	11	6
Texas	<del>2020</del>	4	0	0	0	0	0	4
	2021	4	0	0	0	0	4	0
	2022	0	0	0	0	0	0	0
	<u>2023</u>	0	0	0	0	0	0	0
Wisconsin	<del>2020</del>	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	1	0	2
	<u>2023</u>	2	0	0	0	0	0	2
<b>Totals</b>	<del>2020</del>	97	0	4	0	0	4	95
<u>Totals</u>	2021	95	1	0	1	11	4	80
	2022	80	0	0	2	1	1	76

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
	<b>2023</b>	<b>76</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26</b>	<b>50</b>

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years ~~2020~~2021 to ~~2022~~2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Arkansas	<del>2020</del>	<del>2</del>	<del>0</del>	<del>0</del>	<del>2</del>	<del>0</del>	<del>2</del>
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	<b>2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Illinois	<del>2020</del>	<del>27</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>28</del>
	2021	28	0	0	0	0	28
	2022	28	0	0	0	0	28
	<b>2023</b>	<b>28</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29</b>
Indiana	<del>2020</del>	<del>5</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>5</del>
	2021	5	0	0	0	0	5
	2022	5	0	0	0	0	5
	<b>2023</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>
<del>Iowa</del>	<del>2020</del>	<del>3</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>3</del>
<u>Iowa</u>	2021	3	0	11	0	0	14
	2022	14	0	0	0	0	14
	<b>2023</b>	<b>14</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>
Minnesota	<del>2020</del>	<del>9</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>9</del>
	2021	9	0	0	0	0	9
	2022	9	0	0	0	0	9
	<b>2023</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>
Missouri	<del>2020</del>	<del>8</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>8</del>
	2021	8	0	0	0	0	8
	2022	8	0	0	0	0	8
	<b>2023</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>
Ohio	<del>2020</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>4</del>	<del>0</del>	<del>0</del>
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	<b>2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Tennessee	<del>2020</del>	<del>2</del>	<del>0</del>	<del>0</del>	<del>2</del>	<del>0</del>	<del>0</del>
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	<b>2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Wisconsin	2020	4	0	0	0	0	4
	2021	4	0	0	0	0	4
	2022	4	0	1	0	0	5
	2023	5	0	0	0	0	5
<b>Totals</b>	<b>2020</b>	<b>64</b>	<b>4</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>57</b>
<b>Totals</b>	<b>2021</b>	<b>57</b>	<b>0</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>68</b>
	<b>2022</b>	<b>68</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>69</b>
	<b>2023</b>	<b>69</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>74</b>

Note: ~~The eight Company Owned outlets identified in Table No. 4 as “closed” in 2020 were rebranded by Monro as “Tire Choice Auto Service Centers”, and remained open for business.~~

**Table No. 5**  
**Projected Openings as of December 31, ~~2022~~2023**

State	Franchise Agreements Signed But Outlet Not Yet Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
<del>Illinois</del>	<del>0</del>	<del>4</del>	<del>4</del>
<del>Iowa</del>			<del>4</del>
<b>Totals</b>	<b>0</b>	<b>40</b>	<b>50</b>

As of the date of this Franchise Disclosure Document, we have not sold any Area Development franchises.

The names of all franchisees and the addresses and telephone numbers of their franchises are listed on Exhibit N. A list of the name, city, state and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement, and of every franchisee that transferred its Franchise Agreement to another franchisee, during ~~2022~~2023 or who has not communicated with us within 10 weeks of our application date (or the date of this Franchise Disclosure Document, if this Franchise Disclosure Document is not for use in a state requiring registration of franchises), is attached as Exhibit O. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years we have signed confidentiality clauses with current or former franchisees. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

We have endorsed a franchisee organization known as the Car-X Franchisee Dealer Council (the "Dealer Council"). The president of the Dealer Council is Jim Isabell - (314) 428-0002. Other than the Dealer Council, there are no trademark-specific franchisee organizations associated with the Car-X franchise system that have been created, sponsored, or endorsed by us or that have asked to be included in our Franchise Disclosure Document.

## ITEM 21--FINANCIAL STATEMENTS

Attached as Exhibit P to this Disclosure Document are Monro's audited financial statements for the fiscal years ending March 30, 2024, March 25, 2023, and March 26, 2022, ~~and March 27, 2021~~.

Monro absolutely and unconditionally guarantees to assume our duties and obligations under the franchise agreement should we become unable to perform our duties and obligations under the Franchise Agreement. Monro's guaranty of performance is included in Exhibit P of this Disclosure Document.

## ITEM 22--CONTRACTS

The following contracts are attached to this Franchise Disclosure Document:

- Franchise Reservation Agreement -- Exhibit C-1
- Franchise Agreement -- Exhibit C-2
  - Legal Entity Form – Appendix B to Franchise Agreement
  - Guaranty and Subordination Agreement – Appendix C to Franchise Agreement
  - Disclosure Acknowledgment Statement – Attachment to Franchise Agreement
- License Agreement -- Exhibit D
- Addendum to Franchise Agreement - Renewal -- Exhibit E
- Addendum to Franchise Agreement - Transfer -- Exhibit F
- Area Development Agreement -- Exhibit G
- Sublease SF -- Exhibit H
- Sublease LF -- Exhibit I
- Lease Addendum -- Exhibit J
- Advantage Leasing Corporation Financing Documents -- Exhibit K
- Car-X Acquisition and Financing Documents -- Exhibit L
- State Specific Addenda to Agreements -- Exhibit Q

## ITEM 23--RECEIPTS

Two copies of a Receipt, which acknowledges your receipt of this Franchise Disclosure Document, including all Exhibits, are attached as Exhibit S. You must date and sign one copy of the Receipt and deliver it to us.

**EXHIBIT A**

**LIST OF STATE ADMINISTRATORS**

**LIST OF STATE ADMINISTRATORS**

<p><b><u>CALIFORNIA</u></b></p> <p>Corporations Commissioner Department of Corporations 320 West 4<sup>th</sup> Street, Suite 750 Los Angeles, California 90013 (213) 736-2741</p>	<p><b><u>HAWAII</u></b></p> <p>Commissioner of Securities Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p>
<p><b><u>ILLINOIS</u></b></p> <p>Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p><b><u>INDIANA</u></b></p> <p>Indiana Secretary of State Securities Division, Room E 111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681</p>
<p><b><u>MARYLAND</u></b></p> <p>Office of Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-7042</p>	<p><b><u>MICHIGAN</u></b></p> <p>Franchise Administrator Consumer Protection Division Michigan Department of Attorney General 670 Law Building Lansing, Michigan 48913 (517) 373-7117</p>
<p><b><u>MINNESOTA</u></b></p> <p>Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600</p>	<p><b><u>NEW YORK</u></b></p> <p>New York State Department of Law 120 Broadway, 23rd Floor New York, New York 10271 (212) 416-8211</p>
<p><b><u>NORTH DAKOTA</u></b></p> <p>Securities Department 600 East Boulevard, Fifth Floor Bismarck, North Dakota 58505 (701) 328-2910</p>	<p><b><u>OREGON</u></b></p> <p>Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (501) 378-4387</p>

<p><b><u>RHODE ISLAND</u></b></p> <p>Superintendent of Securities  Division of Securities  233 Richmond Street, Suite 232  Providence, Rhode island 02903  (401) 277-3048</p>	<p><b><u>SOUTH DAKOTA</u></b></p> <p>Department of Labor and Regulation  Division of Securities  124 S. Euclid, Suite 104  Pierre, South Dakota 57501  (605) 773-4823</p>
<p><b><u>VIRGINIA</u></b></p> <p>State Corporation Commission  Division of Securities and Retail Franchising  1300 E. Main Street, Ninth Floor  Richmond, Virginia 23219  (804) 371-9051</p>	<p><b><u>WASHINGTON</u></b></p> <p>Department of Financial Institutions  General Administration Building  Securities Division - 3rd Floor West  210 11th Street, S.W.  Olympia, Washington 98504  (360) 902-8760</p>
<p><b><u>WISCONSIN</u></b></p> <p>Department of Financial Institutions  Division of Securities 4<sup>th</sup> Floor  345 W. Washington Avenue  Madison, Wisconsin 53703  (608) 266-1064</p>	

**EXHIBIT B**

**LIST OF AGENTS FOR SERVICE OF PROCESS**

**LIST OF AGENTS FOR SERVICE OF PROCESS**

<p><b><u>DELAWARE</u></b>                  Capitol Corporate Services, Inc.                  615 South Dupont Highway                  Dover, Delaware 19901</p>	<p><b><u>FLORIDA</u></b>                  Capitol Corporate Services, Inc.                  155 Office Plaza Dr., Suite A                  Tallahassee, Florida 32301</p>
<p><b><u>ILLINOIS</u></b>                  Illinois Attorney General                  500 South Second Street                  Springfield, Illinois 62706</p>	<p><b><u>INDIANA</u></b>                  Indiana Secretary of State                  201 State House                  200 West Washington Street                  Indianapolis, Indiana 46204</p>
<p><b><u>IOWA</u></b>                  Capitol Corporate Services, Inc.                  1503 42<sup>nd</sup> Street, Suite 210                  West Des Moines, Iowa 50266</p>	<p><b><u>MARYLAND</u></b>                  Maryland Securities Commissioner                  200 St. Paul Place, 20th Floor                  Baltimore, Maryland 21202-2020</p>
<p><b><u>MICHIGAN</u></b>                  Corporations Division                  Franchise                  P.O. Box 30054                  Lansing, MI 48909                  (517) 373-7117</p>	<p><b><u>MINNESOTA</u></b>                  Minnesota Department of Commerce                  85 7<sup>th</sup> Place East, Suite 280                  St. Paul, Minnesota 55101-2138                  (651) 539-1600</p>
<p><b><u>MISSOURI</u></b>                  Capitol Corporate Services, Inc.                  222 E. Dunklin, Suite 102                  Jefferson City, Missouri 65101</p>	<p><b><u>NEW YORK</u></b>                  Secretary of State                  of the State of New York                  41 State Street                  Albany, New York 11231</p>
<p><b><u>NORTH DAKOTA</u></b>                  Securities Department                  600 East Boulevard, Fifth Floor                  Bismarck, North Dakota 58505</p>	<p><b><u>VIRGINIA</u></b>                  Clerk of the State Corporation Commission                  1300 East Main Street, 1st Floor                  Richmond, Virginia 23219</p>
<p><b><u>WISCONSIN</u></b>                  Department of Financial Institutions                  Division of Securities 4<sup>th</sup> Floor                  345 W. Washington Avenue                  Madison, Wisconsin 53703</p>	

**EXHIBIT C-1**

**FRANCHISE RESERVATION AGREEMENT**

## FRANCHISE RESERVATION AGREEMENT

**THIS FRANCHISE RESERVATION AGREEMENT** (this "Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between CAR-X, LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_, whose principal address is \_\_\_\_\_ ("Applicant").

### Introduction:

Franchisor and its predecessors and affiliates have developed automotive repair centers that sell, install and service automotive exhaust systems, brakes, front end, steering and suspension, alignment, air conditioning, engine diagnostics, batteries, tires and other automotive products and services ("Centers"). Such Centers are operated using Franchisor's system, including Franchisor's trademarks and logos, training, operation procedures, promotional techniques and materials, location analysis, building design and layout, record keeping and reporting. Franchisor owns all rights to and interests in, and uses, promotes and licenses (or has the right to use and license the use of) certain trade names, trademarks and other commercial symbols in connection with the operation of Centers that have gained and will continue to gain public acceptance and goodwill.

Applicant desires to acquire a franchise for a Center from Franchisor in the manner provided in this Agreement.

1. Applicant hereby applies to Franchisor for a franchise to operate a Center ("Applicant's Center") at a site acceptable to Franchisor within the following designated area:\_\_\_\_

2. Applicant agrees to use his/her/its best efforts to locate a suitable site within the designated area and to make arrangements satisfactory to Franchisor for the site to be leased to Franchisor pursuant to the terms and conditions of Franchisor's standard Lease Agreement (or, at the option of Franchisor, to obtain a Lease Agreement in the form approved by Franchisor, including Franchisor's standard Lease Addendum. Franchisor agrees to approve or disapprove a proposed site within sixty (60) days after receipt of written notice of its location and description from Applicant. Franchisor will not unreasonably withhold approval of sites that meet its standards for general location and neighborhood, traffic pattern, parking, size, layout, competition and other physical characteristics, rental, lease duration and other lease terms and conditions for a Center. Franchisor agrees to expend such time and effort as may be reasonably necessary to inspect sites proposed by Applicant for Applicant's Center, and to assist in the negotiation of a lease or purchase contract for the site proposed by Applicant.

3. Upon approval of a site for Applicant's Center, Franchisor shall deliver to Applicant Franchisor's standard Franchise Agreement with attachments, Lease Agreement (for execution by the lessor), if applicable, and Sublease Agreement, if applicable, subject only to such modifications as shall be agreeable to Franchisor. If Applicant fails to return such documents fully executed within fifteen (15) days of delivery thereof, Franchisor may, in its sole discretion, revoke its approval of the proposed site.

4. Franchisor may, from time to time, propose to Applicant one or more locations in the designated area for the operation of a Center. Applicant shall have thirty (30) days from the date he/she/it receives notification of such proposed location to advise Franchisor if such site is

acceptable to Applicant. In the event the site is acceptable to Applicant, Franchisor shall deliver to Applicant Franchisor's standard Franchise Agreement with attachments and Sublease Agreement. If Applicant fails to return such documents fully executed within fifteen (15) days of delivery thereof, Franchisor may, in its sole discretion, revoke its offer to franchise the proposed site to Applicant. In the event Applicant rejects a proposed location, Franchisor shall thereafter have the right to operate or grant a franchise for the operation of a Center at such location. In such event and upon written notice to Applicant, Franchisor shall designate a substituted area within which Applicant shall locate a site for Applicant's Center within the time period set forth in Section 6 hereof.

5. Applicant has, contemporaneously with the execution of this Agreement, deposited with Franchisor the sum of Six Thousand Dollars (\$6,000.00) (the "Reservation Deposit") to be applied against the initial franchise fee payable to Franchisor in accordance with Franchisor's standard Franchise Agreement.

6. Applicant shall obtain an approved site within one hundred eighty (180) days of the date of this Agreement. In the event Applicant has not obtained an approved site within said period, Franchisor shall have the right to terminate this Agreement upon written notice to Applicant. Franchisor may also terminate this Agreement at any time whatsoever upon written notice to Applicant if Franchisor reasonably determines that Applicant has violated any provision of an existing franchise agreement between Applicant and Franchisor or that one or more Centers then being operated by Applicant are not being managed in an efficient and businesslike manner (whether or not Applicant has violated any provision of any franchise agreement with Franchisor). Upon any such termination, Franchisor shall refund to Applicant the Reservation Deposit less the expenses incurred by Franchisor in connection with Applicant's acquisition of Applicant's Center (collectively, the "Franchisor Expenses") including, without limitation, those expenses related to site selection and approval, lease negotiation, assistance in supplying Applicant with information concerning the operation of a Center and travel and living expenses and compensation of employees and agents of Franchisor, and legal fees and expenses.

7. Except as otherwise provided herein, Applicant shall have the right to terminate this Agreement at any time before execution of a Franchise Agreement. Upon such termination, Franchisor shall refund to Applicant the Reservation Deposit less the Franchisor Expenses. Notwithstanding the foregoing, if (a) Applicant and Franchisor shall have approved a location in accordance herewith, (b) Franchisor shall have purchased, leased or agreed to purchase such location, or otherwise acquired or agreed to acquire rights therein, and (c) Applicant shall have failed to enter into the franchise and related documents as herein provided, Applicant shall not be entitled to terminate this Agreement or to receive a refund of the Reservation Deposit unless otherwise agreed to in the discretion of Franchisor. Franchisor agrees to use its best efforts to obtain a substitute franchisee for such location, or, in its discretion, to dispose of its rights therein. If the location is franchised to another person or the rights of Franchisor therein are satisfactorily disposed of, Applicant shall be entitled to terminate this Agreement and to receive a refund of the Reservation Deposit less (a) the Franchisor Expenses plus (b) any rental or other charges incurred by Franchisor with respect to the lease or purchase of the site.

8. Franchisor's approval, or offer of, a site as herein provided shall not constitute, nor be deemed, a judgment as to the likelihood of success of a Center at such location or a judgment as to the relative desirability of such location in comparison to other locations within such designated area.

APPLICANT ACKNOWLEDGES THAT HE/SHE/IT HAS READ THIS AGREEMENT AND THAT APPLICANT HAS BEEN GIVEN THE OPPORTUNITY TO CLARIFY ANY PROVISIONS THAT APPLICANT DID NOT UNDERSTAND AND TO CONSULT WITH AN ATTORNEY OR OTHER PROFESSIONAL ADVISOR. APPLICANT REPRESENTS THAT HE/SHE/IT UNDERSTANDS THE TERMS, CONDITIONS AND OBLIGATIONS OF THIS AGREEMENT AND AGREES TO BE BOUND THEREBY.

**CAR-X, LLC**

**APPLICANT:**

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

\_\_\_\_\_

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

\_\_\_\_\_

**EXHIBIT C-2**  
**FRANCHISE AGREEMENT**

**CAR-X, LLC**

**FRANCHISE AGREEMENT**

*You must not sign this Franchise Agreement or any other agreements relating to the franchise, such as a sublease, unless you received Car-X's Franchise Disclosure Document at least 15 calendar-days before the date you sign. If you are a resident of or your franchise will be located in Indiana, Iowa, Maryland, Michigan, New York, Oklahoma and Rhode Island, Washington or Wisconsin, you must not sign this Franchise Agreement or any other agreements relating to the franchise, such as a sublease, unless you received Car-X's Franchise Disclosure Document before the earliest of: (a) 10 business days before the date you sign; or (b) 15 calendar-days before the date you sign. If any of the terms of this Franchise Agreement or any other agreements relating to the franchise, such as a sublease, differ materially from those presented in the documents attached to the Franchise Disclosure Document delivered to you (other than terms you negotiated with Franchisor), then you must not sign this Franchise Agreement or any other agreements relating to the franchise, such as a sublease, until you have had the signature copy of the agreement in your possession at least 8 calendar days before you sign. If you sign this Franchise Agreement or any other agreements relating to the franchise, such as a sublease, sooner than these dates, the signed agreement will be returned to you and you will be asked to re-sign the agreement.*

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**CAR-X, LLC**  
**FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (this "Agreement") is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by CAR-X, LLC, a Delaware limited liability company with its principal office at 1375 E. Woodfield Road, Suite 500, Schaumburg, Illinois 60173 ("Franchisor"), and \_\_\_\_\_, with its principal office at \_\_\_\_\_, the owners, percentage ownership, partners, directors and officers of which are listed on the attached Legal Entity Form ("Franchisee").

**INTRODUCTION**

**Franchise System.**

Franchisor licenses a system for operation of an automotive repair business that sells, installs and services automotive exhaust systems, brakes, front end, steering and suspension, alignment, air conditioning, engine diagnostics, batteries, tires and other automotive products and services. The distinguishing characteristics of the system include the Franchisor's trademarks and logos, training, operation procedures, promotional techniques and materials, location analysis, building design and layout, record keeping and reporting. The system may be updated and revised by Franchisor periodically. The system that Franchisor may authorize from time to time will be referred to in this Agreement as the "Car-X System." A business operated under the Car-X System, whether operated by the Franchisor, an affiliate of the Franchisor or a person authorized by the Franchisor, will be referred to in this Agreement as a "Center." The Center that Franchisee is authorized to operate under this Agreement will be referred to in this Agreement as the "Franchise Business."

**Trademarks.**

Franchisor is the owner of federally registered trademarks and service marks for the "Car-X" name and logo and is also the owner of other trademarks, trade names, logos, copyrights and the goodwill relating to these items, which are used to identify the Car-X System and the Franchise Business. Franchisor may, in the future, develop and register additional trademarks, service marks and logos, which may be made available for use by Franchisee. The trademarks and logos that Franchisor may authorize from time to time for use in the Car-X System will be referred to in this Agreement as the "Car-X Marks." The current Car-X Marks are described in Section 5.1 below.

**Acknowledgements of Franchisee.**

Franchisee recognizes the advantages of operating under the Car-X System and Car-X Marks and desires to obtain the right to operate a Center. Franchisee acknowledges that it received Franchisor's Franchise Disclosure Document at least 14 days prior to the signing of this Agreement and that Franchisee has been given the opportunity to clarify provisions in this Agreement and to consult with an attorney or other professional advisor. Franchisee represents that it understands and agrees to be bound by the terms and obligations of this Agreement.

## **ARTICLE ONE – GRANT OF FRANCHISE**

### **1.1 Grant of Franchise.**

Franchisor grants to Franchisee the right to use the Car-X Marks and the Car-X System in connection with the operation of a single Center in accordance with this Agreement and the Operations Manual (as defined in Section 9.1) of Franchisor at the location designated on Appendix A or chosen pursuant to Article Six.

### **1.2 Non-Exclusivity of Franchise; Protected Area.**

This Franchise is non-exclusive. Franchisor retains the right to operate and license others to operate Centers at any other locations, except that Franchisor will not operate or license others to operate Centers under the Car-X Marks during the term of this Agreement within the “Protected Area.” Unless otherwise specified in Item 2 of Appendix A, the Protected Area is the geographic area within a circle that is drawn around the Franchise Location, has the center of the Franchise Location as its centerpoint and has a radius of three miles; provided that, the Protected Area excludes any Centers existing or under development as of the date of this Agreement. Franchisor reserves the right to use the Car-X Marks in trade shows, fairs or similar commercial exhibits within the Protected Area. Designation of the Protected Area does not grant to Franchisee exclusivity of marketing territory or clientele. All Centers may sell their products and services to any customer. All rights not expressly granted to Franchisee in this Agreement are reserved to Franchisor, including the right to: (1) operate and authorize others to operate businesses using the Car-X Marks at any location outside the Protected Area, if any; and (2) operate and authorize others to operate businesses that are the same or similar to the Franchise Business under names or trademarks other than the Car-X Marks at any location inside or outside the Protected Area.

## **ARTICLE TWO – TERM AND OPTION**

### **2.1 Initial Term.**

The term of this Agreement will begin on the date of this Agreement and continue for the period set forth in Item 3 of Appendix A unless sooner terminated as provided in this Agreement. Unless otherwise stated in Item 3 of Appendix A, the initial term will continue until 15 years after Franchisee opens the Franchise Business for business. A different term may be stated in Item 3 of Appendix A to coordinate the term of this Agreement with the term of the lease for the Franchise Location or as otherwise agreed by the parties.

### **2.2 Renewal Terms.**

Subject to the consent of Franchisor, the rights of Franchisee under this Agreement will automatically renew for the additional period or periods specified below or in Item 3 of Appendix A unless Franchisee notifies Franchisor in writing, at least 180 days before the end of the then expiring term, that it elects to not renew the franchise. Unless otherwise stated in Item 3 of Appendix A, there will be two renewal periods of five years each. Different renewal periods may be stated in Item 3 of Appendix A to coordinate the renewal terms of this Agreement with the renewal terms of the lease for the Franchise Location or as otherwise agreed by the parties.

Franchisor will notify Franchisee in writing at least 90 days before the end of the then expiring term if Franchisor does not consent to the renewal. Franchisor agrees that it will not unreasonably withhold its consent to the renewal. The parties agree that valid reasons for Franchisor to withhold consent to renewal include, but are not limited to, the following: (i) Franchisee is then in default under this Agreement; (ii) Franchisee or any corporation,

partnership, limited liability company or other entity controlled by or under common control with Franchisee or one or more of the owners of Franchisee is in default under any other obligation owed to Franchisor or its affiliates; (iii) Franchisee has, on numerous occasions, failed to timely pay its obligations to Franchisor under this Agreement or any other agreement; (iv) Franchisee has, during the previous 12 month period, received one or more notices of default of any obligations owed to Franchisor, whether or not those defaults were cured; (v) Franchisee has not operated the Franchise Business in accordance with Franchisor's standards; (vi) Franchisee has had an excessive number of customer complaints; or (vii) Franchisor has reasonable concerns about the financial condition or creditworthiness of Franchisee.

Franchisor may, by written notice to Franchisee at least 90 days before the end of the then expiring term, impose some or all of the following conditions to renewal:

(a) Franchisee executes a general release, in a form specified by Franchisor, of any and all claims against Franchisor, its subsidiaries and affiliates, and their respective officers, directors, agents, members and employees.

(b) Franchisee has signed and delivered to Franchisor, within thirty (30) days of receipt from Franchisor, Franchisor's standard franchise agreement in use by Franchisor at the time of renewal together with such other documents as are then customarily used by Franchisor to grant new franchises, all of which will replace this Agreement. If Franchisor does not impose this condition, this Agreement will continue in full force and effect during the renewal term.

(c) Franchisee complies with all standards then in effect for the approval of a new Center, including, but not limited to, decor and premises renovation as well as equipment modernization.

If Franchisee elects not to renew this Agreement or does not meet any renewal conditions listed above imposed by Franchisor or if Franchisor does not consent to renewal, the franchise relationship between Franchisor and Franchisee will automatically terminate on completion of the then expiring term of this Agreement.

## **ARTICLE THREE – FEES, ROYALTIES AND OTHER EXPENSES**

### **3.1 Payments Made to Franchisor.**

Franchisee must pay to Franchisor during the term of this Agreement the following fees, royalties and charges:

**(a) Initial Franchise Fee.**

Franchisee must pay Franchisor the sum of Twenty Five Thousand Dollars (\$25,000) as the initial franchise fee, of which Six Thousand Dollars (\$6,000) will generally be paid as a deposit at the time of signing of a Franchise Reservation Agreement but must be paid no later than the date of execution of this Agreement by Franchisee. The balance of the initial franchise fee must be paid on the earliest of: (i) the date of execution of this Agreement; (ii) the first day of Franchisee's initial formal training program; and (iii) the execution of a lease or sublease for the Franchise Business. No portion of the initial franchise fee is refundable subsequent to execution of this Agreement by Franchisor.

**(b) Royalty.**

Franchisee must pay Franchisor a royalty for the use of the Car-X Marks and the Car-X System in the amount of: (i) two and one half percent (2.5%) of the gross sales of the Franchise Business for the first 180 days of operation of the Center; and (ii) five percent (5%) of the gross sales of the Franchise Business for all other time periods. Franchisee will only be entitled to the reduced royalty under subsection (i) of this paragraph if the Center has not been previously operated (for example, the reduced royalty will not apply on renewal or transfer of a previously existing Center). If the Center has been previously operated, Franchisee must pay a royalty of 5% of gross sales of the Franchise Business for all time periods. Gross sales means the total gross sales of all products or services sold at or from the Franchise Business or bearing the Car-X Marks, irrespective of collection, but excluding all sales tax collected from the customer. Gross sales include all sales, regardless of the form of payment. For example, payments by cash, check, credit, trade credit, barter, etc. are all included in gross sales. Gross sales may be further defined in the Operations Manual. Franchisee must pay the royalty to Franchisor on a weekly basis, on or before Wednesday of each week based on the gross sales for the preceding calendar week.

Notwithstanding anything to the contrary in this Agreement, Franchisee is only required to pay a royalty on gross sales arising from the sales of tires and batteries in an amount equal to forty percent (40%) of the full royalty amount specified in the preceding paragraph. For purposes of this Agreement, "gross sales arising from the sale of tires and batteries" will mean only gross sales arising from tires, tire stems, tire balancing, road hazard warranties, tire rotation, tire repairs, batteries, battery cables and related labor. Franchisee must pay the full royalty specified in the preceding paragraph on gross sales arising from all other products and services.

**(c) Initial Advertising Fee.**

Franchisee must pay Franchisor an initial advertising fee payment of Five Thousand Dollars (\$5,000) to Ten Thousand Dollars (\$10,000) to be used as described in Section 10.1. Franchisor will specify the amount of this fee based on the size and media offerings of the market in which the Franchise Business is located.

**(d) Advertising Payments.**

Franchisee must pay Franchisor payments for advertising as described in Section 10.2 below, not to exceed ten percent (10%) of the gross sales of the Franchise Business. Franchisee must pay the specified advertising payments to Franchisor on a weekly basis, on or before Wednesday of each week based on the gross sales for the preceding calendar week.

Notwithstanding anything to the contrary in this Agreement, Franchisee is only required to pay an advertising payment on gross sales arising from the sales of tires and batteries in an amount equal to fifty percent (50%) of the full advertising payments otherwise specified in accordance with this Agreement. Franchisee must pay the full advertising payments otherwise specified in accordance with this Agreement on gross sales arising from all other products and services.

**(e) Late Charge and NSF Fees.**

Franchisee must pay Franchisor a late charge of one and one-half percent (1.5%) per month (or the maximum rate allowed by law if less) for payments not timely paid to Franchisor. Franchisor will also have the right to charge Franchisee for any NSF

fees incurred by Franchisor as a result of Franchisee's actions and additional reasonable administrative fees for dealing with NSF payments by Franchisee. The collection of a late charges and NSF fees will not be the sole remedy of Franchisor for late or NSF payments.

**(f) Audit Fee and Surcharge.**

If an audit of Franchisee's operations reveals that not all sales subject to royalty have been reported during a reporting period, Franchisee must pay to Franchisor a surcharge of twenty-five percent (25%) of the amount of the royalty and advertising payments on the unreported sales. If sales for any reporting period are misstated by two percent (2%) or more or if the audit was made necessary by Franchisee's failure to furnish reports, financial statements, or tax returns, Franchisee must pay to Franchisor the cost of the audit, including, without limitation, any travel expenses, meals, lodging and compensation of Franchisor's employees or agents and reasonable accounting and attorney's fees. The surcharge and audit fee must be paid by Franchisee to Franchisor in addition to the unpaid royalty and advertising payments found to be due. The imposition of an audit fee and/or surcharge will not be the sole remedy of Franchisor for under reporting.

**(g) Method of Payment.**

Royalty, advertising payments and other periodic payments payable by Franchisee to Franchisor, including payments due under a promissory note or a lease or sublease for the Franchise Location, must be paid by electronic or similar funds transfer in the appropriate amounts from Franchisee's bank account to such accounts, and at such places or in such manner as Franchisor may specify from time to time. Franchisee must sign and deliver to its bank and to Franchisor those documents necessary to authorize such transfers as specified by Franchisor. Franchisee agrees that it will not terminate such authorization as long as the Franchise Agreement is in effect. Franchisee agrees that it will not close its bank account without prior written notice to Franchisor and the establishment of a substitute bank account for the transfers. Franchisee also agrees that if a direct electronic funds transfer or other withdrawal program is not available at the bank at which Franchisee currently does business, Franchisee will take all reasonable and necessary steps to establish an account at a bank that does have such a program.

**(h) Application of Payments.**

Franchisor may apply any payments made by Franchisee to Franchisor for royalty, advertising payments, lease or sublease payments, purchases from Franchisor, interest, late charges, or any other obligation of Franchisee to Franchisor to the obligation and in the manner chosen by Franchisor, regardless of any other designation by Franchisee.

**(i) Time Period for Disputing Statements.**

Franchisor will send Franchisee statements on a periodic basis showing amounts owed by Franchisee for royalty, advertising fund contributions, other charges under this Agreement, charges under a sublease for the Franchise Location, charges under any Promissory Notes issued to Franchisor, late charges and NSF fees, amounts owed under any other agreements with Franchisor and amounts owed for products or services provided by Franchisor and all payments received from Franchisee for the period covered by the statement. Franchisee must notify Franchisor in writing within 30 days of receipt of each statement if Franchisee disputes or questions any amounts owed or

payments shown on the statement or the total amount due as shown on the statement. If Franchisee does not notify Franchisor in writing of any disputes or questions within the 30 day period, Franchisee agrees that the statement is correct and waives any right Franchisee may have to dispute or question any amounts owed or payments shown on the statement.

### **3.2 No Set-Off.**

Franchisee's obligation to timely pay the fees and other amounts due to Franchisor is absolute and unconditional. Franchisee must not delay or withhold the payment of all or part of any fees due to Franchisor for any reason or put the same in escrow or set-off against any claim or claims Franchisee may allege against Franchisor.

## **ARTICLE FOUR – REPORTS, RECORDS, RIGHT OF ACCESS AND AUDIT**

### **4.1 Reports.**

Franchisee must use the standard reporting system and forms designated by Franchisor. Franchisee must purchase invoices, estimate forms, warranties and/or other forms from Franchisor if designated by Franchisor. Franchisee must provide to Franchisor, at the time and in the manner specified below or as otherwise specified by Franchisor: (a) a complete statement of gross sales and any other information specified by Franchisor for the preceding week; (b) copies of all sales or similar tax returns when filed; (c) quarterly profit and loss statement ("P&L") and balance sheet (the P&L and balance sheet must be provided monthly if specified by Franchisor); (d) a copy of an annual financial statement for Franchisee accompanied by a review letter of a certified public accountant within 120 days of the close of Franchisee's fiscal year; and (e) a true copy of the Franchisee's Federal Income Tax Return, within 120 days of the close of Franchisee's fiscal year. Franchisor may require Franchisee, at Franchisee's expense, to have monthly P&L's and balance sheets prepared on the format specified by Franchisor and by an accounting services company specified by Franchisor (which may be Franchisor's auditing firm). If required, these P&L's and balance sheets must be provided to Franchisor for each calendar month within 30 days of the end of that calendar month. Franchisor may receive these P&L's and balance sheets directly from the accounting services company and Franchisee authorizes the accounting services company to disclose those P&L's and balance sheets to Franchisor. Other requirements relating to reporting may be set forth by Franchisor in the Operations Manual.

### **4.2 Point of Sale and Computer Equipment; Internet Access.**

Franchisee must purchase or lease and use the point of sale electronic and/or computer systems and other such equipment Franchisor specifies for the operation of the Franchise Business. In addition, Franchisor may develop point of sale electronic and/or computer systems and specifications for certain components of the point of sale electronic and/or computer systems in the future and may modify such specifications and the components of the point of sale electronic and/or computer systems. As part of the point of sale electronic and/or computer systems, Franchisor may require Franchisee to obtain specified computer hardware and/or software including, without limitation, a license to use proprietary software developed by Franchisor or others. Modification of the specifications for the components of the point of sale electronic and/or computer systems may require Franchisee to incur costs to purchase, lease and/or license new or modified computer hardware and/or software and to obtain service and support for the point of sale electronic and/or computer system during the term of this Agreement. All such point of sale electronic and/or computer systems must be compatible with

Franchisor's system as modified from time to time, must be connected to Franchisor's facilities by modem or other internet access if required by Franchisor, and must be maintained and used in compliance with Franchisor's specifications. Within 90 days after Franchisee receives notice from Franchisor, Franchisee agrees to obtain and have operational the components of the point of sale electronic and/or computer system that Franchisor specifies; provided that, Franchisee will not be required to spend more than Fifteen Thousand Dollars (\$15,000) for additional or different point of sale electronic and/or computer systems during the term of this Agreement.

Franchisor will have the right to independently access the sales information and other data produced by the point of sale electronic and/or computer systems specified by Franchisor and there are no contractual limitations on Franchisor's right to access and use that information and data. Franchisee must provide Franchisor access to the information on the point of sale electronic and/or computer systems in the manner specified by Franchisor and must supply Franchisor with any and all security codes necessary to obtain such access. Franchisor may retrieve, analyze, download and use the software and all data on the Franchisee's point of sale electronic and/or computer systems at any reasonable times as long as such access does not unreasonably interfere with the operation of the Franchisee's business. Franchisee must maintain Internet access at all times in the manner specified by Franchisor for communication with customers and Franchisor by email or other electronic means and, if specified by Franchisor, to allow Franchisor to access information from Franchisee's point of sale electronic and/or computer system.

#### **4.3 Records.**

Franchisee agrees to keep true, complete and correct books of account, business records, records of gross sales and customer records, in accordance with the methods and procedures designated by Franchisor and generally accepted accounting principles.

#### **4.4 Customer Lists.**

On request from Franchisor, Franchisee must provide Franchisor with complete customer information, including names, addresses, email addresses, phone numbers, LinkedIn, Facebook, Twitter and other social media addresses, other contact information and other information specified by Franchisor ("Customer Lists"). The Customer Lists must be provided in the manner and format specified by Franchisor, which may include written or electronic copies delivered by email, courier or regular mail or Franchisor remotely accessing the information on Franchisee's computers. Franchisee agrees that Franchisor may also access and obtain the Customer Lists from Franchisee's records (including computer records) and from software and other service providers that can provide access to that information. Franchisor will have the right to use the Customer Lists for Franchisor's business purposes..

#### **4.5 Inspection by Franchisor.**

To determine whether Franchisee is complying with this Agreement, and/or to determine whether Franchisee is complying with all applicable specifications and quality standards in connection with Franchisee's use of the Car-X Marks and Car-X System, Franchisor or its designated agents have the right, at any reasonable time and without prior notice, to:

- (a) Inspect all aspects of Franchisee's business, including but not limited to, all books, records, facilities, business equipment, materials and services and all other matters relating to Franchisee's obligations under this Agreement or to the use of the Car-X Marks and the Car-X System.

- (b) Observe Franchisee and any employees of Franchisee during the performance of any job.
- (c) Inspect any job performed by Franchisee.
- (d) Contact and interview customers of Franchisee.

Franchisor may require that Franchisee furnish its customers with an evaluation form specified by Franchisor pre-addressed to Franchisor. Franchisee must fully cooperate with representatives of Franchisor making any inspection or observing the work of Franchisee or its employees.

**4.6 Audit.**

Franchisor will have the right to enter upon, examine, copy and audit all of Franchisee's books and records, including but not limited to, bank statements, computer reports, financial statements, accountant's reports and work sheets, invoices, charge receipts, deposit receipts, copies of reports sent to Franchisor, daily sales reports, purchase invoices, cancelled checks and check books, all general ledgers, cash receipts and cash disbursements, personnel files of past and present employees, other accounting records and all other records relating to Franchisee's business. Franchisor need not give notice prior to such examination and audit, but such examination and audit must be made at reasonable times. Franchisor will not unreasonably interfere with the business activities of Franchisee while conducting the audit. Franchisee must cooperate fully with Franchisor in providing access and in the conduct of any audit. Surcharge and audit costs may be payable on unreported royalties and advertising payments as set forth in Section 3.1(f).

**ARTICLE FIVE – USE AND PROTECTION OF CAR-X MARKS**

**5.1 Description and Acknowledgement of Car-X Marks.**

The Car-X Marks include the trade names "Car-X Auto Service" and "Car-X Tire and Auto Service" and the following ~~trademark~~trademark of Franchisor which ~~have~~has been registered with the United States Patent Office:

<u>Mark</u>	<u>Registration Number</u>	<u>Registration Date</u>
CAR <sub>x</sub> (logo)	995,481	10/08/74
CAR-X	1,003,042	01/28/75
CAR <sub>x</sub> cares (stylized)	1,444,476	06/03/87

Franchisee acknowledges the validity of the Car-X Marks and acknowledges that the Car-X Marks are the sole property of Franchisor. Franchisee agrees that any further rights that may develop in any of the Car-X Marks in the future will inure to the benefit of Franchisor. Franchisee agrees to promptly notify Franchisor of any unauthorized use of the Car-X Marks, or any name or mark confusingly similar to the Car-X Marks, or any claim or litigation against Franchisee involving the Car-X Marks. Franchisee acknowledges that Franchisor will have the right to control any negotiations, proceedings or litigation involving the Car-X Marks. If Franchisor undertakes the expense or chooses to prosecute any violation of the Car-X Marks, Franchisee must execute all documents and do all acts necessary or incidental to that action as counsel for Franchisor may reasonably request.

Franchisor will indemnify Franchisee against liability to third parties resulting from claims by third parties that the Franchisee's use of the Car-X Marks infringes trademark rights of the third party, but only if (a) Franchisee has used the Car-X Marks in accordance with the requirements of this Agreement and the Operations Manual and (b) Franchisee has provided written notice to Franchisor of the claim within 10 days of receipt by Franchisee of the claim and Franchisee has tendered the defense of the claim to Franchisor.

## **5.2 Use of Car-X Marks.**

Franchisee must use the Car-X Marks only in connection with the operation of the Franchise Business pursuant to the Car-X System and the sale of the products and services authorized by Franchisor, and only in the manner specified in this Agreement or the Operations Manual. Franchisee's Center must be operated under the Car-X Marks and under no other name or mark. Franchisee must not use the Car-X Marks in connection with any products or services not specifically authorized by Franchisor in writing. Franchisee must not reproduce or cause to be reproduced any Car-X Marks in any manner, including production on diagnostic forms, invoices, repair orders, warranties and in connection with advertising or on the Internet or in an Internet domain name, homepage, electronic address or otherwise in connection with a website, or in connection with any social networks, wikis, podcasts, online forums, content sharing communities, blogging, microblogging or other social media, without the prior written approval of Franchisor. Franchisee must not use the Car-X Marks in its business, corporate, partnership or assumed name. Whenever using the Car-X Marks Franchisee must identify the Car-X Marks as being registered in accordance with the standards established by Franchisor.

Franchisee agrees that all sign faces and other items bearing the Car-X Marks are the sole property of Franchisor. On expiration or termination of this Agreement, Franchisee must deliver to Franchisor or destroy sign faces and other items bearing the Car-X Marks.

## **5.3 Modification or Substitution of Car-X Marks.**

Franchisor may, in its sole discretion, change the Car-X Marks licensed to Franchisee, or substitute different trademarks for the Car-X Marks, by executing, in the form of an addendum, a description of the changes or substitutions and the goods or services to which they relate (if they do not relate to all goods and services). Franchisee is required to utilize and abide by any changes or substitutions of the Car-X Marks. Any changes or substitutions of the Car-X Marks must be made on a uniform basis for all Centers in a particular market. Franchisor will not be liable to Franchisee for any expenses, losses or damages of Franchisee as a result of any change or substitution of the Car-X Marks.

## **ARTICLE SIX – LOCATION OF FRANCHISE BUSINESS**

### **6.1 Location of Franchise Business; Franchisor's Assistance.**

Franchisee must operate the Franchise Business only at the location designated in Item 1 of Appendix A. In the event that the exact location of the Franchise Business has not been determined before execution of this Agreement, Franchisee and Franchisor must use their best efforts to find a suitable location for the Franchise Business within the Geographic Area designated in Item 1 of Appendix A. Franchisee must only operate its Franchise Business at a location approved in writing by Franchisor (the location designated in Item 1 of Appendix A or the location otherwise approved in writing by Franchisor will be referred to in this Agreement as the "Franchise Location"). Franchisor will provide its expertise and assistance in obtaining a location. However, Franchisee is ultimately responsible for the location, whether or not Franchisor provides the location or assists Franchisee in obtaining the location. It is Franchisee's responsibility to research and evaluate the suitability and commercial value of the location for operation of Franchisee's Center. Franchisor's location recommendations and its procurement or approval of a location do not constitute a representation, warranty or guarantee of the commercial value or success of the Franchise Location.

During the term of this Agreement, the Franchise Location must only be used by Franchisee and solely for the purpose of operating a Center pursuant to the terms of this Agreement, unless otherwise approved in writing by Franchisor.

### **6.2 Submission of Location for Approval.**

Any location chosen by Franchisee will be deemed submitted for approval on receipt by Franchisor of a proposed lease or purchase agreement that corresponds with the requirements of Article Seven.

### **6.3 Unusable or Unavailable Location.**

If the Franchise Location initially approved by Franchisor is or becomes unusable or unavailable for the Franchise Business (for example, because of destruction of the Franchise Location or expiration or termination of the lease for the Franchise Location), Franchisee must obtain Franchisor's written approval for a new site. If Franchisee does not obtain Franchisor's written approval for a new site under those circumstances, this Agreement will terminate on conclusion of operation of the Franchise Business at the initially approved location.

## **ARTICLE SEVEN – OWNERSHIP AND/OR LEASING OF FRANCHISE LOCATION; PHONE NUMBERS**

### **7.1 Franchisor's Right to Own or Lease.**

Franchisor will have the right, at Franchisor's option, to purchase or lease the Franchise Location, or have an affiliate purchase or lease the Franchise Location, for lease or sublease to Franchisee. Any such lease or sublease to Franchisee will be on Franchisor's standard form of lease or sublease. This provision applies even if Franchisee owns the Franchise Location.

### **7.2 Lease Requirements.**

If Franchisee leases the Franchise Location from a third party, Franchisor will provide its expertise and assistance in negotiating the lease. The terms and form of Franchisee's lease must be approved in writing by Franchisor and the lease must not be terminated, renewed or in any way altered or amended by Franchisee without the prior written consent of Franchisor. Franchisee's lease with a third party must contain provisions specified by Franchisor, including:

(a) a provision prohibiting the lease from being assigned, terminated, renewed or in any way altered or amended without the prior written consent of Franchisor;

(b) a provision prohibiting the leased premises from being used for any purpose other than a Center;

(c) a provision recognizing and allowing the rights of Franchisor described in Sections 7.4, 13.3 and Article 15 of this Agreement;

(d) a provision requiring the Landlord to give written notice and opportunity for Franchisor or a person designated by Franchisor, to cure any default of the Franchisee under the terms of the lease before exercising any remedy of the Landlord under the terms of the lease.

### **7.3 Assignment of Lease.**

Except in accordance with this Agreement, Franchisee must not assign its lease or let or sublet the Franchise Location, or any portion of the Franchise Location, without the prior written consent of Franchisor.

### **7.4 Assumption of Lease on Termination or Expiration.**

If this Agreement terminates or expires for any reason, other than a termination by Franchisee for cause, Franchisor will have the right to assume Franchisee's status and replace Franchisee as lessee of the Franchise Location. If Franchisor exercises this right, Franchisor must assume and hold Franchisee harmless from all liability under the lease arising after the assumption by Franchisor.

If the Franchise Location is owned by Franchisee or any corporation, partnership, limited liability company or other entity controlled by or under common control with Franchisee or the owners of Franchisee and this Agreement terminates or expires, for any reason, other than a termination by Franchisee for cause, Franchisor will have the option to lease the Franchise Location on substantially the same terms and conditions contained in Franchisee's lease for the Franchise Location, or, if no such lease exists or if such lease contains commercially unreasonable terms, then on terms and conditions that are commercially reasonable. Franchisor may exercise the option granted in this Section at any time within thirty (30) days following expiration or termination of this Agreement.

### **7.5 Phone Numbers.**

Franchisor may, at its option, obtain and register in its name the phone number or numbers to be used at the Franchise Business. Franchisee will still be responsible for all costs or charges for the installation, maintenance and use of the phone number or numbers.

### **7.6 Execution of Documents.**

Franchisee must execute any documents specified by Franchisor to accomplish any of the provisions of this Article Seven or to permit Franchisor to record its rights in the real estate.

## **ARTICLE EIGHT –FRANCHISE BUSINESS OPENING OBLIGATIONS**

### **8.1 General Responsibilities.**

Once a location has been approved by Franchisor, it is Franchisee's duty to erect or adapt a building for the Franchise Business, if necessary, make the necessary improvements to insure that the Franchise Location complies with Franchisor's specifications, obtain zoning and all permits or licenses required for construction and operation of the Franchise Business, purchase the signs, fixtures, equipment, inventory and supplies that may be specified by Franchisor, hire employees and do all other acts necessary to commence operation of the Franchise Business.

### **8.2 Construction or Improvement of the Franchise Location.**

To the extent necessary, the Franchise Location must be constructed and/or improved by Franchisee in compliance with Franchisor's standards for decor, signage and space, which standards may be changed or updated by Franchisor from time to time. If an existing structure is being adapted or remodeled, Franchisor must approve all remodeling plans, specifications, interior and exterior layouts and site plans before the beginning of construction work on the Franchise Location. Franchisor will assist in the process of construction or improvement of the Franchise Location, if requested, by being available to interpret approved plans, periodically visiting the construction site and generally providing its expertise in constructing or improving Centers.

### **8.3 Signs, Equipment, Fixtures and Initial Inventory.**

Franchisee must purchase and install all signs, equipment, fixtures and initial inventory that may be specified by Franchisor before opening the Franchise Business.

### **8.4 Hiring Employees; Shop Set-Up.**

Franchisee must hire and train employees for the Franchise Business. Franchisor will assist Franchisee in recruiting, interviewing, hiring and training Franchisee's initial employees. Also, Franchisor will provide one or more of its employees to assist in the set up of the Franchise Business for approximately one week prior to opening of the Franchise Business.

### **8.5 Opening Date.**

Unless there is a different date specified in Item 4 of Appendix A, Franchisee must commence operation of the Franchise Business at the Franchise Location no later than 18 months from the date of signing of this Agreement by Franchisee.

## **ARTICLE NINE – OPERATIONS**

### **9.1 Standards of Operation; Operations Manual.**

Franchisee must, at all times, give prompt, courteous and efficient service to the public and must perform work competently and in a workmanlike manner. In all business dealings with the public, Franchisee must be governed by the highest standards of honesty, integrity, fair dealing and ethical conduct. If a dispute develops between Franchisee and a customer, Franchisor will have the right to evaluate the dispute and to make a determination of the manner in which such dispute will be resolved by Franchisee and Franchisee agrees to be bound by such determination.

Franchisee must, at all times, comply with all lawful and reasonable policies, standards and procedures specified from time to time by Franchisor in connection with the operation of the Franchise Business, including, but not limited to, standards, techniques and procedures for: installing or servicing the products offered by Franchisee or the rendering of services offered by Franchisee; selection, supervision or training of all personnel; sales, advertising and promotional techniques, programs and procedures; construction, maintenance and appearance of the Franchise Business and the Franchise Location; policies and procedures relating to warranties or guarantees; payment, credit, accounting and financial reporting policies and procedures; purchase and maintenance of signs, equipment, fixtures and inventory; hours and manner of operations; trademark and signage usage; insurance coverage; and other details of the relationship between Franchisor and Franchisee. These policies, regulations and procedures will be contained in the operations manuals of Franchisor or in memos, bulletins, newsletters or other written materials prepared by Franchisor (for purposes of this Agreement, all such written policies, regulations and procedures will be referred to as the "Operations Manual"). Franchisee will be issued a copy of the currently existing Operations Manual after execution of this Agreement. Franchisee will be issued applicable modifications or additions to the Operations Manual as they become available. The Operations Manual, and all other manuals delivered to Franchisee by Franchisor, remain the property of Franchisor, must not be duplicated or reproduced in any way, and must be returned to Franchisor on termination of this Agreement. Franchisee must at all times ensure that its copy of the Operations Manual is kept current and up to date. If there is a dispute as to the contents of the Operations Manual, the terms and dates of the master copy of the Operations Manual maintained by Franchisor at its place of business will be controlling.

Due to the nature of operations of a Center and the fact that the standards of operations must and do change, Franchisor reserves the right to change the terms of the Operations Manual from time to time. The terms of the Operations Manual cannot change the terms of the Franchise Agreement but will be in addition to those terms and will have the same effect as if set forth in this Agreement. If the Operations Manual is inconsistent with the Franchise Agreement, the Franchise Agreement will control. Franchisor agrees that it will promulgate its policies, regulations and procedures in a reasonable and uniform manner.

## **9.2 Continuing Operation; Best Efforts.**

Franchisee must continually operate the Franchise Business in accordance with the provisions of this Agreement throughout the term of this Agreement. Franchisee must use its best efforts to promote and maximize the sales of the Franchise Business throughout the term of this Agreement. Franchisee must maintain at all times sufficient inventory, equipment, supplies and personnel to operate the Franchise Business at optimal capacity and efficiency as specified by Franchisor.

## **9.3 Operational Assistance; Performance Assessment.**

Franchisor will provide one or more employees to assist in the set-up and operation of the Franchise Business for approximately one week after the opening of the Franchise Business. A representative of Franchisor will periodically visit the Franchise Business throughout the term of this Agreement. During these visits, the representative will evaluate Franchisee's operations and provide any operational advice and assistance deemed necessary by the representative. Franchisor will provide guidance on the pricing of Franchisee's products and services, if requested by Franchisee. Franchisee is not, however, required to follow Franchisor's pricing guidelines. Franchisor will also provide reasonable operational advice and assistance to Franchisee by telephone, including advice on specific services or products, if requested by Franchisee.

Franchisor may require Franchisee or a Principal of Franchisee to attend a performance assessment after Franchisee's Franchise Business has been in operation for approximately three months. If required, the performance assessment will take place over a one-day period at Franchisor's office and Franchisor will pay Franchisee's travel costs for attending the performance assessment. During the performance assessment, Franchisor will assess the financial and administrative aspects of Franchisee's operations and provide advice and assistance deemed necessary by Franchisor. Franchisor will provide Franchisee at least 14 days' notice of the date and time of the performance assessment. Failure of Franchisee to attend the performance assessment will constitute a material breach of this Agreement.

#### **9.4 Products and Services.**

Franchisee must sell all products and provide all services that Franchisor from time to time specifies for sale for Centers. Franchisee must not sell any products, provide any services or engage in any business at the Franchise Location other than those specified by Franchisor without specific written authorization from Franchisor.

Franchisee acknowledges that its use of products not approved by Franchisor or purchased from sources not approved by Franchisor causes harm to Franchisor's goodwill and the Car-X Marks and Car-X System of Franchisor. Franchisee and Franchisor agree, however, that such damage cannot be specifically calculated. As a result, Franchisee agrees to pay to Franchisor, as reasonable liquidated damages, two hundred Dollars (\$200) per day for each day that Franchisee uses products not approved by Franchisor or purchased from sources not approved by Franchisor. Failure to pay such damages upon demand by Franchisor will constitute a material breach of this Agreement.

Franchisee must use only the standard contracts, reports, marketing materials, stationary and printed material uniformly used by all Franchisees as specified by Franchisor.

Franchisor may expand or restrict the required or authorized products or services to be provided at the Franchise Business. Franchisor must make all such changes for good faith marketing reasons on a uniform basis for similarly situated Franchisees.

#### **9.5 Maintenance; Refurbishing; Alterations.**

Franchisee must maintain the appearance and cleanliness of the Franchise Location and the equipment, fixtures and signs for the Franchise Business in an attractive and safe condition and in good maintenance and repair and in compliance with the standards specified by Franchisor. If at any time, in Franchisor's reasonable judgment, the general state of repair, appearance or cleanliness of the Franchise Location or its equipment, fixtures or signs does not meet Franchisor's standards, Franchisor may notify Franchisee in writing, specifying the action to be taken by Franchisee to correct the deficiency. Franchisee must initiate the specified action within 30 days after receipt of the notice and diligently proceed to complete the specified action. If Franchisee fails to do so, then Franchisor will have the right, in addition to its other rights under this Agreement, but will not be obligated to, enter the Franchise Location and cause the specified action to be taken on behalf of Franchisee and Franchisee must pay the entire cost to Franchisor on demand.

In addition to regular maintenance obligations, within six months of Franchisor's request, Franchisee must, at Franchisee's expense, refurbish the Franchise Location to maintain or improve the appearance and efficient operation of the Franchise Business, to increase its sales

potential and to comply with Franchisor's then current standards and identity. Refurbishing may include: (i) replacement of worn out or obsolete equipment, fixtures, furniture and signs; (ii) the substitution or addition of new or improved equipment, fixtures, furniture and signs; (iii) redecorating; (iv) repair of the interior and exterior of the premises; (v) structural modifications and remodeling of the premises; or (vi) modifications to the color, scheme or decor of the Franchise Business to conform to Franchisor's then-current standards. Franchisee will not be required to make aggregate expenditures for refurbishing or remodeling in excess of one and one-half percent (1.5%) of the gross sales of the Franchise Business from the date of its opening to the date of any required refurbishing or, except in connection with the renewal of the franchise, to effect any refurbishing of the Franchise Business during the last twelve (12) months of the term of the Franchise.

Franchisee must make no material alterations to the leasehold improvements or appearance of the Franchise Location and must not make any material alterations to the equipment, fixtures or signs of the Franchise Location without prior written approval of Franchisor. Franchisor agrees not to unreasonably withhold such approval provided that the alterations are not inconsistent with Franchisor's image and are not prohibited by this Agreement or by Franchisee's lease or by law.

#### **9.6 Source of Supply.**

Franchisee must purchase all equipment, parts, inventory and supplies and services for the Franchise Business in accordance with specifications issued by Franchisor and only from suppliers approved by Franchisor. An authorized vendor will be any vendor who has met Franchisor's standards relating to the composition of products, quality, packaging, performance, safety, uniformity, use of Car-X Marks, reporting of shipments and other relevant standards established by Franchisor and is, at the time of purchase from the vendor, designated by Franchisor in writing as an authorized vendor.

Franchisee may request to have one or more vendors authorized by submitting to Franchisor the information, samples or agreements necessary for Franchisor's determination pursuant to the procedures specified by Franchisor.

#### **9.7 Managerial Responsibility.**

Unless otherwise stated in Item 5 of Appendix A, each individual owning an equity or voting interest of 10% or more of Franchisee will be considered a principal of Franchisee (each a "Principal" and together the "Principals"). The Principals or at least one of the Principals must:

- (a) devote his/her/their full time and effort to the active management and operation of Franchisee's Franchise Business;
- (b) preserve and exercise ultimate authority and responsibility with respect to the management and operation of the Franchise Business; and
- (c) represent and act on behalf of Franchisee in all dealings with Franchisor.

In the event of the resignation, death or incapacity of all of the individuals named in Item 5 of Appendix A, the transfer provisions contained in Article Thirteen will apply.

If Franchisee desires to have a Manager, other than a Principal, devote full time and effort to the management and operation of the Franchise Business, the Manager must be approved, in writing, by Franchisor. Franchisor has the right to require the Manager to successfully complete Franchisor's training program as a condition to approval of the Manager. Any change in such management personnel must be approved, in writing, by Franchisor.

### **9.8 Insurance.**

Franchisee must obtain and provide Franchisor with certificates of insurance (on the standard Accord form) in the amounts and with the coverages specified by Franchisor. The insurance must be issued by insurance providers rated A-7 or better by Best's Insurance Review. Certificates of this insurance must be initially provided at least ten (10) days prior to the opening of the Franchise Business. Certificates of renewal must be provided no later than ten (10) days before the expiration date of each policy. If Franchisee does not provide Franchisor with certificates of any insurance policies at any due date, Franchisor may purchase the insurance at the Franchisee's expense. Franchisee must immediately pay for the insurance by paying the insurance broker selected by Franchisor directly, or by paying Franchisor if Franchisor has paid for the insurance.

Each insurance policy must name Franchisor as an additional insured and must provide that Franchisor will be given sixty (60) days' notice before cancellation, modification or amendment of the policy.

### **9.9 Compliance with Laws.**

Franchisee must obtain and keep in force every registration, charter, license or permit required for construction and operation of the Franchise Business. Franchisee must comply with all federal, state, county, municipal or other statutes, laws, ordinances, regulations, rules or orders applicable to the Franchise Business.

### **9.10 Warranties.**

Franchisor has developed certain product and service warranties to customers of Centers, which the parties acknowledge to be necessary for the successful operation of Centers. Franchisee agrees that the Franchise Business will furnish all warranties authorized by Franchisor to all customers of the Franchise Business who qualify therefore and fully, accurately and clearly inform its customers with respect to such warranties in accordance with policies and procedures from time to time prescribed by Franchisor. The Franchise Business must not furnish any warranty in connection with the installation of any brand of muffler, exhaust system component, shock absorber or ride control product, brake system component or any automotive part that is not approved by Franchisor. Franchisee further agrees to honor at its expense all proper claims under such authorized warranties issued by the Franchise Business, other Centers or muffler shop operations under a common warranty program with Franchisor and Centers. Furthermore, Franchisee agrees to replace all components and parts and perform all labor and services in accordance with the terms and conditions of, and otherwise to fully comply with obligations of Centers under such warranties. Franchisor will prescribe, and may revise from time to time, policies and procedures to be followed by Centers in connection with the delivery, validation and honoring of authorized warranties. Franchisee agrees to fully comply with all such policies and procedures including those necessary to assure customer satisfaction in connection with warranty claims made.

Franchisee may issue greater warranties than those authorized from time to time by Franchisor, provided such warranties have been approved in writing by Franchisor and

Franchisee fully, clearly and conspicuously informs each customer to whom such a greater warranty is issued that it exceeds the warranty or guarantee authorized for Centers and to the extent of the excess, will be honored only by Franchisee. To the extent that any warranty issued by Franchisee exceeds the comparable authorized warranty, Franchisee will have sole responsibility to the customer to whom such warranty is issued and neither Franchisor nor any other franchisee or other operator of a Center will have any obligation to such customer or Franchisee. Notwithstanding the foregoing, Franchisee agrees to reimburse Franchisor on demand for any credits granted to other Centers for materials and labor utilized in honoring any such greater warranty.

In the event of a dispute between any customer of Franchisee and Franchisee over any warranty issued by Franchisee or any other Center, Franchisor will have the right to evaluate the dispute and to make a determination of the manner in which such dispute will be resolved by Franchisee and Franchisee agrees to be bound by such determination.

Franchisee must not make any untrue or misleading representations to customers or prospective customers concerning any warranties issued by Franchisee and must make all disclosures specified by Franchisor or required by applicable law with respect to such warranties.

#### **9.11 Interference with Employment Relations of Others.**

During the term of this Agreement, Franchisee must not employ or seek to employ any person who is at the time employed by Franchisor, any of its subsidiaries, parent companies, franchisees or by any person who is at the time operating a Center, or otherwise induce, directly or indirectly, that person to leave that employment.

#### **9.12 Automotive Repair Industry Accreditation Programs.**

Franchisee must obtain and maintain accreditation by automotive repair industry associations if specified by Franchisor (such as the Automotive Maintenance and Repair Association's MAP Accreditation Program). Franchisee acknowledges that participation in such programs may require the payment of annual dues and participation in third party dispute resolution processes for disputes with customers.

#### **9.13 Notices to Franchisor; Defense of Actions.**

Franchisee must notify Franchisor in writing within five days of any of the following events:

(a) The start of any action, suit, countersuit or other proceeding against Franchisee or any of its Principals or employees;

(b) Franchisee, or any of its Principals or employees, receives a notice of noncompliance with any law, rule or regulation.

(c) The issuance of any order, writ, injunction, award or decree of any court, any agency or other governmental organization against Franchisee or any of its Principals or employees.

(d) Any complaints, inspections, reports, warnings, certificates or ratings of Franchisee or its Principals or employees or the Franchise Business, communicated, issued, performed, or scheduled by any governmental agency.

Franchisee must provide Franchisor with any additional information Franchisor reasonably requests, within five days of request, about the status, progress or outcome of any of the events listed in this Section. Franchisor will have the right to defend any action, suit or proceeding brought against Franchisee or its employees that may adversely affect the operation or financial condition of the Franchised Business or the goodwill of the Car-X System and Franchisee will be responsible for all costs, including attorneys' fees, incurred by Franchisor in defending such action, suit or proceeding.

#### **9.14 Employees of Franchise Business.**

Franchisee must hire all employees of the Franchise Business, be exclusively responsible for the terms of their employment and compensation and for the proper training of such employees in the operation of a Center. Franchisee agrees to comply with and be responsible for all federal, state and local laws and ordinances governing or regulating Franchisee's employment of its employees including without limitation all government regulations relating to occupational hazards and health, workmen's compensation insurance and withholding and payment of state and federal income taxes and social security taxes. Under no circumstances will Franchisor be deemed the employer of Franchisee's employees. Franchisee must indemnify and hold harmless Franchisor from any claims arising out of the employment of or actions by Franchisee's employees.

### **ARTICLE TEN – ADVERTISING**

#### **10.1 Initial Advertising Fee.**

Franchisor may, in its discretion, use all or a portion of the initial advertising fee referred to in Section 3.1(c) for advertising and promoting the grand opening or providing other initial marketing of the Franchise Business.

#### **10.2 Advertising by Franchisor.**

Franchisor may, from time to time, formulate, develop, produce and/or conduct national, regional and local advertising and promotion programs in such form and media as Franchisor determines to be most effective. Franchisee must pay a proportionate share of the cost of the formulation, development, production, media and all other costs of any such advertising and promotion prepared for and conducted in or benefiting Franchisee's market area (including without limitation the proportionate compensation of employees of Franchisor who devote time and render services in the conduct, formulation, development and production of such advertising and promotion programs or the administration of the funds used for those programs), not to exceed the amount set forth in Section 3.1 d. Franchisor will have the right to increase or decrease the amount contributed by Franchisee for advertising and promotion programs on thirty (30) days prior written notice subject to the limitations set forth in this Section. Franchisor is not required to spend advertising payments for Franchisee's benefit if Franchisee is not current in all obligations to Franchisor. In no event will Franchisor or any agency engaged by Franchisor be liable for consequential or incidental damages resulting from administration of the advertising or promotional programs or resulting from any advertising produced or placed by or on behalf of Franchisor or Franchisee, including any claims for loss of business.

Franchisee acknowledges that (a) decisions with respect to advertising content, advertising media, the use of national, regional or local advertising, or any combination thereof,

and the timing of advertising expenditures will be within the sole discretion of Franchisor and its agents; (b) Franchisee will have no proprietary interest in any such advertising monies or fund; (c) advertising payments will be deemed general funds of the entity to which such fees are paid, and will not be deemed to be trust funds or be required to be segregated in any way; and (d) Franchisor will have no obligation to spend on advertising or promotion amounts in excess of those funds actually collected from franchisees. Although Franchisor makes the final decisions for advertising creation and placement, under Franchisor's current policies, Franchisor consults with the franchisees in each DMA or MSA as to decisions for advertising in that DMA or MSA and usually follows the decisions of the majority of franchisees in a DMA or MSA.

Franchisor will submit to Franchisee, on request, an annual statement of the receipts and disbursements of the advertising and promotional programs for Franchisee's market area.

### **10.3 Additional Advertising by Franchisee; Approval.**

Franchisee is encouraged to spend amounts for local advertising and promotions in addition to the advertising payments described in Section 10.2. However, advertising or promotion must be submitted to Franchisor for approval and must be approved in writing prior to its placement by Franchisee. Franchisee must not advertise any products or services for the Franchise Business, or using the Car-X Marks, other than those products or services authorized by Franchisor. Franchisee agrees to honor any coupons or similar promotional materials issued by Franchisor, and agrees to participate in such drives, prizes, giveaways, contests and other programs, local, regional or national, related to sales promotions, specified by Franchisor to the extent that participation does not violate federal or state law.

### **10.4 Use of Internet, Websites, Social Media and Toll Free Telephone Numbers.**

Franchisee must not use the Internet, websites, domain names, any social networks, wikis, podcasts, online forums, content sharing communities, blogging, microblogging or other social media, toll-free telephone numbers or similar methods with potential local, regional, national or worldwide scope in connection with the Franchise Business, except with the written consent of Franchisor and then only in accordance any policies and procedures specified by Franchisor. Franchisor may, in its discretion, maintain one or more websites, domain names, other Internet sites, social media accounts or toll-free telephone numbers for the Car-X System and allow Franchisee to participate in those marketing methods and/or the business generated by those methods under guidelines specified by Franchisor. If Franchisee acquires or establishes any websites, domain names, social media accounts or toll-free telephone numbers for use in the Franchise Business and/or that contain or are advertised with any of the Car-X Marks or any portion or derivation of the Car-X Marks, Franchisor may require Franchisee, at any time, to assign, transfer, cease publication or use, or convey ownership and possession of any such websites, domain names, social media accounts and/or toll-free telephone numbers to Franchisor. If Franchisor requires Franchisee to transfer any of those items to Franchisor, the sole responsibility of Franchisor will be to reimburse Franchisee for any of Franchisee's actual costs paid for such items.

## **ARTICLE ELEVEN – TRAINING**

### **11.1 Initial Training.**

Franchisor will make available at Franchisor's offices or another location specified by Franchisor an initial course of instruction relating to techniques for operation of the Franchise Business and utilization of the Car-X System. Franchisee must not open its Franchise Business for business without first having had a Principal of Franchisee attend and complete to Franchisor's satisfaction the initial training program. The training program will be conducted without charge to Franchisee, but Franchisee will be responsible for paying its and its employee's salaries, expenses for travel, food and lodging incurred while attending training.

### **11.2 Additional Training, Sales Programs and Meetings.**

A Principal of Franchisee must, at Franchisee's expense, attend any additional training, sales programs and meetings at locations and at times reasonably specified by Franchisor.

### **11.3 Acknowledgments and Obligations of Franchisee Relating to Training.**

Franchisee acknowledges and agrees that no compensation or other benefits will be paid to Franchisee, its Principals, managers or employees for any services performed by Franchisee or its Principals, managers or employees during training at any Center operated by Franchisor or any other person. Franchisee assumes all responsibility for any injuries sustained by Franchisee, its Principals, managers or employees while attending training. Franchisee agrees to indemnify and hold harmless Franchisor and its affiliates, agents and employees from any injuries or damages arising out of or related to attendance and participation in training by Franchisee or its Principals, managers or employees.

## **ARTICLE TWELVE – CONFIDENTIALITY AND NON-COMPETITION**

### **12.1 Confidential Information.**

Franchisor owns and possesses, and on signing of this Agreement Franchisee will have the right to use, certain proprietary and/or confidential information relating to developing and operating a Center (the "Confidential Information"). The Confidential Information may include, but is not limited to:

- (a) Training manuals, policy manuals, operations manuals (including the Operations Manual), operating methods, sales promotion aids, business forms, products and services, installation and service procedures, accounting procedures, marketing reports, supplier discounts and inventory systems, techniques, processes, policies, procedures, systems and data;
- (b) Knowledge and experience relating to Centers;
- (c) Advertising, marketing techniques and advertising programs used in developing and operating Centers;
- (d) All information regarding the identities and business transactions of customers and suppliers;
- (e) Computer software and similar technology that has been or may be developed by or for Franchisor or its agents, which is proprietary to Franchisor, including, without limitation, digital passwords and identifications and any source code

of, and data, reports, and other printed materials generated by, the software or similar technology;

(f) Knowledge of the operating results and financial performance of Centers;

(g) Other aspects of the Car-X System now or later revealed to Franchisee under this Agreement and all changes and enhancements in the Car-X System, even if developed by Franchisee; and

(h) Other property that Franchisor describes as being Confidential Information or trade secrets of the Car-X System.

## **12.2 Ownership and Use of Confidential Information.**

Franchisee acknowledges that Franchisor owns the Confidential Information and agrees that Franchisee will not acquire any interest in the Confidential Information, other than the right to use it as Franchisor specifies solely for the purpose of establishing and operating the Franchise Business in accordance with the terms of this Agreement during the term of this Agreement. Franchisee acknowledges and agrees that the Confidential Information is proprietary to Franchisor and is disclosed to Franchisee in confidence only on the condition that Franchisee and its shareholders, officers, directors, partners, members, owners, investors, employees and agents agree as follows:

(a) Not to use the Confidential Information in any business or capacity other than in the Franchise Business as authorized by this Agreement, both during the term of this Agreement and after expiration or termination of this Agreement for as long as the Confidential Information is not generally known in the industry;

(b) To keep each item deemed to be part of Confidential Information absolutely confidential, both during the term of this Agreement and after expiration or termination of this Agreement for as long as the item is not generally known in the industry;

(c) Not to make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form and not to remove any Confidential Information from the Franchise Location;

(d) Not to directly or indirectly attempt to test, analyze or reverse engineer any proprietary materials;

(e) To adopt and implement procedures to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restricting its disclosure to Franchisee's employees;

(f) To require Franchisee's employees and agents to sign an agreement relating to confidentiality and/or non-competition in the form approved by Franchisor before employing that person or revealing any aspect of the Confidential Information to the employee or agent. Franchisor has the right to be a third party beneficiary of those agreements with independent enforcement rights;

(g) If Franchisee or its shareholders, officers, directors, partners, members, owners, investors, employees and agents engage in the same or similar business to that

licensed by this Agreement, such person will have the burden of proving that he or she has not used the Confidential Information in that business; and

(h) That twenty-five percent (25%) of gross sales during the first two (2) years of operation of a business or venture in violation of this Section, or if no such business or venture exists Ten Thousand Dollars (\$10,000) per violation, must be paid to Franchisor for the use of the Confidential Information.

Franchisee agrees that when this Agreement expires, is terminated, or on the transfer of the Franchise Business, Franchisee will immediately cease using any and all of the Confidential Information in any business or otherwise, and return to Franchisor all copies of all Confidential Information that Franchisee has in its possession. Franchisee will be liable to Franchisor for any use of the Confidential Information not authorized by this Agreement.

### **12.3 Development of New Concepts, Proprietary or Confidential Information.**

All ideas, concepts, trademarks, service marks, copyrights, services, products, processes, slogans, techniques, improvements or materials that relate to or enhance the Franchise Business or the Car-X System, whether or not protectable intellectual property and whether created by or for Franchisor or by or for Franchisee, must be promptly disclosed to Franchisor without compensation to Franchisee and will be Franchisor's sole and exclusive property, part of the Car-X System (if specified by Franchisor), and works made-for-hire for Franchisor. Franchisee hereby assigns ownership of the intellectual property, and all related rights to it, to Franchisor to the extent that any intellectual property does not qualify as a "work made-for-hire" for Franchisor. Franchisor may use this information as it deems appropriate, including, but not limited to, disclosing it to other Franchisees, without compensation to Franchisee. Franchisee agrees to take whatever action (including signing an assignment or other documents) that Franchisor requests to evidence Franchisor's ownership in the intellectual property.

### **12.4 Covenant Not to Compete During Term.**

Franchisee, its shareholders, officers, directors, partners, members, owners and investors must not, during the term of this Agreement, have any interest in, directly or indirectly, as an owner (except ownership of no more than 1% of a publicly traded entity), director, officer, manager, employee, consultant, representative or agent, or in any other capacity, or otherwise engage in, any "Competing Business" (defined in Section 12.7), (except other Centers operated under license agreements entered into with Franchisor), or in any business or entity that franchises, licenses, or otherwise grants to others the right to operate a Competing Business or that consults with or in any other manner aids or assists a Competing Business, unless otherwise agreed in writing by Franchisor.

### **12.5 Covenant Not to Compete After Term.**

On the termination (including termination on transfer), expiration or non-renewal of this Agreement, Franchisee, its shareholders, officers, directors, partners, owners and investors, must not, for a period of two years commencing on the later of the effective date of termination, expiration or non-renewal, or the date of any Court order enforcing this provision if necessary, have an interest, directly or indirectly, as an owner (except ownership of no more than 1% of a publicly traded entity), partner, director, officer, manager, employee, consultant, representative or agent, or in any other capacity, or engage in any other capacity in any Competing Business or in any business or entity that franchises, licenses or otherwise grants to others the right to

operate a Competing Business or that consults with or in any other manner aids or assists a Competing Business within any "Geographic Areas" (defined in Section 12.7).

The restrictions on Franchisee in this Section 12.5 will not apply if: (a) this Agreement is terminated by Franchisee for cause in accordance with the requirements of Sections 14.1 and 14.5 of this Agreement; or (b) all of the following conditions are met: (i) Franchisee or an affiliate owns the Franchise Location; (ii) there are no other Centers in Franchisee's market area; and (iii) Franchisor does not exercise its right to lease or purchase the Franchise Location under Section 7.4 or Section 15.4 of this Agreement. For purposes of this provision, Franchisee's market area means the Designated Market Area (as used by Neilson Media Research) in which the Franchise Business is located or a similar type of area as reasonably defined by Franchisor.

### **12.6 Other Restrictions on Activities.**

Franchisee, its shareholders, officers, directors, partners, owners and investors must not, during the term of this Agreement and for a period of two years after the expiration or termination (including termination on transfer) of this Agreement: (a) divert or attempt to divert any business or customer of the Franchise Business or any other Center to any Competing Business by direct or indirect inducements or otherwise (whether or not Franchisee has a direct or indirect interest in that business or person); (b) employ or seek to employ any person who was, at the time, employed by Franchisor or its affiliates or by another Center, or directly or indirectly induce any person to leave their employment with Franchisor or its affiliates or with another Center; (c) provide, for a fee, consulting services or other assistance to other Centers not owned by Franchisee or to other franchisees of Franchisor; or (d) sponsor, appoint or encourage or influence or promote friends, relatives or associates to operate a Competing Business.

### **12.7 Definition of Competing Business and Geographic Areas.**

For purposes of this Agreement, a "Competing Business" includes any business that is the same or similar to a Center, including but not limited to a business that sells installs and services automotive exhaust systems, brakes, front end, steering, suspension, alignment, air conditioning, engine diagnostics, batteries, or tires at retail or other products or services that may be offered by Centers now or in the future. For purposes of this Agreement, the "Geographic Areas" include the area within five miles of the Franchise Location and the areas within five miles of any other Centers existing at the time Franchisee or its shareholders, officers, directors, partners, owners or investors begins to operate the Competing Business.

### **12.8 Acknowledgements and Agreements Relating to Restrictions on Competition.**

Franchisee agrees that the length of the term and the geographical restrictions contained in this Article are fair and reasonable. The parties have attempted to limit Franchisee's right to compete only to the extent necessary to protect the reasonable competitive business interests of Franchisor and its franchisees. If the above restrictions or any part of these restrictions are invalid, this Article will be considered as imposing the maximum restrictions allowed under the applicable state law in place of the invalid restriction or part of the restriction. In addition, Franchisor reserves the right to reduce the scope of these provisions without Franchisee's consent, at any time, effective immediately on notice to Franchisee.

## **ARTICLE THIRTEEN – TRANSFERABILITY OF AGREEMENT**

### **13.1 General Rule.**

This Agreement is personal to Franchisee or to the Principals of Franchisee (if Franchisee is a corporation, partnership or other entity). This Franchise Agreement or any interest in the corporation, partnership or other entity (if Franchisee is a corporation, partnership or other entity) must not be transferred, assigned, pledged, encumbered or sold, either directly, indirectly or contingently, whether voluntarily or by operation of law, except with the prior written consent of Franchisor and then only in accordance with the provisions of this Article. In no event will Franchisee have the right to sub-license any of the rights granted by this Agreement. Any attempted assignment or transfer not in accordance with this Agreement will have no effect and will constitute a breach of this Agreement. Franchisee must not transfer or sell substantially all of the assets of the Franchise Business, either directly or indirectly or contingently, except with the prior written consent of Franchisor and then only in accordance with the provisions of this Article. Franchisee acknowledges that Franchisor may reasonably withhold its consent to a sale of substantially all of the assets of the Franchise Business during the term of this Agreement unless those assets are being sold to a person who will operate a Center at the Franchise Location.

### **13.2 Transfer on Death or Incapacity.**

If Franchisee, or the last surviving Principal of Franchisee, if Franchisee is a corporation, partnership or other entity, dies or becomes permanently disabled, the Franchisee's or the Principal's rights under this Agreement will pass to the estate, heirs, devisees or legal representatives of Franchisee or the Principal of Franchisee (collectively referred to in this Agreement as the "Estate"). The Estate may continue operation of the Franchise Business if: (a) the Estate provides a qualified individual acceptable to Franchisor to manage and operate Franchisee's Center on a full time basis; (b) this manager attends and successfully completes Franchisor's next offered new dealer training program; and (c) this manager assumes full time operation of the Franchise Business within one month of the date Franchisee dies or becomes disabled. If the Estate fails to designate an acceptable manager or the designated manager fails to attend and satisfactorily complete the new dealer training program and to assume the full time operation of the Franchise Business within one month of the death or incapacity, then the Estate must sell the Estate's interest in the Franchise Business or in this Agreement within two months of the date of death or disability. Any sale must be made in accordance with the provisions of Section 13.4.

After the date of death or disability, until a trained manager assumes full time operational control of the Franchise Business or until the Estate's interest in the Franchise Business or in this Agreement is sold, Franchisor may, at its option, assume control of and operate the Franchise Business. During any period that Franchisor operates the Franchise Business, Franchisor may deduct its expenses for travel, lodging, meals and all other expenses and fees from the Franchise Business's gross receipts and may pay itself a management fee of up to 5% of the Franchise Business's weekly gross receipts. This management fee will be in addition to the royalty and advertising payments due to Franchisor. Any remaining gross receipts of the Franchise Business, after paying all other operating expenses of the Franchise Business will be paid to the Estate. Any deficiency in amounts due to Franchisor under this Section or any deficiencies from operation of the Franchise Business must be paid by the Estate within 10 days of a notice of deficiency from Franchisor. Franchisor is not obligated to operate the Franchise Business. If Franchisor does operate the Franchise Business, Franchisor will not be responsible for any operational losses of the Franchise Business, nor will Franchisor be obligated to continue operation of the Franchise Business.

### **13.3 Right of First Refusal.**

Franchisee or any person owning an interest in Franchisee or any legal estate, heir, devisee or legal representative of any deceased Franchisee or person owning an interest in Franchisee (“Seller”) who desires to sell, assign or transfer any interest in this Agreement or the Franchisee or the Franchise Business or the assets of the Franchise Business, must obtain a *bona fide* signed written offer from a responsible and fully disclosed purchaser and must notify Franchisor in writing of such offer (“Offer Notice”). The transaction described in the Offer Notice will be referred to as the “Transaction.” The Offer Notice must describe the Transaction in detail, including the name and address of the proposed purchaser, the nature of the Transaction, the consideration to be paid and all other material terms and conditions of the Transaction. In addition to the Offer Notice, Franchisee must also deliver copies of all documents to be executed by Franchisee or such other person in conjunction with the transfer and any financial or other information as Franchisor may specify to reasonably inform Franchisor of the financial condition of the Franchise Business, including but not limited to financial statements and tax returns of the Franchise Business. Franchisor will then have, for a period of sixty (60) days from the date of delivery of the information specified above, the right and option (“right of first refusal”), exercisable by written notice to Franchisee, to purchase that interest on the terms specified in the Offer Notice (modified as described below).

Franchisor may designate a substitute purchaser if Franchisor assumes responsibility for the performance of any purchaser designated. If the Transaction involves the purchase of stock or other ownership interests, Franchisor will have the option to purchase the assets of the Franchise Business instead for equivalent consideration. If the consideration, terms or conditions offered by the proposed purchaser are such that Franchisor may not reasonably be required to furnish the same, for example, if the consideration is not cash or cash equivalents, Franchisor may pay a reasonable equivalent in cash. If the Seller and Franchisor are not able to agree within a reasonable time on equivalent or substitute cash consideration, Franchisor may appoint an independent appraiser, whose determination will be binding on the Seller and Franchisor.

If Franchisor exercises its right of first refusal, the Transaction will be closed by the later of: (i) 90 days after exercise of the right of first refusal; or (ii) 30 days after any necessary determinations of equivalent or substitute cash consideration. Franchisor will be entitled to customary warranties, closing documents and post closing indemnification.

If Franchisor does not exercise its right of first refusal, Franchisee may complete the Transaction, subject to Franchisor's rights of approval as specified in this Article 13 (including, without limitation, Section 13.4), but only on the same terms as offered to Franchisor. If Franchisee does not complete the transfer within sixty (60) days after the expiration of Franchisor's right of first refusal, Franchisor will again have the right of first refusal to purchase the interest.

### **13.4 Conditions of Franchisor's Consent to Transfer.**

If Franchisee does not exercise its right of first refusal, pursuant to Section 13.3, with respect to a Transaction, Franchisor will determine, in accordance with the provisions of this Agreement and any procedures and guidelines contained in the Operations Manual, whether to grant its consent to the transfer contemplated by the Transaction. Subject to the terms and conditions of this Agreement, Franchisor will not unreasonably withhold its consent to a transfer of the type permitted by this Agreement.

Before Franchisor consents to a transfer, the following conditions must be fulfilled:

(a) The proposed transferee must follow the same application procedures as a new Franchisee and must meet the same standards of character, business experience, credit standing, health, etc. as Franchisor has set for any new Franchisee.

(b) The terms of the proposed transfer must not place unreasonable burdens on the proposed transferee.

(c) Franchisee must pay all amounts owed to Franchisor. Franchisee and transferee must escrow, for the benefit of Franchisor, a portion of the sales price sufficient to cover any amounts that Franchisee may owe to Franchisor through the effective date of transfer, including any amounts that might be due for royalty, advertising, rent, proration of real and personal property taxes, insurance, utilities, open account obligations or otherwise. The escrow agent must be a person designated by Franchisor or acceptable to Franchisor. The escrowed funds must not be distributed without the consent of Franchisor, which will not be unreasonably withheld or delayed.

(d) Franchisee must pay all telephone directory and other advertising obligations owed to Franchisor or third parties up to the date of transfer. If Franchisee is not current in its telephone directory or other advertising obligations, a portion of the sales price sufficient to cover any of those obligations through the effective date of transfer must be used to pay those obligations or must be included in the escrow described in the previous paragraph.

(e) Franchisee must execute at the time of sale an agreement terminating this Agreement and any sublease between Franchisor and Franchisee for the Franchise Location and releasing Franchisor from any claims. Also, Franchisor may require Franchisee to guaranty the transferee's obligations to Franchisor under the Franchise Agreement referenced in the following paragraph as well as under any sublease between Franchisor and transferee for the Franchise Location and to escrow proceeds from the sale to secure the guaranty, for a limited period of time.

(f) The proposed transferee must execute with Franchisor the form of standard Franchise Agreement in use at the time of the transfer which may provide for different royalty or advertising payments, a different Protected Area, etc.

(g) The proposed transferee must pay Franchisor a transfer fee equal to 50% of the initial franchise fee being charged by Franchisor at the time of the transfer, which will be due on the execution of a consent by Franchisor to the proposed transfer. The Operations Manual may set forth instances where a transfer fee may not be required or may be reduced (e.g. transfer to family members already active in the business).

(h) The proposed transferee must agree that within ninety (90) days of the transfer it will take the action specified in Franchisor's consent to make the Franchise Business comply with current appearance requirements, including signage, decor, cleanliness and layout.

(i) Franchisee and the proposed transferee must comply with any other standard transfer procedures specified in the Operations Manual.

### **13.5 Transfers to Controlled Entities.**

If Franchisee is in full compliance with this Agreement, the Agreement may be assigned to a corporation, partnership or other entity in which Franchisee owns and will continue to own all the issued and outstanding stock, partnership interest, or other ownership interests and in which the Franchisee will act as its principal executive officer or manager ("Controlled Entity"), provided that:

(a) The Controlled Entity is newly organized and its organizational document provides (and will continually provide) that its activities are confined exclusively to the operation of the Franchise Business;

(b) All documents evidencing ownership in the Controlled Entity bear a legend that they are subject to the terms of this Agreement;

(c) All owners of the Controlled Entity execute this Agreement and agree to be personally bound, jointly and severally, by all of the provisions of this Agreement;

(d) The Controlled Entity agrees to be bound by all the provisions of this Agreement and to assume and discharge all of Franchisee's obligations under this Agreement; and

(e) The Controlled Entity will have no right to transfer its rights in this Agreement except in accordance with the provisions of Article 13 of this Agreement.

### **13.6 Transfer of Franchisor's Interest.**

Franchisor may transfer all or any part of this Franchise Agreement without the consent of Franchisee but Franchisor or its successor will remain liable for all obligations accrued to the date of the assignment.

## **ARTICLE FOURTEEN – TERMINATION AND EXPIRATION**

### **14.1 Termination by Franchisee.**

Franchisee has the right to terminate this Agreement prior to its expiration only for good cause and only in accordance with the requirements set forth in Section 14.5 below. Good cause for termination by Franchisee means any material breach of this Agreement by Franchisor.

### **14.2 Termination for Good Cause.**

Franchisor has the right to terminate this Agreement prior to expiration only for good cause and only in accordance with the requirements of Sections 14.3 or 14.5 below. Good cause for termination by Franchisor means any material breach of this Agreement by Franchisee or the occurrence of any of the events listed in Sections 14.3 and 14.4 below.

### **14.3 Immediate Termination.**

Any of the following events constitutes good cause for termination of this Agreement and entitles Franchisor to terminate this Agreement on five (5) days written notice to Franchisee without affording Franchisee any opportunity to cure:

(a) Any willful and material misrepresentation by Franchisee relating to the acquisition of the franchise granted or the ongoing operation of the Franchise Business.

(b) Any willful and repeated issuance of guarantees or warranties other than those permitted and authorized by Franchisor or the willful and repeated failure to honor warranty obligations.

(c) Any transfer of this Agreement not in compliance with this Agreement.

(d) The conviction of, or plea of guilty or no contest to any crime by the Franchisee or one of the Principals for which the minimum penalty includes imprisonment for more than one year, or any other crime, offense or misconduct involving moral turpitude or in any way relevant to the operation of the Franchise Business.

(e) Any abandonment by Franchisee of the Franchise Business. Abandonment will be conclusively presumed if Franchisee fails to open the Franchise Business for business for a period of three (3) consecutive business days without the prior written consent of Franchisor, but will not include any failure caused by a situation described in Section 14.4(k) below.

(f) Any conduct by the Franchisee that reflects materially and adversely on the operation or reputation of Franchisor's Car-X Marks or Car-X System.

(g) Franchisee or the Franchise Business submits to Franchisor on two (2) or more separate occasions at any time during the term of the Franchise a report, financial statement, tax return or schedule or other information or supporting record which understates the gross sales of the Franchise Business for any period by more than two percent (2%).

(h) The adjudication of bankruptcy of Franchisee or the insolvency of the Franchise Business or the appointment of a receiver or trustee to take charge of Franchisee's business by a court of competent jurisdiction.

(i) The general assignment by Franchisee for the benefit of creditors.

#### **14.4 Termination after Notice Period.**

Any of the following events constitutes good cause for termination of this Agreement and entitles Franchisor to terminate this Agreement in accordance with the requirements set forth in Section 14.5 below:

(a) The failure of Franchisee to promptly pay its obligations to third party suppliers as they become due, failure to pay rent or the occurrence of any other default under a lease or finance agreement for the real or personal property comprising or located at the Franchise Location, or upon the commission of any act which would, under the applicable provisions under the Bankruptcy Reform Act, as amended, permit the filing of a petition by or against the debtor.

(b) A breach by Franchisee or any corporation, partnership, limited liability company or other entity controlled by or under common control with Franchisee or the owners of Franchisee, of any of the terms of any other agreements entered into with Franchisor, including, if applicable, but not limited to, any lease for the Franchise Location

or any other Center, lease or purchase agreement for equipment at the Franchise Location or any other Center, the term of any financing arrangement with Franchisor or any other franchise agreements or subleases.

(c) The failure of Franchisee or one of the Principals to successfully complete Franchisor's training program.

(d) A final judgment or the unappealed decision of a regulatory officer or agency which results in a temporary or permanent suspension of any permit or license, possession of which is a prerequisite to operation of the Franchise Business.

(e) The failure of Franchisee to make payments to Franchisor or supply reports to Franchisor as required by this Agreement or any other agreement entered into between the parties, within five (5) days after such payment or reports are due.

(f) Any material inaccuracy in the accounting of Franchisee's gross sales or financial statements.

(g) The failure of Franchisee to use Franchisor approved equipment, materials and products or use of substitute equipment, materials or products not approved by Franchisor at the Franchise Business or with the Car-X Marks.

(h) The failure of Franchisee to properly display the Car-X Marks, or using the Car-X Marks in any unauthorized manner.

(i) The failure of Franchisee to commence operation of the Franchise Business within the time specified in Section 8.5 above.

(j) The loss by Franchisee of a right to occupy the Franchise Location.

(k) The destruction of the Franchise Location and the failure to reconstruct the Franchise Location or to establish reasonable plans for reconstruction within one hundred twenty (120) days of the destruction.

(l) The failure or refusal of Franchisee to make business records and books available to Franchisor or its authorized representative for audit purposes.

(m) The failure of Franchisee to meet current quality control standards according to the provisions of the Operations Manual or failure to permit quality control checks and inspections of the Franchise Location by Franchisor's representatives.

(n) The failure of Franchisee to operate in accordance with the uniform standards of Franchisor.

(o) The failure of Franchisee to respect and hold in confidence the confidential information and/or trade secrets disclosed to or learned by Franchisee.

(p) The failure of Franchisee to honor customer warranties.

(q) The cancellation of any guaranty of the obligations of this Agreement that was executed in conjunction with the execution of this Agreement.

(r) Any other breach of this Agreement or the policies set forth in the Operations Manual.

#### **14.5 Notice Required for Termination; Cure; Notice of Defenses and Claims.**

The following procedures must be used for termination for good cause (other than termination under Section 14.3 above):

(a) The party terminating for good cause ("Terminating Party") must give a written notice of termination to the party in default ("Defaulting Party") specifying any reason or reasons for the termination and the date the termination will be effective. The effective date of termination must be at least ten (10) days for the non-payment of any amounts due, and at least thirty (30) days in all other instances, from the date the notice of termination is postmarked or from the date of personal service, whichever is applicable. Except as provided in Sub-Section (b) below, termination will be automatically effective without further action by the Terminating Party upon the date specified in the notice as the effective date of termination.

(b) The Defaulting Party may prevent termination only by completely curing, prior to the date specified in the notice as the effective date of termination, all the defaults specified by the Terminating Party in the notice. This right to cure will not apply if (i) the defaulting party, after previously curing any default, engages in the same default within a period of twelve (12) months whether or not such default is cured after notice, or (ii) the defaulting party has repeatedly failed to comply with one (1) or more requirements of the Franchise Agreement, whether or not corrected after notice.

(c) The Defaulting Party must give written notice to the Terminating Party of all objections, defenses or disputes to termination, claims against the Terminating Party, set-offs, breaches of the Franchise Agreement by the Terminating Party or other actions, claims or defenses that the Defaulting Party may have against the Terminating Party. This notice must be given within thirty (30) days from the date the notice of termination is postmarked or from the date of personal service, whichever is applicable. If the Defaulting Party fails to give the notice required in this Sub-Section, the Defaulting Party will be barred from seeking any relief, whether by way of action or defense, in any court, or otherwise, with respect to any matter or issue which was subject to the notice.

#### **14.6 Effect of Termination or Expiration.**

On termination or expiration of this Agreement for any reason, all Franchisee's rights associated with being an authorized Franchisee cease and the following, as well as any other provisions of this Agreement relating to termination or expiration, apply:

(a) Franchisor may terminate any lease or sublease entered into with Franchisee for the Franchise Location, if any, or Franchisor may exercise its option to acquire the lease for or purchase the Franchise Location;

(b) Franchisee must immediately and permanently discontinue the use of the Car-X Marks, the Car-X System or any marks, names or indicia confusingly similar thereto, or any other materials that may, in any way, indicate or tend to indicate that Franchisee is or was a Franchisee of Franchisor, or in any way associated with Franchisor. If Franchisee remains in possession of the Franchise Location, Franchisee

must immediately make such removals or changes in signs and color of buildings and structures as Franchisor may reasonably request so as to effectively distinguish the premises from their former appearance and the appearance of any other Center;

(c) Franchisee must immediately discontinue all advertising placed or ordered. Franchisee must remove and deliver to Franchisor all technical manuals or Operations Manuals, all copyrighted material, all sign faces, advertising and promotional material, stationary, letterhead, forms and any other items bearing the Car-X Marks. Franchisee is responsible for the cost of sign and other identification removal and the cost of shipping signs and other materials to Franchisor;

(d) Franchisee must cease to use all telephone numbers that have been used in the Franchise Business and if requested by Franchisor, must assign all telephone numbers of the Franchise Business to Franchisor. Franchisee acknowledges that as between Franchisor and Franchisee, Franchisor has the sole rights to all telephone numbers and directory listings associated with the Car-X Marks and Franchisee authorizes Franchisor, and appoints Franchisor and any officer of Franchisor as its attorney-in-fact, to direct the telephone company and all listing agencies to transfer the telephone numbers or listings to Franchisor or its agent or assignee if Franchisee fails or refuses to do so. The telephone company and all listing agencies may accept the direction in this Agreement as conclusive evidence of the exclusive rights of Franchisor in such telephone numbers and directory listings and its authority to direct their transfer;

(e) In the event Franchisee fails to remove, destroy or return any copyrighted material, signs, posters or advertisements bearing any of the Car-X Marks as of the effective date of termination or expiration of this Agreement, Franchisor or its agent may, and are authorized by this Agreement, to enter the Franchise Location and remove or paint over any and all such material, signs, posters or advertisements and Franchisee waives and releases Franchisor from any and all claims for damages resulting from those actions;

(f) Franchisee must sell to Franchisor, F.O.B. Franchisee's Center, all or such parts of Franchisee's inventories or products on hand as of the date of termination or expiration that are uniquely identified with Franchisor, if any, as Franchisor may request in writing before or within thirty (30) days after the date of termination or expiration. The sales price will be the current published prices then being charged by the manufacturer to authorized Franchisees of Franchisor, not including any cost of storage or transportation paid by Franchisee to bring the goods initially to the Franchise Business, minus all costs incurred or to be incurred by Franchisor to restore the goods or the packaging of the goods to a saleable condition, and minus a reasonable allowance for physical deterioration, obsolescence, or damage to the extent not restored;

(g) Franchisor will retain all payments made by Franchisee to Franchisor, including payments for equipment, franchise fees, royalty, and advertising. Termination or expiration will not lessen the liability of one party to the other for all sums and debts owed before termination or expiration unless a separate written agreement is made between the parties settling that liability;

(h) Termination or expiration of this Agreement will not lessen the liability or further obligations of Franchisee pursuant to this Agreement relating to Franchisor's option to purchase or lease Franchisee's location or purchase Franchisee's assets, restrictions

on use of the Car-X Marks and the Car-X System, restrictions on disclosure and use of confidential information, restrictions on competition, or other obligations contained in this Agreement that by their terms or intent survive termination or expiration of this Agreement. Those obligations of Franchisee will survive termination or expiration of this Agreement. Further, termination or expiration will not lessen Franchisee's obligations to its customers. Franchisee must reimburse Franchisor for the cost of all warranties honored for work performed by Franchisee.

Termination or expiration of this Agreement and/or enforcement of the provisions of this Section will not affect or prejudice any other rights or remedies of Franchisor for breach of this Agreement by Franchisee whether those rights and remedies are contained in this Agreement or otherwise provided by law or equity.

#### **14.7 Damages for Loss of Bargain.**

In addition to any other remedies available to Franchisor, in the event this Agreement is terminated prior to its expiration (other than termination by Franchisee for cause), Franchisor will be entitled to recover from Franchisee damages attributable to the loss of bargain resulting from that termination. The parties stipulate and agree that the damages for Franchisor's loss of bargain will be the present value of the royalty that would have been payable to Franchisor for the balance of the term of this Agreement, but not more than thirty-six (36) months. The parties agree that the aggregate amount of royalty that would have been payable will be calculated utilizing annual gross sales equal to the average annual gross sales of the Franchise Business for the two (2) year period (or such lesser period if the Franchisee was not in operation for a full two (2) year period) immediately preceding the date of termination. For the purposes of this Section, gross sales will be calculated based on gross sales reported by Franchisee or as actually determined by an audit of Franchisee's business. If Franchisee has failed or refused to report gross sales for any part of its operation before termination, Franchisor may reasonably estimate those gross sales.

The parties acknowledge and agree that the actual damages that will be sustained by Franchisor if this Agreement is terminated prior to its expiration are incapable of calculation at the time of execution of this Agreement. The parties further acknowledge and agree that the damages set forth in this Section are a reasonable estimation of those damages.

### **ARTICLE FIFTEEN – OPTION TO PURCHASE FRANCHISE BUSINESS**

#### **15.1 Option.**

On termination or expiration of this Agreement, except termination by Franchisee for cause, Franchisor will have the option, but not the obligation, exercisable for thirty (30) days from the date of valuation of the assets, to purchase the assets of the Franchise Business. For purposes of this Section, the assets of the Franchise Business means the equipment, inventory, leasehold interest, furnishings and other assets of the Franchise Business other than real estate owned by Franchisee or any affiliate of Franchisee.

#### **15.2 Purchase Price.**

The purchase price will be the fair value of the assets as agreed on by the parties or in the absence of an agreement as determined by an independent qualified appraiser selected by Franchisor and Franchisee. If Franchisor and Franchisee cannot agree on an independent appraiser, each will select an independent appraiser qualified or certified to make such

appraisals. The independent appraisers so chosen will then select a third independent appraiser. The third independent appraiser will determine the fair value of the assets and his or her determination will be binding on the parties. The date of valuation of the assets will be the date that the parties agree to the valuation or, if applicable, the date that a written valuation is received from the appraiser. Subject to the reductions described below, the purchase price will be paid in full at closing.

### **15.3 Reductions of Purchase Price.**

If Franchisor elects to purchase the assets of the Franchise Business, the purchase price will be reduced by:

- (a) the total current and long-term liabilities of the Franchise Business assumed by Franchisor as described below; and
- (b) any amounts due to Franchisor from Franchisee.

Franchisor will assume all current and long-term liabilities of the Franchise Business (except liabilities to Franchisee, its principals, officers, shareholders or affiliates) up to the amount of the purchase price, subject, however, to all defenses available to Franchisee.

### **15.4 Real Property.**

If Franchisee owns the real property on which the Franchise Business is located, Franchisor will also have the option to purchase this property for a period of thirty (30) days from the date of valuation of the real property. The purchase price will be the fair value of the property as determined pursuant to the procedure specified in Section 15.2 above. The date of valuation will also be determined as described in Section 15.2 above. The purchase price will be paid in full at closing minus customary prorations including the pay-off of existing mortgage liens. If Franchisor does not elect to purchase the real property, Franchisor or its designee will have the option to enter into a lease for a term of not less than five (5) years with an option by lessee to extend the term of the lease for an additional term of five (5) years. The lease will contain the terms and conditions contained in the form of lease then used by Franchisor in connection with Centers owned by Franchisor or its affiliate, or in the absence of such a lease, on a form standard in the area of the Franchise Location. The rental under the lease for the initial five (5) year term will be the fair rental value of the property as of the date of exercise of the option. An independent appraiser selected in the manner provided in Section 15.2 will determine this fair rental value. The rental during the second five (5) year option term will be the fair rental value of the property as of the date that is thirty (30) days before the end of the initial term. An independent appraiser selected in the manner provided in Section 15.2 will determine that fair rental value.

### **15.5 Closing.**

The closing will occur within sixty (60) days after Franchisor exercises its option to purchase the assets and/or the real property or such later date as may be necessary to comply with applicable bulk sales or similar laws. At closing, Franchisor and Franchisee agree to execute and deliver all documents necessary to vest title in the assets and/or real property purchased by Franchisor free and clear of all liens and encumbrances, except those assumed by Franchisor and/or to effectuate the lease of the Franchise Location. Franchisor reserves the right to assign its option to purchase the Franchise Business or designate a substitute purchaser for the Franchise Business if Franchisor remains responsible for and guarantees compliance with the provisions of this Article.

## **15.6 Operation During Option Period.**

Franchisor will have the right, on written notice to Franchisee, to manage the Franchise Business during the period in which Franchisor has an option to purchase the Franchise Business and for the period following the exercise of the option by Franchisor and before closing. Franchisor will be responsible for the debts of the Franchise Business during this period of management and may charge a reasonable fee to manage the Franchise Business, not to exceed five percent (5%) of gross sales of the Franchise Business. This management fee is in addition to any royalty or advertising payments due to Franchisor.

## **ARTICLE SIXTEEN – RELATIONSHIP OF PARTIES; INDEMNIFICATION**

### **16.1 Independent Contractor.**

Franchisee is and will be considered an independent contractor with control and direction of its business and operations limited only by the conditions established by this Franchise Agreement and the Operations Manual. No agency, employment, partnership or joint venture is created by this Agreement and neither party has the right to act on behalf of the other.

### **16.2 Separate Identification of Business.**

Franchisee must identify its business as a separate business by filing an assumed name certificate as appropriate in the state of location of the Franchise Business. Also, the Franchisee must display signs, notices or plaques as specified by Franchisor at the Franchise Location to identify the separate ownership of the business to the public.

### **16.3 Indemnification.**

Franchisee is responsible for all losses or damages from contractual liabilities to third persons relating to the possession, ownership and operation of the Franchise Business and all claims or demands for damages to property or for injury, illness or death of persons, directly or indirectly arising out of, or in connection with, possession, ownership or operation of the Franchise Business or the actions or omissions of Franchisee. Franchisee must indemnify and hold harmless and, at Franchisor's request, defend Franchisor and its affiliates, subsidiaries and parent companies and their agents, employees, attorneys and other Franchisees, their agents, employees and attorneys, against any and all claims, suits, demands, losses, damages or liabilities and all related expenses, including reasonable attorneys' fees and court costs, which directly or indirectly arise out of, in connection with, or as a result of possession, ownership or operation of the Franchise Business or the acts or omissions of Franchisee, including without limitation any liability Franchisor may incur as a guarantor of any of Franchisee's obligations to third parties, but excepting any liability solely arising from the Franchisee's proper reliance on or use of materials or instructions provided by Franchisor or solely arising from Franchisor's negligence. This indemnity obligation will continue in full effect even after the expiration, transfer or termination of this Agreement. If Franchisor chooses to defend an action or Franchisee fails to assume the defense after Franchisor's request, Franchisor may defend the action in the manner it deems appropriate and Franchisee must pay Franchisor for all costs, including reasonable attorneys' fees, incurred by Franchisor in defending the action, in addition to any sum that Franchisor might pay by reason of any settlement or judgment against Franchisor in the action. Franchisor's right to indemnity under this Agreement will arise and be valid notwithstanding that joint or concurrent liability may be imposed on Franchisor by statute, ordinance, regulation or other law.

## **ARTICLE SEVENTEEN – LAW, ARBITRATION, VENUE AND JURISDICTION; INJUNCTIVE RELIEF; JURY WAIVER; LIMITATION OF CLAIMS**

### **17.1 New York Laws, Arbitration, Venue and Jurisdiction.**

All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, this Agreement; all relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of New York without recourse to New York's (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of New York, and if the franchised Business is located outside of New York and the provision would be enforceable under the laws of the state in which the franchised Business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Section 17.1 is intended to invoke the application of any franchise registration and disclosure, franchise relationship, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of New York, or any other state, which given its jurisdictional scope (and absent this choice of law provision) would not otherwise apply, and Franchisee agrees to never contend otherwise.

Except as set forth in this Section 17.1, Franchisor and Franchisee agree that all controversies, disputes, or claims between the "parties" (defined as Franchisor and its affiliates, and their respective shareholders, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees)) arising out of or related to: (i) this Agreement or any other agreement between Franchisee and Franchisor; (ii) Franchisor's relationship with Franchisee; (iii) the scope and validity of this Agreement or any other agreement between Franchisee and Franchisor or any provision of such agreements (including the validity and scope of the arbitration obligations under this Subsection, which the parties acknowledge is to be determined by an arbitrator and not a court); or (iv) the Operations Manual and/or any of Franchisor's standards must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator and, except as this Subsection otherwise provides, according to the then current commercial arbitration rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in New York, New York. Except as expressly provided otherwise in the remainder of this Section 17.1, judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any Car-X Mark generic or otherwise invalid or, except as expressly provided in Section 17.3 below, award any punitive or exemplary damages against either party (Franchisor and Franchisee hereby waiving to the fullest extent permitted by law, except as expressly provided in Section 17.3 below, any right to or claim for any punitive or exemplary damages against the other).

Franchisor and Franchisee agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Franchisor and Franchisee further agree that, in any arbitration

proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Franchisor or Franchisee. Franchisor reserves the right, but have no obligation, to advance Franchisee's share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished Franchisor's right to seek the recovery of those costs in accordance with Section 19.2 below.

Franchisor and Franchisee agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Franchisor and its affiliates, and Franchisor's and its affiliates' respective shareholders, members, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between Franchisor and any other person. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 17.1, then the parties agree that this arbitration clause shall not apply to that dispute and that such dispute will be resolved in a judicial proceeding in accordance with this Article 17 (excluding this Section 17.1).

Except as expressly provided otherwise in the remainder of this Article 17, despite Franchisor's and Franchisee's agreement to arbitrate, Franchisor and Franchisee each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Franchisor and Franchisee must contemporaneously submit their dispute for arbitration on the merits as provided in this Section 17.1.

The provisions of this Subsection are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

Subject to the agreement to arbitrate as set forth in this Section 17.1, any actions between the parties arising out of or related to this Agreement or any related agreement or otherwise as a result of the relationship between the parties must be commenced in a state or federal district court of competent jurisdiction in New York, New York. Franchisee hereby irrevocably submits to the jurisdiction of any such court and waives all questions of personal jurisdiction for the purpose of carrying out this provision. Franchisee agrees that any dispute as to the venue for litigation will be submitted to and resolved exclusively by such aforementioned court. Notwithstanding the foregoing, however, and subject to the agreement to arbitrate as set forth in this Section 17.1, with respect to any action for injunctive or other extraordinary or equitable relief, or involving possession or disposition of, or other relief relating to, Franchisee's Car-X Franchise Location, Franchisor may bring such an action in any state or federal district court which has jurisdiction. Franchisee hereby waives and covenants never to assert or claim that the venue designated by this Agreement is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including any claim under the judicial doctrine of "forum non conveniens").

## **17.2 Injunctive Relief.**

Franchisor will have the right, without the posting of any bond or security, to apply for specific enforcement of the terms of this Franchise Agreement, by petitions for temporary and permanent injunctions or other similar equitable relief. Specifically, the Franchisor will have the

right to obtain such relief to prevent Franchisee from: (a) misusing any of the rights franchised by this Agreement; (b) engaging in competitive operations in derogation of the in-term and post-term covenants set forth in Article 12; (c) transferring or assigning this Agreement without complying with this Agreement; (d) engaging in acts or practices in violation of applicable laws and regulations or which are fraudulent, dishonest or create health or other hazards to the public; (e) failing to issue or honor warranties specified by Franchisor; or (f) significantly impairing the goodwill associated with the Franchisor. Franchisor's rights to apply for such relief are in addition to all other remedies available to Franchisor under applicable law.

### **17.3 Waiver of Punitive Damages and Jury Trial.**

EXCEPT FOR FRANCHISEE'S OBLIGATION TO INDEMNIFY FRANCHISOR AND THE OTHER INDEMNIFIED PARTIES UNDER SECTION 16.3 AND CLAIMS FRANCHISOR BRINGS AGAINST FRANCHISEE FOR UNAUTHORIZED USE OF THE CAR-X MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, FRANCHISOR AND FRANCHISEE (AND FRANCHISEE'S OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER.

EACH PARTY AND ITS OWNERS, OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY OR AGAINST THE OTHER PARTY OR ITS OWNERS, OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES, AGENTS, SUCCESSORS OR ASSIGNS.

### **17.4 Limitations of Claims.**

ALL CLAIMS, EXCEPT FOR MONIES DUE TO FRANCHISOR, ARISING UNDER THIS AGREEMENT OR FROM THE RELATIONSHIP BETWEEN THE PARTIES ARE BARRED UNLESS AN ACTION IS FILED AND TIMELY SERVED ON THE OPPOSING PARTY BY THE EARLIER OF: (1) WITHIN ONE YEAR FROM THE DATE THE PARTY KNEW OR SHOULD HAVE KNOWN OF THE FACTS CREATING THE CLAIM; OR (2) WITHIN THE TIME PERIOD PROVIDED BY ANY APPLICABLE LAW OR STATUTE.

## **ARTICLE 18 – ACKNOWLEDGMENTS AND REPRESENTATIONS BY FRANCHISEE**

### **18.1 Risk of Operations.**

Franchisee recognizes the uncertainties inherent in all business ventures. Franchisee also understands the risks of being involved in a retail automotive service business and represents that it is able to bear such risks. Franchisee acknowledges that the success of the Franchise Business depends primarily on Franchisee's efforts. In addition, other factors beyond the control of Franchisor or Franchisee may affect the success of Franchisee's business, including competition, economic conditions, business trends, costs, market conditions, and other conditions that may be difficult to anticipate, assess or even identify.

### **18.2 Representations by Franchisor.**

Franchisee acknowledges and agrees that, except as specifically set forth in this Agreement or the Franchisor's Franchise Disclosure Document or the attached "Disclosure Acknowledgment Statement", no representations or warranties, express or implied, have been made to Franchisee, either by Franchisor or anyone acting on its behalf or purporting to represent it, including, but not limited to, the prospects for successful operations, the level of

business or profits that Franchisee might reasonably expect, the desirability, profitability or expected traffic volume or profit of the Franchise Business (whether or not Franchisor assisted Franchisee in the selection of the location of the Franchise Business). Franchisee acknowledges that all such factors are necessarily dependent on variables beyond Franchisor's control, including, without limitation, the ability, motivation and amount and quality of effort expended by Franchisee. Franchisee further acknowledges that, except as set forth in Franchisor's Franchise Disclosure Document, neither Franchisor's sales personnel nor any employee or officer of the Franchisor is authorized to make any claims or statements as to the earnings, sales profits, costs, expenses or prospects or chances of success that any Franchisee can expect or that present or past Franchisees have had. Franchisee agrees that it has not relied on and that Franchisor will not be bound by allegations of any such representations as to earnings, sales, profits, costs, expenses, prospects or chances of success.

### **18.3 Franchisee's Responsibility to Investigate Franchise Location.**

Franchisee acknowledges and agrees that, regardless of whether Franchisor has leased the location for sublease to Franchisee or Franchisor has assisted Franchisee in finding and securing a location: (a) it is solely Franchisee's responsibility to investigate the potential success of the Franchise Business at the Franchise Location and to determine all costs associated with operation of the Franchise Business at the Franchise Location, including, but not limited to, state and local taxes and assessments; (b) Franchisee has not relied on any statements by Franchisor or its representatives as to the Franchise Location but has independently verified all material information relating to the Franchise Location; and (c) Franchisee has decided to proceed with development of the Franchise Business at the Franchise Location based only on the results of its own investigations. Franchisee understands that taxes, assessments and other costs applicable to a location can change and that Franchisor may not be knowledgeable of all such taxes, assessments and costs and that Franchisee must determine and verify all such information.

### **18.4 Review of Materials and Consultation with Advisors.**

Franchisee acknowledges that it has read and understood this Agreement, the attachments to this Agreement, and the documents relating to this Agreement, if any, and has been given ample time and opportunity (and has been encouraged) to consult with an attorney, accountant or other professional advisor about the potential benefits and risks of entering into this Agreement. Franchisee acknowledges that it has been afforded an opportunity to ask any questions it has and to review any materials of interest to it concerning the Franchise Business, and that it has exhausted such efforts and has made the decision to enter into this Agreement without any influence by Franchisor. Franchisee agrees that any ambiguities in this Agreement will not be construed against Franchisor.

### **18.5 Representative Capacity of Franchisor's Personnel and Agents.**

Franchisee acknowledges and agrees that in all of its dealings with Franchisor, Franchisor's owners, members, officers, directors, employees and agents act only in a representative, and not in an individual, capacity and that business dealings between Franchisee and them as a result of this Agreement are deemed to be only between Franchisee and Franchisor. Franchisee agrees that any claims it (or any of Franchisee's owners) may have against Franchisor's owners, members, officers, directors, employees or agents must be brought against Franchisor only, and not against such owners, members, officers, directors, employees or agents in their individual capacity.

### **18.6 Independent Status of Contract; Uniformity of Agreements.**

Franchisee understands and agrees that Franchisor is entering into this Agreement with Franchisee independently and separately from any franchise or license that Franchisor may grant to any other person or entity, and that Franchisee is not entering into this Agreement in reliance on or because of any other agreement that Franchisor may have entered into with a third party. Franchisee understands and agrees that the terms of Franchisor's agreements with third parties, now and in the future, may be materially different with respect to any terms and condition of this Agreement, including but not limited to, royalty fees, advertising fees, transfer fees, territorial exclusivity, renewals and training. These variations may be based on any factors or conditions that Franchisor deems to be in the best interest of the Car-X franchise system or a particular Center, including but not limited to, peculiarities of a particular location, customer base, density, lease provisions, business potential, population of trade area, existing business practices or any other condition that Franchisor deems to be of importance to the operation of a specific Center. Also, these variations may result from Franchisor, in its sole discretion, compromising, forgiving, or settling claims or disputes with or against other Franchisees. Franchisee will not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation.

### **18.7 Ownership of Franchisee; Guaranties.**

The name, entity classification, state of organization, owners and percentage of ownership of Franchisee are set forth on the Legal Entity Form attached as Appendix B. Franchisee represents that the information stated in Appendix B is accurate and complete. Franchisee agrees that it will immediately notify Franchisor (and comply with the provisions of Article 13 of this Agreement, if applicable) if there is any change in the information set forth in Appendix B. Failure to comply with this requirement will be a material default under this Agreement. Each of the owners of Franchisee and their spouses must personally guaranty Franchisee's obligations to Franchisor by signing the Guaranty and Subordination Agreement attached as Appendix C. Also, if affiliates of Franchisee operate Centers, those affiliates may be required to guaranty all of the Franchisee's obligations to Franchisor by signing the Guaranty and Subordination Agreement attached as Appendix C.

## **ARTICLE NINETEEN – MISCELLANEOUS**

### **19.1 Waiver; Cumulative Remedies.**

No delay or omission to exercise a right, power or remedy accruing to one party on any default will impair any right, power or remedy of that party, and will not be construed to be a waiver of any default, or an acquiescence in any default, or in any similar default occurring later, nor will any waiver of any single default be deemed a waiver of any other default occurring before or after that default. Any waiver, permit, consent or approval of any kind or character on the part of Franchisor of any breach or default under this Franchise Agreement or any waiver on the part of Franchisor of any provision or condition of this Franchise Agreement must be in writing signed by the President or Vice-President of Franchisor and will be effective only to the extent specifically allowed by that writing. All remedies, either under this Franchise Agreement, or by law, or otherwise afforded will be cumulative and not alternative.

### **19.2 Costs of Enforcement.**

Franchisee must pay all costs and expenses incurred by Franchisor in terminating or enforcing the provisions of this Agreement, including, but not limited to, all legal expenses, including attorney fees and court costs.

### **19.3 Obligations Joint and Severable.**

If there is more than one individual or entity executing this Agreement as Franchisee, their obligations under this Agreement will be joint and severable.

### **19.4 Notice.**

Any notice or demand given or made pursuant to the terms of this Agreement must be served as follows:

(a) if given to Franchisor, it must be sent by registered or certified mail or overnight courier service addressed to:

Car-X, LLC  
1100 E. Woodfield Road, Suite 105  
Schaumburg, Illinois 60173

or at any other address designated by Franchisor by notice under this section; and

(b) if given to Franchisee, it must be delivered or mailed by registered or certified mail or overnight courier service to any of the persons designated in Item 5 of Appendix A or must be mailed by registered or certified mail to Franchisee at the address of the Franchise Location.

Notices under this Section are effective on personal service, if applicable, or on the date of mailing if mailed by registered or certified mail or overnight courier service.

### **19.5 Unavoidable Contingency.**

Neither party will be responsible for any contingency that is unavoidable or beyond its control, including strike, flood, war, fire, rebellion, governmental limitation or Act of God.

### **19.6 Time of the Essence.**

Time will be of the essence for provisions of this Franchise Agreement requiring the payment of monies and opening of the Franchise Business.

### **19.7 Entire Agreement; Modifications.**

This Agreement and all schedules and other documents attached to or incorporated by reference in this Agreement will constitute the full and entire Agreement between the parties. This Agreement supersedes all previous written and oral agreements or understandings between the parties. Nothing in this Section or otherwise in this Agreement is intended to disclaim or waive Franchisee's reliance on any authorized statements made in the Franchise Disclosure Document delivered to Franchisee or in the exhibits and amendments to the Franchise Disclosure Document. This Agreement will not be amended or modified other than by an instrument in writing executed by both parties, except as otherwise may have been specifically provided for in this Agreement.

### **19.8 Severability.**

Each section, part or provision of this Agreement will be considered severable. In the event that a Court of competent jurisdiction finds any section, part or provision unenforceable, that determination will not impair the operation or affect the validity of the remainder of this Agreement.

**19.9 Signing of Franchise Agreement by Franchisee.**

*You must not sign this Franchise Agreement or any other agreements relating to the franchise, such as a sublease, unless you received Franchisor's Franchise Disclosure Document at least 15 calendar-days before the date you sign. If you are a resident of or your franchise will be located in Indiana, Iowa, Maryland, Michigan, New York, Oklahoma and Rhode Island, Washington or Wisconsin, you must not sign this Franchise Agreement or any other agreements relating to the franchise, such as a sublease, unless you received Franchisor's Franchise Disclosure Document before the earliest of: (a) 10 business days before the date you sign; or (b) 15 calendar-days before the date you sign. If any of the terms of this Franchise Agreement or any other agreements relating to the franchise, such as a sublease, differ materially from those presented in the documents attached to the Franchise Disclosure Document delivered to you (other than terms you negotiated with Franchisor), then you must not sign this Franchise Agreement or any other agreements relating to the franchise, such as a sublease, until you have had the signature copy of the agreement in your possession at least 8 calendar days before you sign. If you sign this Franchise Agreement or any other agreements relating to the franchise, such as a sublease, sooner than these dates, the signed agreement will be returned to you and you will be asked to re-sign the agreement.*

CAR-X, LLC

\_\_\_\_\_ Franchisee

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

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

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

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

Acknowledged before me in \_\_\_\_\_ County, \_\_\_\_\_, on \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_, the \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_.

Notary Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Notary Public, \_\_\_\_\_, County, \_\_\_\_\_  
Commission Expires: \_\_\_\_\_  
Acting in the County of: \_\_\_\_\_

Acknowledged before me in \_\_\_\_\_ County, \_\_\_\_\_, on \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_, the \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_.

Notary Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_

Notary Public, \_\_\_\_\_, County, \_\_\_\_\_  
Commission Expires: \_\_\_\_\_  
Acting in the County of: \_\_\_\_\_

**OBLIGATIONS OF INDIVIDUALS INVOLVED IN FRANCHISEE'S BUSINESS**

Each of the undersigned, being directly or indirectly beneficially interested in the business to be conducted by Franchisee, under this Franchise Agreement, and in order to induce Franchisor to enter into this Franchise Agreement and in consideration of Franchisor entering into this Franchise Agreement, joins in and agrees to be personally bound by all the terms and provisions of this Agreement, other than those requiring the payment of money by Franchisee, to the same extent and in the same manner as Franchisee is bound. This Section will not impair any separate instrument of guaranty or subordination that any of the undersigned may have executed or may execute in the future.

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

Acknowledged before me in \_\_\_\_\_ County, \_\_\_\_\_, on \_\_\_\_\_,  
20\_\_\_\_, by \_\_\_\_\_.

Notary Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Notary Public, \_\_\_\_\_ County, \_\_\_\_\_  
Commission Expires: \_\_\_\_\_  
Acting in the County of: \_\_\_\_\_

**APPENDIX A**

ITEM 1: The location of the Franchise Business ("Franchise Location") or the geographic area in which said Franchise Business will be located, as referred to in Section 1.1, is:

\_\_\_\_\_

ITEM 2: The Protected Area referred to in Section 1.2 is *[If there is a Protected Area specified in this Item 2, the Protected Area specified will control over any inconsistent Protected Area described in Section 1.2]:*

\_\_\_\_\_

ITEM 3: The initial term of the Franchise Agreement referred to in Section 2.1 will continue until \_\_\_\_\_ years after Franchisee opens the Franchise Business for business. The renewal period(s) referred to in Section 2.2 will be \_\_\_\_\_ period(s) of \_\_\_\_\_ years (each). *[If a term and/or renewal period are specified in this Item 3, the term and/or renewal period specified will control over any inconsistent term and/or renewal period specified in Sections 2.1 and 2.2.]* Once the date that the Franchise Business opens for business is determined, Franchisor will insert that date into Schedule 1 to Appendix A and will send Franchisee a copy of the completed Schedule 1. The date set forth by Franchisor in Schedule 1 will be considered the date the Franchise Business opens for business for all purposes under the Franchise Agreement and any Lease or Sublease between the parties.

ITEM 4: Franchisee must commence operation of the Franchise Business at the Franchise Location no later than: \_\_\_\_\_ *[If a date is specified in this Item 4, the date specified will control over any inconsistent date specified in Section 8.5].*

ITEM 5: The Principals for purposes of the Franchise Agreement is/are:

\_\_\_\_\_

*[If an individual or individuals are listed in this Item, the individuals listed will be the Principal(s) of Franchisee as defined in Section 9.7].*

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

CAR-X, LLC

\_\_\_\_\_  
Franchisee

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

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

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

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

**Schedule 1 to Appendix A**

Schedule 1 to Appendix A of Franchise Agreement dated \_\_\_\_\_, 20\_\_ ("Franchise Agreement") between Car-X, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") for a Car-X Center operated at \_\_\_\_\_ ("Franchise Business").

In accordance with Item 3 of Appendix A of the Franchise Agreement, the Franchise Business opened for business on \_\_\_\_\_, 20\_\_\_\_ and the term of the initial term of the Franchise Agreement will expire on \_\_\_\_\_, 20\_\_\_\_. The renewal period(s) referred to in Section 2.2 will be \_\_\_\_\_ period(s) of \_\_\_\_\_ years (each). The opening date designated in this Schedule 1 will be considered the date the Franchise Business opened for business for all purposes under the Franchise Agreement and any Lease or Sublease between the parties.

CAR-X, LLC

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

**APPENDIX B—LEGAL ENTITY FORM**

THE UNDERSIGNED REPRESENT THAT THE FOLLOWING IS CORRECT AND TRUE:

1. LEGAL NAME: \_\_\_\_\_

\_\_\_\_\_ TYPE OF ENTITY (sole proprietorship, corporation, partnership, limited liability company): \_\_\_\_\_

STATE OF ORGANIZATION OF ENTITY: \_\_\_\_\_

d/b/a (if applicable): \_\_\_\_\_

ADDRESS: \_\_\_\_\_

BUSINESS TELEPHONE: \_\_\_\_\_

FEDERAL EMPLOYER IDENTIFICATION NUMBER: \_\_\_\_\_

2. NAME, HOME ADDRESS/PHONE, TITLE, % OWNERSHIP

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone \_\_\_\_\_

Title \_\_\_\_\_ % Ownership \_\_\_\_\_

Social Security Number \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone \_\_\_\_\_

Title \_\_\_\_\_ % Ownership \_\_\_\_\_

Social Security Number \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone \_\_\_\_\_

Title \_\_\_\_\_ % Ownership \_\_\_\_\_

Social Security Number \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone \_\_\_\_\_

Title \_\_\_\_\_ % Ownership \_\_\_\_\_

Social Security Number \_\_\_\_\_

3. ALL OWNERS MUST SIGN:

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

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

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

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

NOTES: (1) ALL LEGAL ENTITY DOCUMENTATION must be submitted to the Franchisor prior to issuance of any imprinted material (business cards, invoices, warranties). If documentation is submitted at a later date, invoices will be imprinted with Franchisee's personal name.

If the business is a partnership, a copy of the Partnership Registration must be submitted to the Franchisor. If the business is a corporation, a copy of the Articles of Incorporation must be submitted to the Franchisor. If the business is another entity, copies of any organizing documents or state filing must be submitted to Franchisor.

(2) If using an assumed name or d/b/a (doing business as), a true copy of the registration from the state and/or county must be submitted to the Franchisor.

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## **APPENDIX C—GUARANTY AND SUBORDINATION AGREEMENT**

The persons signing below (each a “Guarantor”), in order to induce CAR-X, LLC (“Franchisor”) to enter into a Franchise Agreement, dated the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, with \_\_\_\_\_ (“Franchisee”), unconditionally, jointly and severally:

1. guaranty to Franchisor, its successors and assigns, the prompt and full payment and performance of all obligations of the Franchisee to Franchisor including, without limitation, all obligations arising out of the Franchise Agreement or any other agreement between the parties, such as leases, subleases, notes or security agreements, or out of purchases on open account, all without Franchisor first having to proceed against Franchisee or otherwise enforce or commence to enforce payment of those obligations;

2. agree to pay to Franchisor all costs and expenses, including reasonable attorney fees, incurred in enforcing this Guaranty;

3. waive acceptance of this Guaranty by Franchisor and waive presentment, demand for payment, protest, notice of dishonor and any other notice or demand of any kind and the necessity of Franchisor instituting legal proceedings against the Franchisee;

4. consent that Franchisor will have the right, without notice, to deal in any way at any time with Franchisee or any other guarantor, or to grant any such party any extensions of time for payment of any indebtedness or to sell, release, surrender, exchange, substitute, settle, compromise, waive, subordinate or modify, with or without consideration and on such terms and conditions as may be acceptable to Franchisor, any and all collateral, security, guaranties, obligations, indebtedness, liabilities, notes, instruments or other evidence of indebtedness concerning which payment is guaranteed hereby, or grant any other indulgences or forbearances whatever, without in any way affecting Guarantor’s liabilities under this Guaranty;

5. agree that any indebtedness by the Franchisee to Guarantor, for any reason, currently existing, or which might arise after this Guaranty, will at all times be inferior and subordinate to any indebtedness owed by the Franchisee to Franchisor;

6. agree that as long as the Franchisee owes any monies to Franchisor (other than payments that are not past due) the Franchisee will not pay and the Guarantor will not accept payment of any part of any indebtedness owed by the Franchisee to Guarantor, either directly or indirectly, without the consent of Franchisor;

7. agree that the liability of Guarantor is independent of any other guaranties at any time in effect with respect to all or any part of Franchisee’s indebtedness to Franchisor, and that the liability created hereby may be enforced regardless of the existence of any other guaranties;

8. agree that this Guaranty will be binding on the heirs, devisees, successors and assigns of Guarantor and will inure to the benefit of Franchisor’s successor and assigns;

9. agree that the obligations of the Guarantors under this Guaranty (if there is more than one Guarantor) are joint and several;

10. agree that this Guaranty and the construction of this Guaranty will be governed by the laws of the State of New York (without reference to the conflict of laws provisions) and that

any legal proceedings to enforce this Agreement must be brought and conducted only in a state or federal court located in the county in which Franchisor's principal place of business is located, except legal proceedings brought by Franchisor for injunctive relief or to obtain possession of real and personal property from Guarantor or to enforce a judgment against Guarantor may, at Franchisor's option, be brought in a state or federal court for the county in which Guarantor's resides or has a business, and that Guarantor consents to and waives any objections to jurisdiction and venue in the courts specified in this paragraph; and

10. ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED AND, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF HIS OR HER CHOICE, KNOWINGLY AND VOLUNTARILY WAIVE ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS GUARANTY OR THE INDEBTEDNESS COVERED BY THIS GUARANTY.

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

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

STATE OF )  
 ) ss.  
COUNTY OF )

On this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, a Notary Public in and for said County, specifically appeared \_\_\_\_\_, to me known to be the same person(s) described above who signed this document and acknowledged the same to be his/her/their free act(s) and deed(s).

\_\_\_\_\_, Notary Public  
\_\_\_\_\_  
County, \_\_\_\_\_  
My commission expires: \_\_\_\_\_

**DISCLOSURE ACKNOWLEDGEMENT STATEMENT**

Car-X, LLC ("Franchisor"), through the use of this document, desires to ascertain that \_\_\_\_\_ ("Franchisee") fully understands that the purchase of a Car-X franchise is a business decision, complete with associated risks, and that it is the policy of Franchisor to verify that Franchisee is not relying on any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise that have not been authorized by Franchisor.

1. Franchisee recognizes and understands 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 the skills and abilities of Franchisee, the hours worked by Franchisee, competition, interest rates, the economy, inflation, store location, operation costs, lease terms and costs and the market place. Franchisee hereby acknowledges its willingness to undertake these business risks.

2. Franchisee acknowledges that he has had the opportunity to personally and carefully review Franchisor's Uniform Franchise Disclosure Document and all documents to be signed by Franchisee. Furthermore, Franchisee has been advised to seek professional assistance, to have professionals review the documents, and to consult with Franchisee regarding the risks associated with the purchase of the franchise.

3. Franchisee agrees and states that the decision to enter into this business risk is in no manner predicated upon any oral representations, assurances, warranties, guarantees or promises made by Franchisor as to the likelihood of success of the franchise. Franchisee further acknowledges that he has not received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings except for those set forth in the Franchisor's Franchise Disclosure Document. If Franchisee believes that he has received any information concerning actual, average, projected or forecasted franchise sales profits or earnings other than as set forth in Franchisor's Franchise Disclosure Document, please describe these in the space provided below or write "None".

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\_\_\_\_\_  
Franchisee

DATED: \_\_\_\_\_

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

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

Acknowledged before me in \_\_\_\_\_ County, \_\_\_\_\_, on \_\_\_\_\_,  
20\_\_\_\_, by \_\_\_\_\_, the \_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_.

Notary Signature: \_\_\_\_\_

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

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

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

Acting in the County of: \_\_\_\_\_

**EXHIBIT D**

**LICENSE AGREEMENT**

**LICENSE AGREEMENT**

Pursuant to the provisions of Section \_\_\_\_\_ of the Franchise Agreement dated \_\_\_\_\_ (the "Franchise Agreement") by and between **CAR-X, LLC**, a Delaware limited liability company (the "Franchisor"), and \_\_\_\_\_ (the "Franchisee"), and in consideration of the payment by Franchisee to Franchisor of an initial license fee in the amount of \$\_\_\_\_\_ in accordance with Section \_\_\_ of the Franchise Agreement, receipt of which is hereby acknowledged, Franchisor hereby permits Franchisee to open an additional Car-X Center (as defined in the Franchise Agreement) at \_\_\_\_\_. Franchisee requests that the License be issued to \_\_\_\_\_. Franchisee acknowledges that the operation of a Shop at this location shall be incorporated into the Franchise Agreement and shall be subject to all of the terms and conditions contained therein. In addition, the granting of this license is contingent upon performance by the Franchisee under the License Reservation Agreement dated \_\_\_\_\_.

**DATED:** \_\_\_\_\_, 20\_\_\_\_

**CAR-X, LLC**

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

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

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

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

**FRANCHISEE:**

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

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

**EXHIBIT E**

**ADDENDUM TO FRANCHISE AGREEMENT-RENEWAL**

**ADDENDUM TO FRANCHISE AGREEMENT-RENEWAL**

THIS ADDENDUM is made effective the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, and modifies a Franchise Agreement effective on the same date entered into by CAR-X, LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

**A. Introduction.** Franchisor and Franchisee are parties to a franchise agreement dated \_\_\_\_\_, the term of which expired or will expire on \_\_\_\_\_, 20\_\_ ("Old Agreement"). Franchisee desires to renew its franchise relationship with Franchisor and has signed a new franchise agreement to which this Renewal Addendum is attached ("Franchise Agreement"). Franchisor and Franchisee desire to amend the Franchise Agreement to reflect Franchisee's status as an existing Franchisee renewing an ongoing relationship. All capitalized terms not otherwise defined in this Renewal Addendum will have the same meaning as in the Franchise Agreement.

**B. Release of Franchisor.** As a condition of renewal, Franchisee hereby releases and forever discharges Franchisor and its subsidiaries and affiliates and their respective officers, directors, agents, members and employees from all liability, right, claim, debt and cause of action whatsoever, known or unknown, suspected or unsuspected, which Franchisee ever had, now has or may have at any time based on any agreement entered into between the parties on or before the date of this agreement, including but not limited to the Old Agreement, or based on any act or omission occurring on or before the date of this agreement.

**C. Term.** Section 2.1 of the Franchise Agreement is amended to read as follows:

2.1 Term. The term of the Franchise Agreement will begin on the date of this Agreement and continue until \_\_\_\_\_, 20\_\_.

**D. Renewal Term.** The first paragraph of Section 2.2 of the Franchise Agreement is amended to read as follows:

Subject to the consent of Franchisor, the rights of Franchisee under this Agreement will automatically renew for an additional period of \_\_\_\_ years unless Franchisee notifies Franchisor in writing, at least 180 days before the end of the then expiring term, that it elects to not renew the franchise.

**E. Renovation and Modernization.** Franchisee must complete the décor and premises renovations, equipment modernization, etc., specified below. These actions must be completed by \_\_\_\_\_, 20\_\_.

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**F. Initial Franchise Fee.** Franchisee is not required to pay the initial franchise fee specified in Section 3.1(a) of the Franchise Agreement.

**G. Location of Center.** Section 6.1 of the Franchise Agreement is amended to read as follows:

6.1 Location of Center; Franchisor's Assistance. Franchisee must operate the Center only at the location designated in Item 1 of Appendix A (the "Franchise Location").

Section 6.2 of the Franchise Agreement is deleted.

**H. Store Opening Obligations.** Sections 8.1 through 8.5 and Item 4 of Appendix A of the Franchise Agreement are deleted.

**I. Operational Assistance.** The first sentence of the first paragraph and all of the second paragraph of Section 9.3 of the Franchise Agreement are deleted.

**J. Initial Training.** Section 11.1 of the Franchise Agreement is deleted.

**K. Termination.** Sections 14.4(c) and 14.4(i) are deleted.

**L. Surviving Provisions of Old Agreement.** Any provision in the Old Agreement, which by its terms or reasonable implication imposes an obligation to be performed, in whole or in part, after the expiration of the Old Agreement, will survive the termination or expiration of the Old Agreement and will remain in full force and effect.

**M. Legal Effect.** Except as modified by this Addendum, the Franchise Agreement will remain in full force and effect and is incorporated in this Addendum by reference.

CAR-X, LLC,  
Franchisor

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

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

\_\_\_\_\_  
Franchisee

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

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

**EXHIBIT F**

**ADDENDUM TO FRANCHISE AGREEMENT-TRANSFER**

**ADDENDUM TO FRANCHISE AGREEMENT-TRANSFER**

THIS ADDENDUM is made the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date ("Franchise Agreement") entered into by CAR-X, LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

**A. Introduction.** Franchisee has entered into an agreement ("Purchase Agreement") to purchase the Car-X Auto Service business located at \_\_\_\_\_ ("Center") from the current owner of the Center. Franchisor and Franchisee desire to amend the Franchise Agreement to reflect the fact that Franchisee is acquiring an open and operating Center by transfer from an existing Franchisee of Franchisor. All capitalized terms not otherwise defined in this Transfer Addendum will have the same meaning as in the Franchise Agreement.

**B. Contingency; Date of Effectiveness of Franchise Agreement.** The rights and obligations of the parties under the Franchise Agreement are contingent on: (1) Franchisee's completion of Franchisor's initial training program; and (2) the closing of the transaction under the Purchase Agreement and the transfer of possession and ownership of the Center to Franchisee. If these contingencies are not met by \_\_\_\_\_, 20\_\_\_\_, the Franchise Agreement will be null and void. In that event Franchisor will have the right to retain the transfer fee paid by Franchisee and otherwise the parties will have no further rights or obligations to each other under the Franchise Agreement. If these contingencies are met by the date specified above in this Section, then the Franchise Agreement will become effective on the date that Franchisee receives possession and ownership of the Center.

**C. Term.** Section 2.1 of the Franchise Agreement is amended to read as follows:

2.1 Term. The term of the Franchise Agreement will begin on the effective date of the Franchise Agreement as described in Section B above and continue until \_\_\_\_\_, 20\_\_\_\_.

**D. Renewal Term.** The first paragraph of Section 2.2 of the Franchise Agreement is amended to read as follows:

Subject to the consent of Franchisor, the rights of Franchisee under this Agreement will automatically renew for an additional period of \_\_\_\_ years unless Franchisee notifies Franchisor in writing, at least 180 days before the end of the then expiring term, that it elects to not renew the franchise.

**E. Renovation and Modernization.** Franchisee must complete the décor and premises renovations, equipment modernization, etc., specified below. These actions must be completed by \_\_\_\_\_, 20\_\_\_\_.

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

**F. Initial Franchise Fee.** Franchisee is not required to pay the initial franchise fee specified in Section 3.1(a) of the Franchise Agreement. In lieu of the initial franchise fee,

Franchisee must pay a transfer fee in the amount of \$\_\_\_\_\_. The transfer fee is payable on or before the signing of the Franchise Agreement.

**G. Initial Advertising Fee.** Section 3.1(c) of the Franchise Agreement is amended to read as follows:

Franchisee must pay an initial payment of \$\_\_\_\_\_ to be used as described in Section 10.1.

**H. Location of Center.** Section 6.1 of the Franchise Agreement is amended to read as follows:

6.1 Location of Center; Franchisor's Assistance. Franchisee must operate the Center only at the location designated in Item 1 of Appendix A (the "Franchise Location").

Section 6.2 of the Franchise Agreement is deleted.

**I. Store Opening Obligations.** Sections 8.1 through 8.5 and Item 4 of Appendix A of the Franchise Agreement are deleted.

**J. Operational Assistance.** The first sentence of Section 9.3 of the Franchise Agreement is deleted.

**K. Termination.** Section 14.4(i) is deleted.

**L. Legal Effect.** Except as modified by this Addendum, the Franchise Agreement will remain in full force and effect and is incorporated in this Addendum by reference.

CAR-X, LLC,  
Franchisor

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

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

\_\_\_\_\_  
Franchisee

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

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

**EXHIBIT G**

**AREA DEVELOPMENT AGREEMENT**

**CAR-X, LLC**  
**AREA DEVELOPMENT AGREEMENT**

THIS AREA DEVELOPMENT AGREEMENT (this "Agreement") is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between CAR-X, LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_ ("Developer").

1. Introduction. Franchisor and Developer have entered into a Car-X, LLC Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ ("First Franchise Agreement"), by which Developer has acquired the right to own and operate a Car-X Auto Service franchise. Developer desires to obtain the exclusive right to open a number of additional Car-X Auto Service franchises in the Territory described on the attached Exhibit A ("Territory"). Franchisor is willing to grant Developer those exclusive rights under the terms of this Agreement.

2. Developer Rights. During the term of this Agreement, and while Developer is in substantial compliance with the provisions of this Agreement and any other agreement between Developer and Franchisor:

a. Franchisor will not operate or issue a franchise to any other person to operate a Car-X Auto Service business in the Territory; and

b. Developer will have the right to acquire up to \_\_\_\_\_ additional Car-X, LLC franchises for operation of Car-X Auto Service businesses in the Territory ("Units") on the execution of the then current Car-X, LLC Franchise Agreement for each additional Unit.

3. Area Development Fee. Developer must pay an area development fee of \_\_\_\_\_ (\$\_\_\_\_\_) Dollars on execution of this Agreement. This fee is not refundable.

4. Development Schedule. Developer must develop a minimum of \_\_\_\_\_ (\_\_\_\_) Units in the Territory pursuant to the following minimum development schedule:

a. by the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, there must be a minimum of \_\_\_\_\_ (\_\_\_\_) Units in operation in the Territory;

b. by the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, there must be a minimum of \_\_\_\_\_ (\_\_\_\_) Units in operation in the Territory;

c. by the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, there must be a minimum of \_\_\_\_\_ (\_\_\_\_) Units in operation in the Territory;

d. by the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, there must be a minimum of \_\_\_\_\_ (\_\_\_\_) Units in operation in the Territory; and

e. by the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and continually after that, there must be a minimum of \_\_\_\_\_ (\_\_\_\_) Units in operation in the Territory.

Time is of the essence for purposes of this minimum development schedule. If a failure to comply with the minimum development schedule is due to causes beyond the control of the

Developer, such as strike, weather, the inability to obtain essential equipment or materials, or fire, and the Developer has acted in good faith to comply with the development schedule, the development schedule will be extended for an additional time equal to the delay. However, in no event will the development schedule be extended for more than 120 days unless the delays are caused by Franchisor.

5. Franchise Agreements.

a. Approval of Location. Each proposed location submitted by Developer to Franchisor will be reviewed for approval pursuant to Franchisor's then current standards and procedures.

b. Execution of Franchise Agreements. For each Unit to be opened pursuant to this Agreement, Developer must execute the then current Car-X, LLC Franchise Agreement modified as provided below ("Franchise Agreement"). Franchisor is not required to execute a Franchise Agreement with Developer if that execution would be in violation of any state or federal law.

c. Term of Additional Franchise Agreements; Protected Area. Each Franchise Agreement will provide for a fifteen (15) year initial term and an option to continue as a franchisee for an additional ten (10) year term, subject to the consent of Franchisor and certain other conditions set forth in such Franchise Agreement. Each Franchise Agreement may set forth a separate protected area pursuant to the then current policies and practices of Franchisor.

d. Initial Franchise Fees. On the execution of each Franchise Agreement, including the First Franchise Agreement and, in lieu of the initial license fee stated in each agreement, Developer must pay to Franchisor a Seven Thousand Five Hundred Dollar (\$7,500) initial franchise fee.

e. Royalties. Developer must pay a royalty of only two and one-half percent (2-1/2%) of gross sales for the first six (6) months of operation of each Unit, except the first Unit. After the six (6) month period for each of those Units, Developer must pay the royalty specified in the Franchise Agreement for that Unit.

6. Term; Renewal. The term of this Agreement will expire \_\_\_\_\_, 20\_\_\_\_ unless terminated before that date by Franchisor in accordance with the provisions of this Agreement. On completion of the initial term of this Agreement, Developer will have the option to extend this Agreement for an additional period of five (5) years without the payment of any additional fees if:

a. at the beginning of the renewal period, Developer is not in default of this Agreement or any other Agreement between the parties and is not otherwise indebted to Franchisor;

b. Developer provides written notice of its desire to continue as a Developer no more than six (6) months and no less than three (3) months before the expiration of the initial term of this Agreement; and

c. before the beginning of the renewal period, Developer and Franchisor agree on a minimum development schedule that will apply during the

renewal period. If Developer and Franchisor are unable to agree on a minimum development schedule for the renewal period, the matter will be decided by binding arbitration in accordance with the applicable rules of the American Arbitration Association. Any decision of the arbitrator(s) must be based on the same criteria used by Franchisor to determine the development schedule for the initial term of this Agreement. On renewal, the development schedule applicable to the renewal period will be set forth in writing and attached as an addendum to this Agreement.

7. Proprietary Rights; Confidentiality. This Agreement does not grant to Developer the right to use any of the knowledge, trade names or trademarks of Franchisor nor to conduct any of the operations of a licensed Car-X Auto Service business; those rights can be granted only on execution of a Franchise Agreement. Developer agrees to abide by the terms of the First Franchise Agreement with respect to any knowledge or information acquired pursuant to this Agreement.

8. Assignment. Developer must not assign or in any manner transfer this Agreement or any rights under this Agreement without the previous written consent of Franchisor.

9. Termination. Franchisor will have the right to terminate this Agreement on the occurrence of any of the following events:

a. the expiration, non-renewal or termination of the First Franchise Agreement or any other Franchise Agreement executed pursuant to this Agreement;

b. the occurrence of any event that gives Franchisor the right to terminate any Franchise Agreement between the parties, whether or not the Franchise Agreement is in fact terminated;

c. the default of Developer under any other agreement entered into with Franchisor;

d. the failure to comply with the minimum development schedule set forth in Section 4;

e. the attempted assignment of this Agreement by Developer without the consent of Franchisor;

f. any material misrepresentation or omission made by Developer to Franchisor to induce Franchisor to enter into this Agreement or any Franchise Agreement executed pursuant to this Agreement; and

g. any other breach of this Agreement by Developer.

10. Effect of Termination or Expiration. On termination or expiration of this Agreement, all rights of Developer under this Agreement will cease including the right to exclusive development of the Territory. Developer may continue to operate Car-X Auto Service businesses pursuant to then existing Franchise Agreements if those Franchise Agreements have not been terminated pursuant to their terms.

11. Independent Contractor; Indemnification. Developer will be considered an independent contractor with control and direction of its business and operations. No agency, employment, partnership or joint venture is created by this Agreement and neither party has the right to act on behalf of the other. Developer agrees to indemnify and hold Franchisor harmless from any and all claims, actions, demands, proceedings, covenants, damages or liabilities and all related expenses, including reasonable attorney fees and court costs arising out of or in any way connected with the conduct of Developer's business.

12. Notices. Any notice, demand or request that may be or is required to be given under this Area Development Agreement must be sent by registered or certified mail or overnight courier service to the addresses set forth below or such other address as may be designated by notice pursuant to this Section. Notices under this Section are effective on the date of mailing.

Franchisor:

Car-X, LLC  
1100 E. Woodfield Road, Suite 105  
Schaumburg, Illinois 60173

Developer:

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

13. New York Laws, Arbitration, Venue and Jurisdiction. This Agreement; all relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of New York without recourse to New York (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of New York, and if the franchised Business is located outside of New York and the provision would be enforceable under the laws of the state in which the franchised Business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Section 13 is intended to invoke the application of any franchise registration and disclosure, franchise relationship, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of New York, or any other state, which given its jurisdictional scope (and absent this choice of law provision) would not otherwise apply, and Developer agrees to never contend otherwise.

Except as set forth in this Section 13, we and you agree that all controversies, disputes, or claims between the "parties" (defined as us and our affiliates, and our and their respective shareholders, officers, directors, agents, and/or employees, and you (and/or your owners, guarantors, affiliates, and/or employees)) arising out of or related to: (i) this Agreement or any other agreement between you and us; (ii) our relationship with you; (iii) the scope and validity of this Agreement or any other agreement between you and us or any provision of such agreements (including the validity and scope of the arbitration obligations under this Section, which the parties acknowledge is to be determined by an arbitrator and not a court); or (iv) the Operations Manual and/or any of our standards must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one arbitrator and, except as this Subsection otherwise provides, according to

the then current commercial arbitration rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in New York, New York. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except as expressly provided otherwise in the remainder of this Section 13, judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any Car-X Mark generic or otherwise invalid or, except as expressly provided in Section 14 below, award any punitive or exemplary damages against either party (we and you hereby waiving to the fullest extent permitted by law, except as expressly provided in Section 14 below, any right to or claim for any punitive or exemplary damages against the other).

Franchisor and Developer agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Franchisor and Developer further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Developer or Franchisor. Franchisor reserves the right, but has no obligation, to advance Developer's share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished Franchisor's right to seek the recovery of those costs in accordance with Section 15(c) below.

Franchisor and Developer agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Franchisor and its affiliates, and their respective shareholders, members, officers, directors, agents, and/or employees, and Developer (and/or Developer's owners, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between Franchisor and any other person. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 13, then the parties agree that this arbitration clause shall not apply to that dispute and that such dispute will be resolved in a judicial proceeding in accordance with this Agreement (excluding this Section 13).

Except as expressly provided otherwise in this Agreement, despite the parties' agreement to arbitrate, Franchisor and Developer each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Franchisor and Developer must contemporaneously submit their dispute for arbitration on the merits as provided in this Section 13.

The provisions of this Subsection are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

Subject to the agreement to arbitrate as set forth in this Section 13, any actions between the parties arising out of or related to this Agreement or any related agreement or otherwise as a result of the relationship between the parties must be commenced in a state or federal district

court of competent jurisdiction in the state, county and judicial district in New York, New York. Developer hereby irrevocably submits to the jurisdiction of any such court and waives all questions of personal jurisdiction for the purpose of carrying out this provision. Developer agrees that any dispute as to the venue for litigation will be submitted to and resolved exclusively by such aforementioned court. Notwithstanding the foregoing, however, and subject to the agreement to arbitrate as set forth in this Section 13, with respect to any action for injunctive or other extraordinary or equitable relief, or involving possession or disposition of, or other relief relating to, Developer's Car-X Auto Service businesses, Franchisor may bring such an action in any state or federal district court which has jurisdiction. Developer hereby waives and covenants never to assert or claim that the venue designated by this Agreement is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including any claim under the judicial doctrine of "forum non conveniens").

14. Waiver of Punitive Damages and Jury Trial.

EXCEPT FOR DEVELOPER'S OBLIGATION TO INDEMNIFY FRANCHISOR UNDER SECTION 11 AND CLAIMS FRANCHISOR BRINGS AGAINST DEVELOPER FOR UNAUTHORIZED USE OF THE CAR-X MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, FRANCHISOR AND DEVELOPER (AND DEVELOPER'S OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER.

EACH PARTY AND ITS OWNERS, OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY OR AGAINST THE OTHER PARTY OR ITS OWNERS, OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES, AGENTS, SUCCESSORS OR ASSIGNS.

15. Miscellaneous. The following additional provisions apply to this Agreement:

a. Agreement Binding. This Agreement will be binding on the heirs, executors, administrators, successors and permitted assigns of the parties hereto.

b. Entire Agreement; Modification. This Agreement and all the schedules and other documents attached to or incorporated by reference in this Agreement will constitute the full and entire agreement as to the matters covered in this Agreement. This Agreement supersedes all previous written and oral agreements or understanding between the parties as to the matters covered in this Agreement. Nothing in this Section or otherwise in this Agreement is intended to disclaim or waive Developer's reliance on any authorized statements made in the Franchise Disclosure Document delivered to Developer or in the exhibits and amendments to the Franchise Disclosure Document. This Agreement may be amended or modified only by a writing executed by all parties.

c. Costs of Enforcement. Developer agrees to pay all costs incurred by Franchisor in enforcing the provisions of this Agreement, including the cost of all phone calls, travel and legal expenses, including reasonable attorney fees.

d. Waiver. The failure of any party to demand strict compliance with a covenant or condition of this Agreement will not be a waiver of its right to demand strict compliance in the future.

e. Titles and Captions. All paragraphs, titles or captions contained in this Agreement are for convenience only and will not be deemed part of the context of this Agreement.

f. Counter Parts. This Agreement may be executed in two (2) or more counter parts, each of which will be deemed an original.

g. Pronouns and Plurals. All pronouns and variations will be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons may require.

FRANCHISOR:

DEVELOPER:

Car-X, LLC

\_\_\_\_\_

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

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

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

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



EXHIBIT A

TO CAR-X, LLC  
AREA DEVELOPMENT AGREEMENT  
WITH \_\_\_\_\_  
DATED THE \_\_\_\_\_ DAY OF \_\_\_\_\_, 20\_\_\_\_

The "Territory" referred to in the Agreement is:

**EXHIBIT H**

**SUBLEASE SF**

**CAR-X LLC  
SUBLEASE**

THIS SUBLEASE (this "Sublease") is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by CAR-X LLC, a Delaware limited liability company ("Sublessor") and \_\_\_\_\_, a \_\_\_\_\_ ("Subtenant").

1. Leased Premises. Sublessor has previously entered into a Lease as Lessee/Tenant with \_\_\_\_\_, as Lessor/Landlord ("Landlord") dated the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, a copy of which is attached ("Lease"), for the premises commonly known as \_\_\_\_\_ ("Premises"). Subtenant desires to sublease the Premises from Sublessor for the sole purpose of operating a Car-X Auto Service business franchise.

The Sublessor leases to Subtenant and Subtenant leases from Sublessor the Premises on the terms set forth in this sublease.

2. Term; Renewal. The term of this Sublease will begin on the Commencement Date and continue from that date for a period of \_\_\_\_\_ years, unless sooner terminated as set forth in this Sublease. However, the term of this Sublease will not extend beyond the term of the Lease. If the construction of the Premises has not been completed at the time of signing of this Sublease, the Commencement Date will be the earlier of: (a) the date that Subtenant opens for business; or (b) the date of issuance of a certificate of occupancy for the Premises. If the construction of the Premises has been completed at the time of signing of this Sublease, the Commencement Date will be the date of delivery of possession to Subtenant. The Commencement Date is the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ and the ending date of the term is the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

If the construction of the Premises has not been completed at the time of signing of this Sublease, Subtenant acknowledges and agrees that: (a) the Commencement Date and ending date of the Sublease set forth in the preceding paragraph and the time periods in the first column of the table set forth in Section 3(a) of this Sublease will not be completed until Sublessor knows the Commencement Date; and (b) once the Commencement Date is known, Sublessor will notify Subtenant of that date and will complete the dates in this Section and Section 3(a) and will provide Subtenant an original signed copy of this Sublease with those dates completed.

Subject to the consent of Sublessor and to Sublessor having rights as a Lessee/Tenant under the Lease, the rights of Subtenant under this Sublease will automatically renew for \_\_\_\_\_ (\_\_\_\_) additional and consecutive terms of \_\_\_\_\_ (\_\_\_\_) years each unless Subtenant notifies Sublessor in writing at least \_\_\_\_\_ (\_\_\_\_) days before the current term of the Sublease expires that it elects not to renew the Sublease. On renewal, the terms and conditions of this Sublease will continue in full force and effect for the renewal period.

Sublessor will notify Subtenant in writing at least 90 days before the end of the then expiring term if Sublessor does not consent to the renewal of the Sublease. If the Franchise Agreement between the parties for operation of a franchise at the Premises is being renewed and Sublessor has chosen to renew the Lease, Sublessor agrees that it will not unreasonably withhold its consent to renewal of the Sublease. The parties agree that valid reasons for Sublessor to withhold consent to renewal in such cases include, but are not limited to: (i) Subtenant is then in default under this Sublease; (ii) Subtenant or any corporation, partnership, limited liability

company or other entity controlled by or under common control with Subtenant or one or more of the owners of Subtenant is in default under any other obligation owed to Sublessor or its affiliates; (iii) Subtenant has, on numerous occasions, failed to timely pay its obligations to Sublessor under this Sublease or any other agreement; (iv) Subtenant is not in compliance with the operations, appearance, maintenance, and/or other standards and policies applicable to Car-X Auto Service business franchises; (v) Subtenant has, during the previous 12 month period, received one or more notices of default of any obligations owed to Sublessor, whether or not those defaults were cured; and (vi) Sublessor has reasonable concerns about the financial condition or creditworthiness of Subtenant. Notwithstanding the foregoing, Sublessor may choose not to renew the Lease and this Sublease on the expiration of the initial term or any renewal term of the Lease and this Sublease. If Sublessor exercises that right, but Subtenant desires to continue in business at the Premises, Sublessor will use its best efforts to assist Subtenant in obtaining a lease for the Premises directly with the Landlord.

If Sublessor or Subtenant elects not to renew this Sublease or if Sublessor does not consent to the renewal, the Sublease will expire at the end of the then current term of the Sublease.

3. Rent. Subtenant must pay to, or on the order of, the Sublessor, as rent for the Premises:

a. the amounts designated in the table below for base rents. Subtenant's obligation to pay base rent will commence \_\_\_\_ days after the Commencement Date. The discounted monthly rent will apply if the rent is paid by the due date for the rent payment, otherwise Subtenant must pay the full monthly rent specified in the table. Notwithstanding the rents specified in the following table, the Discounted Monthly Base Rent under this Sublease will in no event be less than the rent specified in the Lease;

<b>Time Period</b>	<b>Full Monthly Base Rent</b>	<b>Discounted Monthly Base Rent</b>
From _____ to _____		
From _____ to _____		
From _____ to _____		
From _____ to _____		
From _____ to _____		
From _____ to _____		
From _____ to _____		
From _____ to _____		

Time Period	Full Monthly Base Rent	Discounted Monthly Base Rent
From _____ to _____		

b. all other charges required to be paid by Sublessor under the Lease from and after the Commencement Date of this Sublease (including without limitation percentage rent, late charges, taxes and insurance), payable on the dates specified in the Lease for the payment of those charges;

c. a monthly amount to be escrowed for real property taxes. The initial monthly property tax escrow payment is \$\_\_\_\_\_ (\$\_\_\_\_\_);

d. a monthly amount to be escrowed for the cost of the insurance referred to in Section 16(a) below. The initial monthly insurance escrow payment is \$\_\_\_\_\_ (\$\_\_\_\_\_); and

e. a monthly amount to be escrowed for common area maintenance. The initial monthly common area maintenance payment is \$\_\_\_\_\_ (\$\_\_\_\_\_).

Subtenant acknowledges that the monthly initial escrow payments specified in Sections 3(c), (d) and (e) may only be estimates and are subject to adjustment. Subtenant agrees that the initial monthly escrow payments in Section 3(c), (d) and (e) may be adjusted by Sublessor at any time after date of this Sublease to reflect 1/12<sup>th</sup> of the annual amounts payable or estimated to be payable (and any catch-up amounts necessary for that year) based on the cost information available at the time of the adjustment. Subtenant will be notified of any adjustments to the escrow payments and must begin making payment of the adjusted amounts with the next payment due after the notice from Sublessor.

Rent and the tax, insurance and common area maintenance escrow must be paid without notice or any prior demand from Sublessor. Rent must be paid in equal monthly installments with the first month's rent payable on the date of execution of this Sublease and then no later than the \_\_\_\_\_ day of each month thereafter, in advance. The monthly tax, insurance and common area maintenance escrow payment will be due on the same day as the rent payment is due. The escrowed amounts will be applied to taxes, insurance and common area maintenance due and any deficiency must be paid by Subtenant within fifteen (15) days of written notice from Sublessor. If the term of this Sublease commences on a day other than the first day of a calendar month, then the rental and escrow payment for the initial month may be prorated on a daily basis.

Amounts due under this sublease must be paid by electronic or similar funds transfer in the appropriate amounts from Subtenant's bank account to such accounts, and at such places or in such manner as Sublessor may specify from time to time.

Subtenant's obligation to timely pay rent and other amounts due to Sublessor under this Sublease is absolute and unconditional. Subtenant must not delay or withhold the payment of all or part of any rent or other payments due to Sublessor for any reason or put the same in escrow or deduct or set-off against any claim or counterclaim Subtenant may allege against Sublessor. In

the event of a dispute between Sublessor and Subtenant, Subtenant must continue to make all rent and other payments to Sublessor until a final determination by a court of competent jurisdiction.

4. Incorporation of Lease. Except as expressly modified by the terms of this Sublease, all the terms and provisions of the Lease are incorporated by reference and made a part of this Sublease, and the parties agree to be bound by those terms. For purposes of incorporation of the Lease into this Sublease, whenever the term "Tenant" or "Lessee" or an equivalent term is used in the Lease, the term "Subtenant" will be substituted; and whenever the term "Landlord" or "Lessor" or an equivalent term is used in the Lease, the term "Sublessor" will be substituted.

The parties acknowledge and agree that any obligations of the Lessor under the Lease relating to construction, reconstruction, improvement or maintenance of the Premises, or relating to the Tenant's exclusive right to operate a particular type of business, are undertakings of the Lessor under the Lease, and the Sublessor will not be responsible to Subtenant if the Lessor under the Lease fails to perform those obligations. Also, without limiting the generality of this Section 4, Subtenant will be responsible to perform all obligations of Tenant under the Lease relating to construction, reconstruction, repair and maintenance, unless otherwise agreed by the parties or unless otherwise previously performed by Sublessor, but Sublessor must pre-approve any construction plans.

The parties also acknowledge and agree that Subtenant will not have the right to exercise any right or privilege of the Tenant under the Lease relating to options to purchase the Premises, rights of first refusal to purchase the Premises or construction, alteration, re-modeling, reconstruction, restoration or re-building of improvements on the Premises. Unless otherwise agreed by Sublessor, those rights may only be exercised by Sublessor for Sublessor's benefit.

5. Subtenant's Covenants. Subtenant must occupy the Premises in accordance with the Lease Agreement and this Sublease Agreement, and must not do anything or fail to do anything that may result in a violation of or default under any of the terms and conditions of the Lease or this Sublease or render the Sublessor liable for any charge or expense under the Lease. Subtenant must not remove from the Premises any furniture, fixtures, equipment and other personal property used in the business operated at the Premises (other than personal effects and personal tools) without the prior written consent of Sublessor.

6. Indemnity. Subtenant must defend, indemnify and hold harmless Sublessor from and against any penalty, damage or charge imposed for any violation of any law or ordinance whether or not caused by the neglect of Subtenant or those holding under Subtenant. Subtenant must defend, indemnify and hold harmless Sublessor and Landlord from and against all claims, loss, cost, damage or expense arising out of or from any accident or other occurrences on or about the Premises causing injury to any person or property or out of any failure of Subtenant in any respect to comply with and perform all the requirements and provisions of this Sublease or the Lease. For purposes of this indemnity, as to Sublessor, Subtenant waives any immunity which it has from injuries to its employees as an employer in compliance with any applicable workers' compensation laws.

7. Hazardous Materials. Subtenant must not, at any time during the term of this Sublease or any renewals, use, store, treat, transport, manufacture, handle or produce any hazardous substance (as defined below) on the Premises without first obtaining all necessary governmental approvals and permits, if required, and thereafter complying with the terms of those

approvals and permits, as well as with the provisions of all laws, regulations and policies pertaining thereto which are now or hereafter in effect. In addition, Subtenant must not use or occupy the Premises or suffer the use or occupancy of the Premises in violation of any environmental law (as defined below). Subtenant must dispose of or allow the disposal of any hazardous substance on the Premises, or operate a hazardous waste treatment, storage or disposal facility or site. Subtenant must not permit, create, or suffer the existence of any condition which could subject Sublessor or Subtenant to a "remedial", "removal" or "cleanup" action, as those terms may be defined in any environmental law.

Subtenant must immediately notify Sublessor upon learning of the occurrence of any environmental mishap (as defined below) on the Premises. Subtenant must also immediately notify Sublessor upon learning of the occurrence of any environmental mishap on any adjacent property, if the mishap poses a danger of contamination to the Premises. Subtenant must also immediately notify Sublessor upon learning that: (a) an environmental law affecting the Premises has been violated; (b) a governmental agency (whether federal, state or local in origin) has initiated or threatened to initiate a proceeding against the Subtenant for an alleged violation of an environmental law affecting the Premises; (c) a governmental agency (whether federal, state or local in origin) has imposed a fine, penalty, order or notice of violation on the Subtenant for a violation of an environmental law affecting the Premises; or (d) a lawsuit or other civil action has been brought against the Subtenant, or has been threatened by any person, persons or governmental agency, following an environmental mishap on the Premises or the alleged violation of an environmental law.

The term "hazardous substance" will mean any substance deemed hazardous under any of the following statutes or under any other statute or regulation of any governmental authority: The Comprehensive Environmental Response, Compensation and Liability Act, 42USC § 9601, et seq; The Resource Conservation and Recovery Act, 42USC § 6901, et seq; The Hazardous Material Transportation Act, 49USC § 1801, et seq; and The Toxic Substances Control Act, 15USC § 2601, et seq. The term "environmental law" will mean any federal, state, county or municipal law or regulation which governs or relates to the environment, land use, zoning, public health, chemical use, public safety, sanitation, water, air, fish, wildlife, and natural resources. The term "environmental mishap" will mean the unlawful release of a hazardous substance which contaminates or may reasonably be expected to contaminate, the land (including sub-soil), water (both ground water and surface water) or air on, under or above the Premises.

Subtenant must not use or install any underground storage tanks on the Premises without the prior written consent of Sublessor and Landlord. If Subtenant receives consent, Subtenant must carry, at its own expense, liability and environmental insurance specifically covering the underground storage tanks in amounts specified by Sublessor and Landlord. This insurance must be maintained during the term of this Sublease and must name Sublessor and Landlord as additional insureds.

Subtenant must defend, indemnify and hold harmless Sublessor, any successors to Sublessor's interest in this Sublease, Landlord, and Sublessor's directors, officers, employees, agents and contractors from and against any losses, claims, damages (including consequential damages), penalties, liabilities, costs (including cleanup and recovery costs), and expenses (including expenses of litigation and reasonable attorney fees) resulting from (1) any breach of the covenants of this Section 7; or (2) any violation by Subtenant of any environmental law.

8. Default; Remedies on Default. In addition to any provisions regarding default contained in the Lease, which are incorporated in this Sublease by reference, Subtenant will be in default under this Sublease on the occurrence of any of the following events:

- a. a breach by Subtenant of any provision of the Franchise Agreement entered into between Car-X LLC and Subtenant in connection with the Car-X Auto Service business to be operated at the Premises ("Franchise Agreement") or the expiration, non-renewal or termination of the Franchise Agreement for whatever reason, or the occurrence of an event that gives Car-X LLC the right to terminate the Franchise Agreement whether or not the Franchise Agreement is in fact terminated or the default of Subtenant or any corporation, partnership, limited liability company or other entity owned by Subtenant or the owners of Subtenant, under any other agreement entered into with Car-X LLC;
- b. the termination or cancellation of the Lease;
- c. failure of Subtenant to pay any amounts due under this Sublease for a period of five (5) days;
- d. Subtenant is late in making a payment due under this Sublease three or more times within a twelve month period;
- e. any breach by Subtenant of any other provisions of this Sublease, which breach is not cured within ten (10) days of written notice from Sublessor;
- f. the commission or omission of any act by Subtenant that creates or constitutes an event of default by the Sublessor under the Lease;
- g. abandonment of the Premises by Subtenant (as defined below);
- h. any assignment by Subtenant for the benefit of creditors whether by trust, mortgage or otherwise; and
- i. a petition or other proceeding by or against the Subtenant for, or the appointment of, a trustee, receiver, guardian, conservator or other liquidator of Subtenant, with respect to all or substantially all of Subtenant's property.

Abandonment of the Premises by Subtenant will be conclusively presumed if Subtenant is not current in rent for the Premises and fails to open for business at the Premises during normal working hours for a period of three (3) consecutive business days without the prior written consent of Sublessor. On abandonment of the Premises by Subtenant, Sublessor will have the right to take possession and control of the Premises, including changing locks, without resort to judicial process, unless required by state law. Subtenant waives any notices required under state law and waives and releases Sublessor from any legal or equitable claims against Sublessor in those circumstances to the fullest extent permitted by law.

If Subtenant is in default under this Sublease, in addition to any other rights or remedies provided in the Lease or this Sublease, Sublessor may: (i) terminate this Sublease and Subtenant must vacate and surrender the Premises but will remain liable for all obligations arising during the balance of the original term of the Sublease; and/or (ii) enter upon the Premises without further demand or notice to Subtenant and resume possession either by summary proceedings, or by action at law or in equity, or otherwise, as Sublessor may determine, without being liable for

trespassing or for any damages. In no event will Sublessor's re-entry or resumption of possession or re-letting be deemed to be an acceptance, surrender or termination of this Sublease or waiver of the rights or remedies of Sublessor under this Sublease unless notice of acceptance, surrender or termination of this Sublease is set forth in a writing signed by Sublessor.

On termination of this Sublease or resumption of possession of the Premises by Sublessor: (1) Subtenant must deliver the Premises to Sublessor in the condition required under this Sublease; (2) Subtenant must not remove any furniture, fixtures, equipment and other personal property used in the business operated at the Premises (other than personal effects and personal tools) from the Premises without the prior written consent of Sublessor; (3) Sublessor may demand that Sublessor remove all or a portion of its personal property from the Premises, in which case Subtenant must remove the specified property within 10 days after Sublessor has demanded the removal or authorized the removal; and (4) if Subtenant does not remove its personal property within 10 days after Sublessor has demanded or authorized the removal, then the property will be deemed abandoned by Subtenant and Sublessor may keep or dispose of the property without any liability to Subtenant.

If Sublessor reenters the Premises or takes possession of the Premises by legal proceedings or otherwise, Sublessor may make alterations and repairs as may be necessary in order to relet the Premises and may relet the Premises or any part of the Premises for such term or terms and at such rent and on such other terms and conditions as Sublessor may deem advisable. On such reletting, all rent and other sums received by Sublessor from such reletting will be applied: first, to the payment of any indebtedness other than rent due under the Sublease from Subtenant to Sublessor; second, to the payment of any costs and expenses of such reletting, including reasonable brokerage fees and attorneys' fees and the cost of any alterations and repairs; third, to the payment of rent and other charges due and unpaid under the Sublease; and the residue, if any, will be held by Sublessor and applied in payment of future rent as the same may become due and payable under the Sublease. If the rents and other sums received from such reletting that are applied to Subtenant's rent obligation during any month are less than that to be paid during that month by Subtenant, Subtenant must pay the deficiency to Sublessor. If there is any excess, Subtenant will have no right to and will receive no credit for the excess. The deficiency will be calculated and must be paid monthly by Subtenant. If Sublessor relets the Premises without terminating the Sublease, Sublessor may at any time elect to terminate the Sublease for the previous breach. The failure or refusal of Sublessor to relet the Premises will not affect Subtenant's liability under the Sublease.

If Sublessor at any time terminates this Sublease for any breach, in addition to any other remedies Sublessor may have, Sublessor may recover from Subtenant all damages it may incur by reason of such breach. These damages will include, but are not limited to: (i) the cost of recovering the Premises; (ii) the cost of putting the Premises in the condition required under the Sublease or in the condition necessary to relet the Premises; (iii) reasonable attorneys' fees incurred by Sublessor; and (iv) the worth at the time of the termination of the excess, if any, of the amount of rent and charges that would be due under the Sublease if the Sublease continued for the remainder of the stated term over the then reasonable rental value of the Premises for the remainder of the stated term, which amount will be immediately due and payable from Subtenant to Sublessor.

Subtenant must pay Sublessor reasonable attorney fees and the reasonable costs incurred by Sublessor in connection with Subtenant's default.

The rights and remedies of Sublessor under this Sublease are cumulative and no one of those rights or remedies will be exclusive at law or in equity of the rights and remedies that Sublessor might otherwise have by virtue of a default under this Sublease, and the exercise of one right or remedy by Sublessor will not impair Sublessor's standing to exercise any other right or remedy.

9. Termination on Assignment of Lease. The parties agree that if the Landlord consents to an assignment of the Lease from Sublessor to Subtenant, the Sublessor will have the option to assign all its rights and obligations under the Lease to Subtenant. If Sublessor exercises its option, Subtenant must accept the assignment and assume all obligations of Sublessor under the Lease. Also, Subtenant must sign the standard Car-X LLC Addendum to Lease, which among other things, acknowledges the Sublessor's option to take an assignment of the Lease on termination of the Franchise Agreement between Sublessor and Subtenant. On execution of an appropriate assignment and assumption of the Lease by the parties, the Addendum to Lease and a consent by the Landlord on terms acceptable to Sublessor, this Sublease will terminate.

10. Deposit. Subtenant must deposit with the Sublessor, on execution of this Sublease, a security deposit of \_\_\_\_\_ (\$\_\_\_\_\_) Dollars as security for Subtenant's obligations under this Sublease. If Subtenant fails to pay rent or other charges due under this Sublease, or otherwise defaults under this Sublease, the Sublessor may use, apply or retain all or any portion of the deposit for the payment of any rent or other charge in default or for the payment of any other sum for which the Sublessor may become obligated because of Subtenant's default, or to compensate the Sublessor for any loss or damage that the Sublessor may incur because of Subtenant's default. If the Sublessor uses or applies all or any portion of the deposit, Subtenant must, within ten (10) days after written demand, deposit cash with the Sublessor in an amount sufficient to restore the deposit to the full amount stated above and Subtenant's failure to do so will be a material breach of the Sublease. The Sublessor will not be required to keep the deposit separate from its general accounts. If Subtenant performs all of Subtenant's obligations under this Sublease, the deposit, or the portion that has not been applied by the Sublessor, will be returned, without payment of interest, to Subtenant (or at the Sublessor's option, to the last assignee, if any, of Subtenant's interest) within one hundred eighty (180) days after this Sublease expires. No trust relationship is created between the Sublessor and Subtenant with respect to the security deposit.

11. Use and Operation of Premises. The Premises must be occupied and used solely for the operation of a Car-X Auto Service business, and for no other purpose. This provision will be strictly enforced, if necessary, by an injunction issued by a court of competent jurisdiction.

Subtenant agrees:

- a. to keep the Premises in a careful, safe, clean and proper manner;
- b. to prevent the Premises from being used in any way that would injure the reputation of the Premises or that could be a nuisance, annoyance, inconvenience or could cause damage to the neighborhood, including, without limiting the generality of the foregoing, noise by the playing of any musical instrument or radio or television or the use of a microphone, loud speaker, electrical equipment or other equipment outside of the Premises;
- c. to abide by all reasonable rules and regulations established by Landlord or Sublessor, from time to time, with respect to the Premises; and

d. that no vehicles or trailers of any sort may remain in the parking lot of the Premises for a continuous period in excess of seventy-two (72) hours, and no vehicles or trailers of any sort may be stored or offered for sale in the parking lot of the Premises; vehicles without tires, hoods, trunks, fenders, or window glass must not be kept in the parking lot of the Premises overnight or for any continuous period longer than eight (8) hours.

Subtenant agrees to keep and maintain in good order, condition and repair the Premises, and every part of the Premises, including, but without limitation, all landscaping, driveways and parking areas, the exterior walls and roof, exterior and interior portions of all doors, door-checks, windows, plate glass, all plumbing and sewage facilities within the Premises, all fixtures, electrical equipment and interior walls, floors and ceilings, including compliance with applicable building codes relative to fire extinguishers. Subtenant must pay all costs and assume all responsibility for replacing any portion of the Premises if required during the term or any renewals of this Sublease. Subtenant must preserve the good order and condition of the Premises and maintain the Premises in the best possible manner.

If Subtenant neglects or refuses to maintain, repair or keep up any of the Premises as required by this Sublease, Sublessor may, at its option, without liability for forfeiture, have such repairs made and add the actual cost of the repairs to the next rent payment due from Sublessor.

Subtenant acknowledges that he has inspected the Premises and accepts them "AS IS."

12. Assignment. Subtenant must not assign or in any manner transfer this Sublease or any interest in this Sublease, or permit occupancy by anyone other than Subtenant without the previous written consent of Sublessor. Any assignment must be made only to a franchisee of Car-X LLC. Subtenant must not sublet the Premises or any part of the Premises.

13. Alterations. Subtenant must not make alterations, additions or improvements to the Premises without the prior written consent of the Sublessor. All alterations must be in accordance with the specifications for a Car-X Auto Service business as specified by Car-X LLC. All alterations, additions and improvements will become the property of Sublessor or the Landlord (as determined by the Lease Agreement) upon the expiration or termination of this Sublease Agreement.

14. Corporate or Partnership Subtenant. If Subtenant is or becomes a partnership, corporation, limited liability company, or other entity, or if this Sublease is assigned to a partnership, corporation, limited liability company, or other entity, all general partners, shareholders, members, or other owners must agree to be bound jointly and severally by all the provisions of this Sublease by signing the Personal Guaranty at the end of this Sublease. The signatories to this Sublease represent and warrant that they are the sole proprietor of Subtenant or all of the persons required to sign this Sublease pursuant to this Section.

15. Right of Entry. Landlord and Sublessor will have the right to enter the Premises during reasonable business hours to examine the Premises or to make repairs or alterations as they deem necessary or to exhibit the Premises to prospective purchasers or lessees. Sublessor will also have all rights to enter the Premises as provided in the Franchise Agreement referred to in Section 8(a) above.

16. Insurance.

a. Sublessor will pay all insurance premiums for providing the insurance listed in the following table with respect to the Premises. Subtenant must reimburse Sublessor for the cost of that insurance within seven (7) days of Subtenant's receipt of an invoice from Sublessor. Subtenant will also be responsible for any deductible.

Building Insurance	100% of replacement value (replacement value will be determined by Sublessor and/or the prime landlord)
Public Liability & Property Damage Insurance Personal Injury Liability  Property Damage Liability	The amount required under the Lease but not less than \$1,000,000  The amount required under the Lease but not less than \$1,000,000
Fire and Extended Coverage (Insuring the building and improvements, landscaping)	100% of full replacement value (replacement value will be determined by Sublessor and/or the prime landlord)
Loss of Rents Insurance	100% of the rent under the prime lease for one year
Lessor's Risk	The amount required under the prime lease, but not less than \$1,000,000
Environmental Liability	The amount required under the Lease but not less than \$1,000,000 per occurrence, \$3,000,000 aggregate (for all locations insured by Sublessor)

b. In addition to the insurance listed in the preceding table, Subtenant must obtain and provide Sublessor with certificates of insurance (on the standard Accord form) in the amounts and with the coverages listed in the following table. The insurance must be issued by insurance providers rated A-7 or better by Best's Insurance Review. Certificates of this insurance must be initially provided at least ten (10) days prior to Subtenant taking possession of the Premises. Certificates of renewal must be provided no later than ten (10) days before the expiration date of each policy. If Subtenant does not provide Sublessor with certificates of any insurance policies at any due date, Sublessor may, but is not required to, purchase the insurance at the Subtenant's expense. Subtenant must immediately pay for the insurance by paying the insurance broker selected by Sublessor directly, or by paying Sublessor if Sublessor has paid for the insurance.

*Comprehensive General Liability	\$1,000,000 combined single limit; bodily injury and property damage
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*Garage Liability	\$1,000,000 limit per occurrence/aggregate
*Automobile Liability	\$1,000,000 combined single limit, bodily injury and property damage, non-owner hire auto
*Garage Keeper's Legal Liability	\$100,000 limit
Business, Personal Property, Equipment, Stock, Inventory, Signage Plate Glass Coverage	At replacement cost  Needs to be included and shown on certificate
Business income and extra expense for minimum of 6 months	50% of annual gross revenue but no less than \$300,000
Worker's Compensation *Employer's Liability *Employer's Stop Gap Liability	In compliance with state law, show limits  (If applicable)
Any other insurance coverage required under the Lease	

In each policy designated by an asterisk (\*) in the preceding table, Sublessor, the Landlord under the Lease and the Landlord's mortgagee (if applicable) must be named as additional insureds. Subtenant acknowledges that it may incur an additional cost for naming additional insureds. Also, each policy must require 60 days notice to Sublessor before the policy is canceled or changed.

c. Sublessor and Subtenant release each other from any and all liability or responsibility (to the other or anyone claiming through or under them by way of subrogation or otherwise) for any bodily injury, loss or damage to property caused by fire or any of the extended coverage or supplementary contract casualties, even if the fire or other casualty has been caused by the fault or negligence of the other party, or anyone for whom the party may be responsible; provided, however, that this release will only apply if Sublessor's and/or Subtenant's coverage for the loss or damage is not adversely affected by this Sublease; and provided further that this release will only apply to losses for which Sublessor or Subtenant are compensated by their respective insurers.

17. Dispute Resolution; Controlling Law; Venue; Waiver of Punitive Damages and Jury Trial. Any provision of the Lease requiring the arbitration of disputes will not be incorporated by reference into this Sublease. Each party will have the right to pursue all its available legal or equitable remedies in a court of competent jurisdiction unless the parties otherwise agree in writing. This Sublease will be governed by and construed in accordance with the laws of the State of New York (without reference to the conflict of laws provisions) except that the laws of the state in which the Premises are located shall control as to an action for recovery of possession by the Sublessor of the Premises. Any legal proceedings between the parties, other than an action for repossession of the Premises by Sublessor, must be brought and conducted only in a state or

federal court located in the county in which the Sublessor's principal place of business is located and Subtenant consents to such courts having jurisdiction over its person.

EXCEPT FOR SUBTENANT'S OBLIGATION TO INDEMNIFY SUBLESSOR AND THE OTHER INDEMNIFIED PARTIES UNDER SECTIONS 6 AND 7, SUBLESSOR AND SUBTENANT (AND SUBTENANT'S OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER.

SUBLESSOR AND SUBTENANT (AND SUBTENANT'S OWNERS) IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER SUBLESSOR OR SUBTENANT (OR ITS OWNERS).

18. Notices. Any notice, demand or request that may be or is required to be given under this Sublease must be sent by registered or certified mail or overnight courier service to the addresses set forth below or any other address as may be designated by notice under to this Section. Notices under this Section are effective on the date of mailing.

Sublessor:

Car-X LLC  
1100 E. Woodfield Road  
Suite 105  
Schaumburg, Illinois 60173

Subtenant:

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

19. Late Charges. Subtenant must pay a late charge of one and one-half (1-1/2%) percent per month for each payment due under this Sublease (including escrow payments) that is not paid when due. The payment of a late charge will not excuse or cure any default by Subtenant under this Sublease. If the applicable law prohibits payment of the late charge provided above, Subtenant must pay the maximum late charge allowable under that law.

20. Miscellaneous. The following additional provisions apply to this Sublease:

a. Agreement Binding. This Sublease is binding on the heirs, executors, administrators, successors and assigns of the parties;

b. Entire Agreement; Modification. This Sublease and all schedules and other documents attached to or incorporated by reference in this Sublease will constitute the full and entire agreement between the parties with respect to the subject matter of this Sublease. This Sublease supersedes all previous written and oral agreements or understandings between the parties with respect to the subject matter of this Sublease. Nothing in this section or otherwise in this Sublease is intended to disclaim or waive Subtenant's reliance on any authorized statements made in the Franchise Disclosure Document delivered to Subtenant or in the exhibits and amendments to the Franchise Disclosure Document. This Sublease not be amended or modified other than by an instrument in writing executed by both parties;

c. Costs of Enforcement. Subtenant must pay all costs incurred by Sublessor in enforcing the provisions of this Sublease, including, but not limited to, the cost of all phone calls, travel and legal expenses, including attorney fees;

d. Waiver. The failure of any party to demand strict compliance with a covenant or condition of this Sublease will not be a waiver of its rights to demand strict compliance with this Sublease in the future;

e. Titles and Captions. All paragraphs, titles or captions are for convenience only and will not be deemed part of the context of this Agreement;

f. Counter Parts. This Agreement may be executed in two (2) or more counter parts, each of which will be deemed an original; and

g. Pronouns and Plurals. All pronouns and variations thereof will be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons may require.

In the Presence of:

CAR-X LLC,  
Sublessor

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_,  
Subtenant

\_\_\_\_\_

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

\_\_\_\_\_

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

AS TO SUBLESSOR:

Acknowledged before me in \_\_\_\_\_ County, \_\_\_\_\_, on \_\_\_\_\_,  
20\_\_\_\_, by \_\_\_\_\_, the \_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_.

Notary Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Notary Public, \_\_\_\_\_, County, \_\_\_\_\_  
Commission Expires: \_\_\_\_\_  
Acting in the County of: \_\_\_\_\_

AS TO SUBTENANT:

Acknowledged before me in \_\_\_\_\_ County, \_\_\_\_\_, on \_\_\_\_\_,  
20\_\_\_\_, by \_\_\_\_\_, the \_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_.

Notary Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_

Notary Public, \_\_\_\_\_, County, \_\_\_\_\_  
Commission Expires: \_\_\_\_\_  
Acting in the County of: \_\_\_\_\_

PERSONAL GUARANTY

The undersigned individuals represent and warrant that they are all of the shareholders, partners or other owners of Subtenant or otherwise have a direct or indirect beneficial interest in the success of Subtenant. Accordingly, to induce the Sublessor to enter into this Sublease, each of the undersigned individuals jointly and severally guarantees the performance of Subtenant's obligations under this Sublease and each of the undersigned individuals jointly and severally agrees to be bound by all of the provisions of this Sublease.

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

Acknowledged before me in \_\_\_\_\_ County, \_\_\_\_\_, on \_\_\_\_\_,  
20\_\_\_\_, by \_\_\_\_\_.

Notary Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Notary Public, \_\_\_\_\_ County, \_\_\_\_\_  
Commission Expires: \_\_\_\_\_  
Acting in the County of: \_\_\_\_\_

**EXHIBIT I**

**SUBLEASE LF**

**CAR-X, LLC**  
**SUBLEASE**

THIS SUBLEASE (this "Sublease") is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between CAR-X, LLC, a Delaware limited liability company ("Sublessor") and \_\_\_\_\_, a \_\_\_\_\_ ("Subtenant").

1. Leased Premises. Sublessor has previously entered into a Lease as Lessee/Tenant with \_\_\_\_\_, as Lessor/Landlord ("Landlord") dated the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ ("Lease"), relating to the premises described below. Subtenant desires to sublease these premises from Sublessor for the sole purpose of operating a Car-X Auto Service business franchise.

Sublessor subleases to Subtenant and Subtenant subleases from Sublessor, the following described premises ("Leased Premises"), on the terms set forth in this Sublease:

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

(commonly known as "\_\_\_\_\_").

The Leased Premises include the land and any building, improvements, appurtenances or fixtures now or later situated on the Leased Premises.

2. Construction of Leased Premises. The Landlord under the Lease has agreed to perform all site development work and to construct a building and other improvements on the Leased Premises in accordance with plans and specifications agreed on by Landlord and Sublessor. Subtenant agrees that these construction obligations are the sole responsibility of the Landlord under the Lease and that Sublessor will not be responsible to Subtenant if the Landlord under the Lease fails to perform its obligations.

3. Commencement Date. If Section 2 of this Sublease is applicable, the Commencement Date will be the earlier of: (a) the date that Subtenant opens for business; or (b) the date of issuance of a certificate of occupancy for the Leased Premises. If Section 2 of this Sublease is not applicable, the Commencement Date will be the date of delivery of possession of the Leased Premises to Subtenant. Subtenant agrees that by occupying the Leased Premises or by opening the Leased Premises for business, Subtenant formally accepts the Leased Premises and acknowledges that the Leased Premises are in the condition required under this Sublease.

4. Term of Sublease. This Sublease will commence on the Commencement Date and will continue for a period of \_\_\_\_ years, unless sooner terminated as provided in this Sublease. However, this Sublease will automatically terminate at such time as Sublessor no longer has rights as a Lessee/Tenant under the Lease. The Commencement Date is the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ and the ending date of the term is the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

If the construction of the Leased Premises has not been completed at the time of signing of this Sublease, Subtenant acknowledges and agrees that: (a) the Commencement Date and

the ending date of the term of the Sublease set forth in the preceding paragraph and the time periods in the first column of the table set forth in Section 6 below will not be completed until Sublessor knows the Commencement Date; and (b) once the date that the Commencement Date is known, Sublessor will notify Subtenant of that date and will complete the dates in Sections 4 and 6 and will provide Subtenant an original signed copy of this Sublease with those dates completed.

If the Subtenant is unable to enter into and occupy the Leased Premises at the Commencement Date by reason of the Leased Premises not being ready for occupancy or by reason of the holding over of any previous occupant of the Leased Premises or as a result of any cause or reason beyond the direct control of the Sublessor, the Sublessor will not be liable in damages to the Subtenant for that delay, but the rent provided in this Sublease will be abated. Sublessor will be the sole judge as to when the premises are ready for occupancy.

5. Renewal Option. Subject to the consent of Sublessor and to Sublessor having rights as a Lessee/Tenant under the Lease, the rights of Subtenant under this Sublease will automatically renew for \_\_\_\_\_ (\_\_\_\_) additional and consecutive terms of \_\_\_\_\_ (\_\_\_\_) years each unless Subtenant notifies Sublessor in writing at least \_\_\_\_\_ (\_\_\_\_) days before the current term of the Sublease expires that it elects not to renew the Sublease. On renewal, the terms and conditions of this Sublease will continue in full force and effect for the renewal period.

Sublessor will notify Subtenant in writing at least 90 days before the end of the then expiring term if Sublessor does not consent to the renewal of the Sublease. If the Franchise Agreement between the parties for operation of a franchise at the Leased Premises is being renewed and Sublessor has chosen to renew the Lease, Sublessor agrees that it will not unreasonably withhold its consent to renewal of the Sublease. The parties agree that valid reasons for Sublessor to withhold consent to renewal in such cases include, but are not limited to: (i) Subtenant is then in default under this Sublease; (ii) Subtenant or any corporation, partnership, limited liability company or other entity controlled by or under common control with Subtenant or one or more of the owners of Subtenant is in default under any other obligation owed to Sublessor or its affiliates; (iii) Subtenant has, on numerous occasions, failed to timely pay its obligations to Sublessor under this Sublease or any other agreement; (iv) Subtenant is not in compliance with the operations, appearance, maintenance, and/or other standards and policies applicable to Car-X Auto Service business franchises; (v) Subtenant has, during the previous 12 month period, received one or more notices of default of any obligations owed to Sublessor, whether or not those defaults were cured; and (vi) Sublessor has reasonable concerns about the financial condition or creditworthiness of Subtenant. Notwithstanding the foregoing, Sublessor may choose not to renew the Lease and this Sublease on the expiration of the initial term or any renewal term of the Lease and this Sublease. If Sublessor exercises that right, but Subtenant desires to continue in business at the Premises, Sublessor will use its best efforts to assist Subtenant in obtaining a lease for the Premises directly with the Landlord.

If Sublessor or Subtenant elects not to renew this Sublease or if Sublessor does not consent to the renewal, the Sublease will expire at the end of the then current term of the Sublease.

6. Rent; Common Area Maintenance. Subtenant must pay to Sublessor base rent for the Leased Premises as specified in the table below. Subtenant's obligation to pay base rent will commence \_\_\_\_\_ days after the Commencement Date. The discounted monthly rent will apply if the rent is paid by the due date for the rent payment, otherwise Subtenant must pay the full

monthly rent specified in the table. Notwithstanding the rents specified in the following table, the Discounted Monthly Base Rent under this Sublease will in no event be less than the rent specified in the Lease.

Time Period	Full Monthly Base Rent	Discounted Monthly Base Rent
From _____ to _____		
From _____ to _____		
From _____ to _____		
From _____ to _____		
From _____ to _____		
From _____ to _____		
From _____ to _____		
From _____ to _____		
From _____ to _____		

Subtenant must also pay all common area maintenance expenses payable by Sublessor under the Lease. Subtenant must pay a monthly amount to be escrowed for the cost of the common area maintenance expenses. The initial monthly escrow payment for common area maintenance is \_\_\_\_\_ (\$\_\_\_\_\_). Subtenant acknowledges that this amount may only be an estimate and is subject to adjustment. Subtenant agrees that the initial monthly escrow payment may be adjusted by Sublessor at any time after date of this Sublease to reflect 1/12<sup>th</sup> of the annual amount payable or estimated to be payable (and any catch-up amounts necessary for that year) based on the cost information available at the time of the adjustment. Subtenant will be notified of any adjustments to the escrow payment and must begin making payment of the adjusted amount with the next payment due after the notice from Sublessor. The monthly common area maintenance escrow payments will be due on the same day as the monthly rent payment is due. The escrowed amounts will be applied to the cost of the common area maintenance and Subtenant must pay any deficiency within fifteen (15) days of written notice from Sublessor.

Rent and other charges under this Sublease must be paid without notice or any prior demand from Sublessor. Rent must be paid in equal monthly installments with the first month's rent payable on the date of execution of this Sublease and then no later than the \_\_\_\_\_ day of each month thereafter, in advance. If the term of this Sublease commences on a day other than the first day of a calendar month, then the rental for the initial month may be prorated on a daily basis.

Amounts due under this Sublease must be paid by electronic or similar funds transfer in the appropriate amounts from Subtenant's bank account to such accounts, and at such places or in such manner as Sublessor may specify from time to time.

Subtenant's obligation to timely pay rent and other amounts due to Sublessor under this Sublease is absolute and unconditional. Subtenant must not delay or withhold the payment of all or part of any rent or other payments due to Sublessor for any reason or put the same in escrow or deduct or set-off against any claim or counterclaim Subtenant may allege against Sublessor. In the event of a dispute between Sublessor and Subtenant, Subtenant must continue to make all rent and other payments to Sublessor until a final determination by a court of competent jurisdiction.

7. Additional Rent; Payment of Subtenant's Obligations by Sublessor. All taxes, charges, costs and expenses that the Subtenant is required to pay under this Sublease, together with any interest or late charges that may accrue and all damages, costs and expenses that the Sublessor may incur because of any default of the Subtenant or failure by Subtenant to comply with the terms of this Sublease, will be deemed to be additional rent. If Subtenant fails to pay additional rent, the Sublessor will have all the rights and remedies as the Sublessor has for the nonpayment of the basic rent.

If Subtenant fails to perform any obligations under the Sublease, including, without limitation, the payment of taxes or utilities, the purchase of insurance or the performance of repairs, Sublessor will have the right, but not the obligation, to perform those obligations. Subtenant must reimburse Sublessor within five (5) days of notice from Sublessor for all costs of Sublessor in performing those obligations. Performance of Subtenant's obligations by Sublessor and reimbursement by Subtenant will not prejudice any other rights or remedies of Sublessor relating to Subtenant's failure to perform those obligations.

8. Taxes. Subtenant is responsible for and must pay all real estate taxes, personal property taxes and any special or supplemental assessments with respect to the Leased Premises. Subtenant must pay all taxes and assessments when due and before any penalties arise. Subtenant must pay a monthly amount to be escrowed for real property taxes. The initial monthly escrow payment for taxes is \_\_\_\_\_ (\$\_\_\_\_\_). Subtenant acknowledges that this amount may only be an estimate and is subject to adjustment. Subtenant agrees that the initial monthly escrow payment may be adjusted by Sublessor at any time after date of this Sublease to reflect 1/12<sup>th</sup> of the annual amount payable or estimated to be payable (and any catch-up amounts necessary for that year) based on the cost information available at the time of the adjustment. Subtenant will be notified of any adjustments to the escrow payment and must begin making payment of the adjusted amount with the next payment due after the notice from Sublessor. The monthly tax escrow payments will be due on the same day as the monthly rent payment is due. The escrowed amounts will be applied to taxes due and Subtenant must pay any deficiency within fifteen (15) days of written notice from Sublessor.

9. Insurance.

a. Sublessor will pay all insurance premiums for providing the insurance listed in the following table with respect to Leased Premises. Subtenant must reimburse Sublessor for the cost of that insurance. Subtenant will also be responsible for any deductible due under any such insurance policies. Subtenant must pay a monthly amount to be escrowed for the cost of this insurance. The initial monthly escrow payment for

insurance is \_\_\_\_\_ (\$\_\_\_\_\_). Subtenant acknowledges that this amount may only be an estimate and is subject to adjustment. Subtenant agrees that the initial monthly escrow payment may be adjusted by Sublessor at any time after date of this Sublease to reflect 1/12<sup>th</sup> of the annual amount payable or estimated to be payable (and any catch-up amounts necessary for that year) based on the cost information available at the time of the adjustment. Subtenant will be notified of any adjustments to the escrow payment and must begin making payment of the adjusted amount with the next payment due after the notice from Sublessor. The monthly insurance escrow payments will be due on the same day as the monthly rent payment is due. The escrowed amounts will be applied to the cost of the insurance and Subtenant must pay any deficiency within fifteen (15) days of written notice from Sublessor.

Building Insurance	100% of replacement value (replacement value will be determined by Sublessor and/or the prime landlord)
Public Liability & Property Damage Insurance Personal Injury Liability	The amount required under the Lease but not less than \$1,000,000
Property Damage Liability	The amount required under the Lease but not less than \$1,000,000
Fire and Extended Coverage (Insuring the building and improvements, landscaping)	100% of full replacement value (replacement value will be determined by Sublessor and/or the prime landlord)
Loss of Rents Insurance	100% of the rent under the prime lease for one year
Lessor's Risk	The amount required under the prime lease, but not less than \$1,000,000
Environmental Liability	The amount required under the Lease but not less than \$1,000,000 per occurrence, \$3,000,000 aggregate (for all locations insured by Sublessor)

b. In addition to the insurance listed in the preceding table, Subtenant must obtain and provide Sublessor with certificates of insurance (on the standard Accord form) in the amounts and with the coverages listed in the following table. The insurance must be issued by insurance providers rated A-7 or better by Best's Insurance Review. Certificates of this insurance must be initially provided at least ten (10) days prior to Subtenant taking possession of the Leased Premises. Certificates of renewal must be provided no later than ten (10) days before the expiration date of each policy. If Subtenant does not provide Sublessor with certificates of any insurance policies at any due date, Sublessor may, but is not required to, purchase the insurance at the Subtenant's expense. Subtenant must

immediately pay for the insurance by paying the insurance broker selected by Sublessor directly, or by paying Sublessor if Sublessor has paid for the insurance.

*Comprehensive General Liability	\$1,000,000 combined single limit; bodily injury and property damage
*Garage Liability	\$1,000,000 limit per occurrence/aggregate
*Automobile Liability	\$1,000,000 combined single limit, bodily injury and property damage, non-owner hire auto
*Garage Keeper's Legal Liability	\$100,000 limit
Business, Personal Property, Equipment, Stock, Inventory, Signage Plate Glass Coverage	At replacement cost  Needs to be included and shown on certificate
Business income and extra expense for minimum of 6 months	50% of annual gross revenue but not less than \$300,000
Worker's Compensation *Employer's Liability *Employer's Stop Gap Liability	In compliance with state law, show limits  (If applicable)
Any other insurance coverage required under the Lease	

In each policy designated by an asterisk (\*) in the preceding table, Sublessor, the Landlord under the Lease and the Landlord's mortgagee (if applicable) must be named as additional insureds. Subtenant acknowledges that it may incur an additional cost for naming additional insureds. Also, each policy must require 60 days notice to Sublessor before the policy is canceled or changed.

c. Sublessor and Subtenant release each other from any and all liability or responsibility (to the other or anyone claiming through or under them by way of subrogation or otherwise) for any bodily injury, loss or damage to property caused by fire or any of the extended coverage or supplementary contract casualties, even if the fire or other casualty has been caused by the fault or negligence of the other party, or anyone for whom the party may be responsible; provided, however, that this release will only apply if Sublessor's and/or Subtenant's coverage for the loss or damage is not adversely affected by this Sublease; and provided further, that this release will only apply to losses for which Sublessor or Subtenant are compensated by their respective insurers.

10. Use and Operation of the Leased Premises. The Subtenant must use the Leased Premises solely for the operation of a Car-X Auto Service business, and for no other purpose. This provision will be strictly enforced, if necessary, by an injunction issued by a court of competent jurisdiction.

Subtenant agrees:

a. to keep the Leased Premises in careful, safe, clean and proper manner and free from rubbish and dirt at all times, to store all trash and garbage within appropriate receptacles and arrange for regular pick-up of trash and garbage at Subtenant's expense, and to not commit or allow to be committed any waste on the Leased Premises;

b. to prevent the Leased Premises from being used in any way that would injure the reputation of the Leased Premises or that could be a nuisance, annoyance, inconvenience or could cause damage to the neighborhood, including, without limitation, noise by the playing of a musical instrument, radio or television or the use of a microphone, loudspeaker or electrical equipment or other equipment outside of the Leased Premises;

c. to abide by all reasonable rules and regulations established by Sublessor from time to time with respect to the Leased Premises;

d. to not use or permit any use of the Leased Premises that would violate any law, ordinance or regulation, constitute an extra hazardous use or violate, suspend or void any policy or policies of insurance with respect to the Leased Premises;

e. to, at its own expense, install and maintain fire extinguishers and other fire protection devices as may be required from time to time by any agency having jurisdiction and the insurance underwriters insuring the building in which the Leased Premises are located; and

f. that no vehicles or trailers of any sort may remain in the parking lot of the Leased Premises for a continuous period in excess of seventy-two (72) hours, and no vehicles or trailers of any sort may be stored or offered for sale in the parking lot of the Leased Premises; vehicles without tires, hoods, trunks, fenders, or window glass must not be kept in the parking lot of the Leased Premises overnight or for any continuous period longer than eight (8) hours.

Subtenant must promptly comply with all laws, orders, regulations or ordinances of any municipal, county, state or federal authorities affecting the Leased Premises or the cleanliness, safety, occupation and use of the Leased Premises.

11. Maintenance and Condition of Leased Premises. Subtenant must keep and maintain in good order, condition and repair the Leased Premises and every part of the Leased Premises thereof including, without limitation, all landscaping, driveways and parking areas, the exterior walls and roof of the Leased Premises, the exterior and interior portion of all doors, door checks, windows, plate glass, all plumbing and sewage facilities within the Leased Premises, all fixtures, electrical equipment and interior walls, floors and ceilings, including compliance with applicable building codes relative to fire extinguishers. Subtenant must remove all rubbish, dirt and snow from the Leased Premises, including, without limitation, the parking lots and driveways of the Leased Premises. Subtenant must pay all costs and assume all responsibility for replacing any portion of the Leased Premises if required during the term of this Sublease or any renewals. Subtenant must preserve the good order and condition of the Leased Premises and maintain the Leased Premises in the best possible manner.

If the Leased Premises are constructed as of the date of this Sublease, Subtenant acknowledges that he has examined the Leased Premises before entering into this Sublease and knows the condition of the Leased Premises, and that no representations as to the condition or state of repairs have been made by the Sublessor or its agent which are not expressed in this Sublease. Subtenant hereby accepts the Leased Premises "AS IS" in their present condition at the date of the execution of this Sublease.

12. Indemnity. Subtenant must defend, indemnify and hold harmless Sublessor from and against any penalty, damage or charge imposed for any violation of any law or ordinance whether or not caused by the neglect of Subtenant or those holding under Subtenant. Subtenant must defend, indemnify and hold harmless Sublessor and Landlord from and against all claims, loss, cost, damage or expense arising out of or from any accident or other occurrences on or about the Premises causing injury to any person or property or out of any failure of Subtenant in any respect to comply with and perform all the requirements and provisions of this Sublease or the Lease. For purposes of this indemnity, as to Sublessor, Subtenant waives any immunity that it has from injuries to its employees as an employer in compliance with any applicable workers' compensation laws.

13. Utilities. Subtenant must pay all charges against the Leased Premises for water, sanitary, sewer, gas, light, electricity, telephone and any other public or private utilities or services furnished to the Leased Premises.

14. Hazardous Materials. Subtenant must not, at any time during the term of this Sublease or any renewals, use, store, treat, transport, manufacture, handle or produce any hazardous substance (as defined below) on the Premises without first obtaining all necessary governmental approvals and permits, if required, and thereafter complying with the terms of those approvals and permits, as well as with the provisions of all laws, regulations and policies pertaining thereto which are now or hereafter in effect. In addition, Subtenant must not use or occupy the Premises or suffer the use or occupancy of the Premises in violation of any environmental law (as defined below). Subtenant must dispose of or allow the disposal of any hazardous substance on the Premises, or operate a hazardous waste treatment, storage or disposal facility or site. Subtenant must not permit, create, or suffer the existence of any condition that could subject Sublessor or Subtenant to a "remedial", "removal" or "cleanup" action, as those terms may be defined in any environmental law.

Subtenant must immediately notify Sublessor upon learning of the occurrence of any environmental mishap (as defined below) on the Premises. Subtenant must also immediately notify Sublessor upon learning of the occurrence of any environmental mishap on any adjacent property, if the mishap poses a danger of contamination to the Premises. Subtenant must also immediately notify Sublessor upon learning that: (a) an environmental law affecting the Premises has been violated; (b) a governmental agency (whether federal, state or local in origin) has initiated or threatened to initiate a proceeding against the Subtenant for an alleged violation of an environmental law affecting the Premises; (c) a governmental agency (whether federal, state or local in origin) has imposed a fine, penalty, order or notice of violation on the Subtenant for a violation of an environmental law affecting the Premises; or (d) a lawsuit or other civil action has been brought against the Subtenant, or has been threatened by any person, persons or governmental agency, following an environmental mishap on the Premises or the alleged violation of an environmental law.

The term "hazardous substance" will mean any substance deemed hazardous under any of the following statutes or under any other statute or regulation of any governmental authority:

The Comprehensive Environmental Response, Compensation and Liability Act, 42 USC § 9601, et seq; The Resource Conservation and Recovery Act, 42 USC § 6901, et seq; The Hazardous Material Transportation Act, 49 USC § 1801, et seq; and The Toxic Substances Control Act, 15 USC § 2601, et seq. The term "environmental law" will mean any federal, state, county or municipal law or regulation which governs or relates to the environment, land use, zoning, public health, chemical use, public safety, sanitation, water, air, fish, wildlife, and natural resources. The term "environmental mishap" will mean the unlawful release of a hazardous substance that contaminates or may reasonably be expected to contaminate, the land (including sub-soil), water (both ground water and surface water) or air on, under or above the Premises.

Subtenant must not use or install any underground storage tanks on the Leased Premises without the prior written consent of Sublessor and Landlord. In the event that Subtenant receives consent, Subtenant must carry, at its own expense, liability and environmental insurance specifically covering this underground storage tanks in amounts specified by Sublessor and Landlord. The insurance must be maintained during the term of this Sublease and must name Sublessor and Landlord as additional insureds.

Subtenant must defend, indemnify and hold harmless Sublessor, any successors to Sublessor's interest in this Sublease, Landlord, and Sublessor's directors, officers, employees, agents and contractors from and against any losses, claims, damages (including consequential damages), penalties, liabilities, costs (including cleanup and recovery costs), and expenses (including expenses of litigation and reasonable attorney fees) resulting from (1) any breach of the covenants of this Section 14; or (2) any violation by Subtenant of any environmental law.

15. Damage to Leased Premises. If during the term of this Sublease the Leased Premises are damaged or destroyed by fire or other casualty to such extent as to render the Leased Premises totally or partially untenable, Sublessor must restore the Leased Premises to substantially the same condition as it was before the damage; provided, however, Sublessor will not be required to expend more than the amount of any insurance proceeds it receives as a result of the damage. All costs of repair not covered by insurance or by the Landlord under the Lease, will be the obligation of Subtenant. Any excess insurance proceeds received as a result of the damage must be paid to Sublessor. If the damage or destruction to the Leased Premises cannot reasonably be repaired or restored within one hundred eighty (180) days after the damage occurs, then Sublessor may elect to terminate this Sublease and if the Sublease is terminated, Sublessor will have no responsibility to repair the Leased Premises. If Subtenant's use or occupancy of the Leased Premises is impaired by reason of any damage or destruction, unless the Sublessor elects to terminate this Sublease as provided above, and only as long as Subtenant is not in default of its obligations under this Section 15, Subtenant's obligation to pay rent will be abated to an extent corresponding with the time during which and to the extent to which the Leased Premises have been rendered untenable.

16. Eminent Domain. If any part of the Leased Premises are taken or condemned for public use, and a part remains that can be used for Subtenant's business, this Sublease will, as to the part taken, terminate as of the date the condemnor acquires possession, and Subtenant will be required to pay such proportion of the rent for the remaining term as the value of the Leased Premises remaining bears to the total value of the Leased Premises at the date of condemnation; provided, however, that Sublessor may, at its option, terminate this sublease as of the date the condemnor acquires possession. In the event that the Leased Premises are condemned in whole, or such portion is condemned that the remainder is not sufficient to operate Subtenant's business, this Sublease will terminate as of the date the condemnor acquires possession. All sums which may be payable on account of any condemnation will belong to the Sublessor, and

Subtenant will not be entitled to any part of those sums, provided however, that Subtenant will be entitled to retain any amount awarded to it for its trade fixtures or moving expenses, subject to Sublessor's approval.

17. Alterations; Mechanic's Liens. Subtenant must not make any alterations, additions or improvements to the Leased Premises without Sublessor's prior written consent, and all alterations, additions and improvements made on the Leased Premises, except moveable office furniture and trade fixtures, will be the property of the Sublessor and, except as provided in Section 20 below, will remain on and be surrendered with the Leased Premises at the termination of this Sublease.

Subtenant agrees to pay for all work it has contracted to be done on the Leased Premises or for which it is responsible, and to pay, discharge or successfully defend against any and all liens, claims and demands relating to that work. Any mechanic's lien filed against the Leased Premises for work claimed to have been done or for materials claimed to have been furnished to Subtenant must be discharged within twenty (20) days after filing by bonding or as provided or required by law or in any lawful manner.

18. Subordination. Subtenant agrees that this Sublease will, at the request of Landlord under the Lease, be subordinate to any first mortgages or deeds of trust that may be placed on the Leased Premises. On the request of the Landlord under the Lease, any mortgagee or any trustee, or the Sublessor, Subtenant must execute whatever instruments may be required to carry out the intent of this Section.

19. Access to Leased Premises. Subtenant agrees to permit Landlord, Sublessor and their agents to inspect and examine the Leased Premises at any reasonable time and to permit Landlord or Sublessor to make reasonable repairs, alterations, improvements or additions to the Leased Premises that Landlord or Sublessor may deem desirable or necessary for preservation of the Leased Premises or which Subtenant has not agreed to do or has failed to do, without being construed as an eviction of Subtenant in whole or in part. Rent will not abate while any repairs, alterations, improvements or additions are being made by reason of loss or interruption of the business of Subtenant because of the performance of that work, but that work must be handled so as to interfere as little as possible with Subtenant's use of the Leased Premises. Sublessor must repair any damage resulting from that work. Landlord, Sublessor and their agents will also have access to the Leased Premises to exhibit the Leased Premises to prospective purchasers or lessees.

20. Surrender of Leased Premises. Subtenant must surrender the Leased Premises to Sublessor on expiration or termination of this Sublease, broom clean and in as good condition and repair as the Leased Premises are at the commencement of the term of this Sublease or may have been put by the Sublessor during the continuance of this Sublease, ordinary wear and tear excepted. On termination or expiration of this Sublease, Sublessor may designate by written notice to Subtenant those alterations, additions and improvements that must be removed by Subtenant at the expiration or termination of the Sublease and Subtenant must promptly remove those additions and improvements and repair any damage to the Leased Premises caused by that removal. Subtenant's obligations under this Section 20 will survive the expiration or termination of this Sublease.

21. Assignment. Subtenant must not assign this Sublease or any interest in this Sublease nor permit occupancy by anyone other than Subtenant without the prior written consent of the Sublessor. Subtenant must not sublet the Leased Premises or any part of the Leased

Premises. Any assignment of the Leased Premises, even with the consent of Sublessor, will not relieve Subtenant from liability for payment of rent or other sums due under this Sublease or from the obligation to keep and be bound by the terms and conditions and covenants of this Sublease. The acceptance of rent by Sublessor from any other person will not be a waiver of any of the provisions of this Sublease or a consent to the assignment of this Sublease or subletting of the Leased Premises.

22. Termination on Assignment of Lease. The parties agree that if the Landlord consents to an assignment of the Lease from Sublessor to Subtenant, the Sublessor will have the option to assign all its rights and obligations under the Lease to Subtenant. In the event Sublessor exercises that option, Subtenant must accept the assignment and assume all obligations of Sublessor under the Lease. Also, Subtenant must sign the standard Car-X Associates Corp. Addendum to Lease, which among other things, acknowledges the Sublessor's option to take an assignment of the Lease on termination of the Franchise Agreement between Sublessor and Subtenant. On execution of an appropriate assignment and assumption of the Lease by the parties, the Addendum to Lease and a consent by the Landlord on terms acceptable to Sublessor, this Sublease will terminate.

23. Events of Default. Each of the following will be deemed a default under this Sublease:

- a. failure of Subtenant to pay any rent when due or the failure of Subtenant to make any other payments as required under this Sublease, including, without limitation, the payment of taxes, insurance and utilities;
- b. Subtenant is late in making a payment due under this Sublease three or more times within a twelve month period;
- c. failure of Subtenant to perform or observe any other covenant or condition of this Sublease to be performed or observed by Subtenant within fifteen (15) days of written notice from Sublessor;
- d. abandonment of the Leased Premises by Subtenant (as defined below);
- e. any assignment by Subtenant for the benefit of creditors whether by trust, mortgage or otherwise;
- f. a petition or other proceeding by or against Subtenant for the appointment of a trustee, receiver, guardian, conservator or other liquidator of Subtenant with respect to all or substantially all of Subtenant's property;
- g. a default by Subtenant or any corporation, partnership, limited liability company or other entity owned by Subtenant or the owners of Subtenant, under any other agreement entered into with Sublessor, including Franchise Agreements, Notes or Security Agreements, which default has not been cured within thirty (30) days of written notice from Sublessor; and
- h. the termination by written notice of the Car-X, LLC Franchise Agreement by which Subtenant is operating a Car-X Auto Service business or other similar facility approved by Car-X, LLC at the Leased Premises.

Abandonment of the Premises by Subtenant will be conclusively presumed if Subtenant is not current in rent for the Premises and fails to open for business at the Premises during normal working hours for a period of three (3) consecutive business days without the prior written consent of Sublessor. On abandonment of the Premises by Subtenant, Sublessor will have the right to take possession and control of the Premises, including changing locks, without resort to judicial process, unless required by state law. Subtenant waives any notices required under state law and waives and releases Sublessor from any legal or equitable claims against Sublessor in those circumstances to the fullest extent permitted by law.

24. Remedies of Sublessor Upon Default. In the event of a default as defined in Section 23 above, Sublessor may: (i) terminate this Sublease and Subtenant must vacate and surrender the Premises but will remain liable for all obligations arising during the balance of the original term of the Sublease; and/or (ii) Sublessor will have the right to enter on the Leased Premises without further demand or notice to Subtenant and resume possession of the Leased Premises either by summary proceedings or by action at law or in equity or otherwise as Sublessor may determine, without being liable for trespass or for any damages. In no event will Sublessor's re-entry or resumption of possession or reletting be deemed to be an acceptance, surrender or termination of this Sublease or a waiver of any of the rights or remedies of Sublessor under this Sublease or otherwise provided by law or equity unless a notice of intention is given by Sublessor or unless the termination of this Sublease is decreed by a court of competent jurisdiction.

On termination of this Sublease or resumption of possession of the Premises by Sublessor: (1) Subtenant must deliver the Premises to Sublessor in the condition required under this Sublease; (2) Subtenant must not remove any furniture, fixtures, equipment and other personal property used in the business operated at the Premises (other than personal effects and personal tools) from the Premises without the prior written consent of Sublessor; (3) Sublessor may demand that Sublessor remove all or a portion of its personal property from the Premises, in which case Subtenant must remove the specified property within 10 days after Sublessor has demanded the removal or authorized the removal; and (4) if Subtenant does not remove its personal property within 10 days after Sublessor has demanded or authorized the removal, then the property will be deemed abandoned by Subtenant and Sublessor may keep or dispose of the property without any liability to Subtenant.

If Sublessor reenters the Premises or takes possession of the Premises by legal proceedings or otherwise, Sublessor may make alterations and repairs as may be necessary in order to relet the Premises and may relet the Premises or any part of the Premises for such term or terms and at such rent and on such other terms and conditions as Sublessor may deem advisable. On such reletting, all rent and other sums received by Sublessor from such reletting will be applied: first, to the payment of any indebtedness other than rent due under the Sublease from Subtenant to Sublessor; second, to the payment of any costs and expenses of such reletting, including reasonable brokerage fees and attorneys' fees and the cost of any alterations and repairs; third, to the payment of rent and other charges due and unpaid under the Sublease; and the residue, if any, will be held by Sublessor and applied in payment of future rent as the same may become due and payable under the Sublease. If the rents and other sums received from such reletting that are applied to Subtenant's rent obligation during any month are less than that to be paid during that month by Subtenant, Subtenant must pay the deficiency to Sublessor. If there is any excess, Subtenant will have no right to and will receive no credit for the excess. The deficiency will be calculated and must be paid monthly by Subtenant. If Sublessor relets the Premises without terminating the Sublease, Sublessor may at any time elect to terminate the

Sublease for the previous breach. The failure or refusal of Sublessor to relet the Premises will not affect Subtenant's liability under the Sublease.

If Sublessor at any time terminates this Sublease for any breach, in addition to any other remedies Sublessor may have, Sublessor may recover from Subtenant all damages it may incur by reason of such breach. These damages will include, but are not limited to: (i) the cost of recovering the Premises; (ii) the cost of putting the Premises in the condition required under the Sublease or in the condition necessary to relet the Premises; (iii) reasonable attorneys' fees incurred by Sublessor; and (iv) the worth at the time of the termination of the excess, if any, of the amount of rent and charges that would be due under the Sublease if the Sublease continued for the remainder of the stated term over the then reasonable rental value of the Premises for the remainder of the stated term, which amount will be immediately due and payable from Subtenant to Sublessor.

Subtenant must pay Sublessor reasonable attorney fees and the reasonable costs incurred by Sublessor in connection with Subtenant's default.

The rights and remedies of Sublessor under this Sublease are cumulative and no one of those rights or remedies will be exclusive at law or in equity of the rights and remedies that Sublessor might otherwise have by virtue of a default under this Sublease, and the exercise of one right or remedy by Sublessor will not impair Sublessor's standing to exercise any other right or remedy.

25. Waiver of Defaults. No waiver of any covenant or condition or of the breach of any covenant or condition of this Sublease will be a waiver of any subsequent breach of that covenant or condition nor justify or authorize the non-observance on any other occasion of the same or of any other covenant or condition of this Sublease. The acceptance of rent by Sublessor at any time when Subtenant is in default under this Sublease will not be a waiver of that default or of Sublessor's rights or remedies on account of that default, nor will any waiver or indulgence granted by Sublessor to Subtenant be taken as an estoppel against Sublessor. Subtenant understands that if at any time Subtenant is in default in any of its covenants or conditions under this Sublease, an acceptance by Sublessor of the rent during the continuance of that default or the failure on the part of Sublessor promptly to avail itself of any other rights or remedies Sublessor may have, will not be construed as a waiver of that default, but Sublessor may at any time, if the default continues, exercise all its rights or remedies on account of that default.

26. Deposit. Subtenant must deposit with the Sublessor, on execution of this Sublease, a security deposit of \_\_\_\_\_ (\$\_\_\_\_\_) Dollars as security for Subtenant's obligations under this Sublease. If Subtenant fails to pay rent or other charges due under this Sublease, or otherwise defaults under this Sublease, the Sublessor may use, apply or retain all or any portion of the deposit for the payment of any rent or other charge in default or for the payment of any other sum for which the Sublessor may become obligated because of Subtenant's default, or to compensate the Sublessor for any loss or damage that the Sublessor may incur because of Subtenant's default. If the Sublessor uses or applies all or any portion of the deposit, Subtenant must, within ten (10) days after written demand, deposit cash with the Sublessor in an amount sufficient to restore the deposit to the full amount stated and Subtenant's failure to do so will be a material breach of the Sublease. The Sublessor will not be required to keep the deposit separate from its general accounts. If Subtenant performs all of Subtenant's obligations under this Sublease, the deposit, or the portion that has been applied by the Sublessor, will be returned, without payment of interest to Subtenant (or at the Sublessor's option, to the last assignee, if any, of Subtenant's interest) within one hundred eighty (180) days

after this Sublease expires. No trust relationship is created between the Sublessor and Subtenant with respect to the security deposit.

27. Estoppel Certificate. Subtenant agrees at any time within ten (10) days of Sublessor's written request to execute, acknowledge and deliver to Sublessor a written statement certifying that this Sublease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), and the dates to which the basic rent and other charges have been paid in advance, if any. It is intended that any statement delivered pursuant to this Section may be relied on by the Landlord, the Sublessor, and any prospective purchaser or mortgagee of the Real Property.

28. Holding Over. If Subtenant remains in possession of all or any part of the Leased Premises after the expiration of the term or any renewal of this Sublease, then Subtenant will be deemed a lessee of the Leased Premises from month-to-month at the same rental and subject to all the terms and provisions of this Sublease, except only as to the term of this Sublease.

29. Quiet Enjoyment. Sublessor covenants and agrees that if Subtenant pays the fixed rental and other charges and performs all of the covenants and agreements stipulated to be performed on the Subtenant's part, Subtenant will, at all times during the term, have the peaceable and quiet enjoyment and possession of the Leased Premises without any manner of hindrance from Sublessor or any persons lawfully claiming through Sublessor, except as to any portion of the Leased Premises as may be taken under the power of eminent domain.

30. Controlling Law; Venue; Waiver of Punitive Damages and Jury Trial. This Sublease will be governed by and construed in accordance with the laws of the State of New York (without reference to the conflict of laws provisions) except that the laws of the state in which the Leased Premises are located will control as to an action for recovery of possession by the Sublessor of the Leased Premises. Any legal proceedings between the parties, other than an action for repossession of the Leased Premises by Sublessor, must be brought and conducted only in a state or federal court located in the county in which the Sublessor's principal place of business is located and Subtenant consents to those courts having jurisdiction over its person.

EXCEPT FOR SUBTENANT'S OBLIGATION TO INDEMNIFY SUBLESSOR AND THE OTHER INDEMNIFIED PARTIES UNDER SECTIONS 12 AND 14, SUBLESSOR AND SUBTENANT (AND SUBTENANT'S OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER.

SUBLESSOR AND SUBTENANT (AND SUBTENANT'S OWNERS) IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER SUBLESSOR OR SUBTENANT (OR ITS OWNERS).

31. Notices. Any notice, demand or request that may be or is required to be given under this Sublease must be sent by registered or certified mail or overnight courier service to the addresses set forth below or such other address as may be designated by notice pursuant to this Section. Notices under this Section are effective on the date of mailing.

Sublessor:

Car-X, LLC  
1100 E. Woodfield Road, Suite 105  
Schaumburg, Illinois 60173

Subtenant:

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

32. Late Charges. Subtenant must pay a late charge of one and one-half (1-1/2%) percent per month for each payment due under this Sublease (including escrow payments) that is not paid when due. The payment of a late charge will not excuse or cure any default by Subtenant under this Sublease. If the applicable law prohibits payment of the late charge provided above, Subtenant must pay the maximum late charge allowable under that law.

33. Costs of Enforcement. Subtenant agrees to pay all costs incurred by Sublessor in enforcing the provisions of this Sublease, including, but not limited to, the cost of all phone calls, travel and legal expenses, including attorney fees.

34. Pronouns and Plurals. All pronouns and variations will be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons may require.

35. Invalidity of Particular Provisions. If any term or provision of this Sublease or the application of this Sublease to any person or circumstances is to any extent invalid or unenforceable, the remainder of this Sublease, or the application of those terms or provisions to persons or circumstances other than those to which it is held invalid or unenforceable, will not be affected by that invalidity or unenforceability, and each term and provision of this Sublease will be valid and be enforced to the fullest extent permitted by law. However, if the invalidity or unenforceability of any clause or provision of this Sublease materially and substantially affects the benefits and rights afforded to either Sublessor or Subtenant, the party adversely affected will have the right to cancel this Sublease.

36. Successors. All rights and liabilities under this Sublease will be binding on the respective heirs, administrators, successors and assigns of the parties and, if there is more than one (1) Subtenant, they will all be bound jointly and severally by the terms of this Sublease. No rights, however, will inure to the benefit of any successor or assignee of Subtenant unless the assignment has been approved by Sublessor in writing as provided in Section 21 of this Sublease.

37. Relationship of Parties. Nothing contained in this Sublease will be deemed or construed by the parties or by any third party to create the relationship of principal and agent, or of a partnership, or of joint venture, or of any association whatsoever between Sublessor and Subtenant. It is expressly understood and agreed that neither the computation of rent nor any other provisions contained in this Sublease nor any act nor acts of the parties will be deemed to create any relationship between Sublessor and Subtenant other than the relationship of sublessor and subtenant.

38. Underlying Lease. Subtenant understands and acknowledges that Sublessor is not the owner of the fee interest in the Leased Premises, but that Sublessor has acquired a leasehold interest in the Leased Premises under the Lease referred to at the beginning of this Sublease. Subtenant acknowledges and agrees that this Sublease is a sublease and that this Sublease is a portion of Sublessor's leasehold interest under the Lease and Subtenant accepts this Sublease subject to all the terms, covenants and conditions of the Lease and to any and all extensions, renewals and amendments of the Lease. Sublessor must observe and perform those obligations imposed upon the Tenant under the Lease to the extent that those obligations are not provided in this Sublease to be observed or performed by the Subtenant; provided that Sublessor will not be responsible for any failure in an observance or performance that results from any default of the Subtenant under this Sublease. If the Lease is terminated, this Sublease will terminate simultaneously and any unearned rent paid in advance will be refunded to Subtenant if the termination is not the result of a breach by Subtenant under this Sublease.

39. Entire Agreement; Modifications. This Sublease constitutes the entire agreement among the parties and contains all the agreements among the parties with respect to the subject matter of this Sublease. This Sublease supersedes any and all other agreements, either oral or in writing, among the parties with respect to the subject matter of this Sublease. Nothing in this section or otherwise in this Sublease is intended to disclaim or waive Subtenant's reliance on any authorized statements made in the Franchise Disclosure Document delivered to Subtenant or in the exhibits and amendments to the Franchise Disclosure Document. This Sublease may not be modified orally or in any other manner except by an agreement in writing signed by all parties or their respective successors in interest.

40. Authority of Parties. Each party to this Sublease represents and warrants that if it is executing this Sublease as a corporation, this Sublease is executed with full and proper corporate authority and that the corporate officers whose names appear below are authorized and empowered to make and execute this Sublease in the name of the corporation by appropriate and legal resolution of the Board of Directors of that corporation. Each party to this Sublease represents and warrants that if it is executing this Sublease as a limited or general partnership, or limited liability company, this Sublease is executed with full and proper partnership or company authority and that the partners or members whose names appear below are authorized and empowered by the partnership or company and each of its individual partners and members to make and execute this Sublease in the name of the partnership or company.

41. Corporate or Partnership Subtenant. If Subtenant is or becomes a partnership, corporation, limited liability company, or other entity, or if this Sublease is assigned to a partnership, corporation, limited liability company, or other entity, all general partners, shareholders, members, or other owners must agree to be bound jointly and severally by all the provisions of this Sublease by signing the Personal Guaranty at the end of this Sublease. The signatories to this Sublease represent and warrant that they are the sole proprietor of Subtenant or all of the persons required to sign this Sublease pursuant to this Section.

42. Recordation. It is the intention of the parties that this Sublease will not be recorded. The parties, at the request of either, will execute and record a short form lease designated "Memorandum of Lease" containing dates of commencement and expiration of the term of this Sublease and any other information necessary for recording under applicable law.

In the Presence of:

CAR-X, LLC,  
Sublessor

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

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

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

\_\_\_\_\_,  
Subtenant

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

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

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

AS TO SUBLESSOR:

Acknowledged before me in \_\_\_\_\_ County, \_\_\_\_\_, on \_\_\_\_\_,  
20\_\_\_\_, by \_\_\_\_\_, the \_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_.

Notary Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Notary Public, \_\_\_\_\_, County, \_\_\_\_\_  
Commission Expires: \_\_\_\_\_  
Acting in the County of: \_\_\_\_\_

AS TO SUBTENANT:

Acknowledged before me in \_\_\_\_\_ County, \_\_\_\_\_, on \_\_\_\_\_,  
20\_\_\_\_, by \_\_\_\_\_, the \_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_.

Notary Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Notary Public, \_\_\_\_\_, County, \_\_\_\_\_  
Commission Expires: \_\_\_\_\_  
Acting in the County of: \_\_\_\_\_

PERSONAL GUARANTY

The undersigned individuals represent and warrant that they are all of the shareholders, partners or other owners of Subtenant or otherwise have a direct or indirect beneficial interest in the success of Subtenant. In order to induce the Sublessor to enter into this Sublease, each of the undersigned individuals jointly and severally guarantees the performance of Subtenant's obligations under this Sublease and each of the undersigned individuals jointly and severally agrees to be bound by all of the provisions of this Sublease.

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

Acknowledged before me in \_\_\_\_\_ County, \_\_\_\_\_, on \_\_\_\_\_,  
20\_\_\_\_, by \_\_\_\_\_.

Notary Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Notary Public, \_\_\_\_\_ County, \_\_\_\_\_  
Commission Expires: \_\_\_\_\_  
Acting in the County of: \_\_\_\_\_

**EXHIBIT J**

**LEASE ADDENDUM**

**ADDENDUM TO**  
**LEASE AGREEMENT DATED \_\_\_\_\_, 20\_\_ BETWEEN**  
**\_\_\_\_\_, LANDLORD AND**  
**\_\_\_\_\_, TENANT**

THE LEASE is amended by adding the following Section numbered \_\_\_\_\_.

Rights and Option of Car-X, LLC; Use of Premises. In consideration of the Agreement of Car-X, LLC ("Car-X") to enter into a Car-X, LLC Franchise Agreement with Tenant ("Franchise Agreement") for a business to be established at the leased premises ("Leased Premises"), the following provisions will apply to the Lease:

A. The Lease must not be assigned, terminated, renewed or in any way altered or amended without the prior written consent of Car-X.

B. The Leased Premises must not be used for any purpose other than the operation of a Car-X Auto Service business during the term of the lease, including renewals.

C. Landlord and Tenant grant to Car-X the exclusive right, exercisable at the option of Car-X, to be assigned all right, title and interest of Tenant in and to the Lease and the Leased Premises on the termination of the Franchise Agreement, the sale, transfer or assignment of the business licensed pursuant to the Franchise Agreement, or on cessation of use of the Leased Premises for a Car-X Auto Service business franchise. Car-X must give written notice of its intent to exercise this option within thirty (30) days of the event triggering the option. On the giving of notice of exercise by Car-X, the Lease, and all right, title and interest of Tenant under the lease and to the Leased Premises will be automatically, and without need of further instrument, assigned to Car-X. If no notice of exercise is given by Car-X, it will be deemed to have forfeited all its rights under this Section. Landlord and Tenant agree to execute documents confirming this assignment in the form presented by Car-X, including a short form of Lease suitable for recording.

D. Landlord must give Car-X written notice of any breach of Tenant under the Lease and Car-X will have thirty (30) days from the date of that notice [fifteen (15) days in the event of non-payment of rent] to cure that default on behalf of Tenant before Landlord exercises any remedy it may have under the Lease.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

LANDLORD:

TENANT:

\_\_\_\_\_

\_\_\_\_\_

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

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

Its

Its

**EXHIBIT K**

**ADVANTAGE LEASING CORPORATION FINANCING DOCUMENTS**



**ADVANTAGE+**

*Your Direct Business Lender*

July 20, 2018

Dear \_\_\_\_\_:

Thank you for choosing Advantage+ as your finance provider. Please sign and complete the enclosed documentation.

**FOR SIGNATURE VERIFICATION PURPOSES, PLEASE HAVE ALL SIGNATURES NOTARIZED OR PROVIDE COPIES OF ALL SIGNERS' DRIVER LICENSES.**

In order to complete your transaction we will also need a check payable to Advantage Leasing Corporation in the following amount:

\$ .00	- Down Payment
\$ .00	- Documentation Fee
<b>\$ .00</b>	<b>- TOTAL DUE</b>

**Within the next 5 days, please send your check along with the documents containing your original signature to:**

ATTN: Documentation Dept.  
Advantage+  
13400 Bishop's Ln., Ste. 280  
Brookfield, WI 53005

Thank You. We appreciate your business!

Sincerely,

Sales Support Specialist



# ADVANTAGE+

Your Direct Business Lender

Advantage+  
13400 Bishop's Ln., Ste. 280 Brookfield, WI 53005  
(Phone) 262-439-7600 (Fax) 262-361-3837  
www.advantageplusfinancing.com

## EQUIPMENT FINANCE AGREEMENT

SECTION A BORROWER INFORMATION	SECTION B VENDOR AND EQUIPMENT INFORMATION
BORROWER	VENDOR:
SECTION C FINANCING TERMS:	SECTION D ADDITIONAL PROVISIONS
<b>Amount Advanced:</b> <b>Length of Term:</b> <b>Monthly Payment Amount:</b>	See Exhibit A for any Additional Provisions

**Definitions:** All references to “we,” “us,” and “our” refer to Advantage Leasing Corporation. All references to “you” and “your” refer to the “Borrower” identified in Section A above. All references to “Equipment” refer to the goods and/or personal property described in Exhibit A hereto, and shall also include all additions, attachments, accessions and replacements to or of the foregoing and all proceeds of the foregoing. All references to “Vendor” means the Vendor described above in Section B or any other supplier of the Equipment.

**Unconditional Payment; Non-Cancellable:** We hereby agree to loan you the Amount Advanced, subject to the terms and conditions contained herein. By signing below, you hereby unconditionally promise to pay to the order of Advantage Leasing Corporation or its successors or assigns said amount plus interest as set forth herein and to perform all other obligations provided in this Equipment Finance Agreement (this “Agreement”). This is a non-cancellable agreement. You may prepay the contract at any time. If you pay the loan off prior to the end of full term, you will pay us all future payments discounted to present value. (In addition to all other accrued and unpaid charges including, but not limited to fees and taxes.) To the fullest extent permissible under applicable law, you waive demand, diligence, presentment, protest, and notice of dishonor, notice of nonpayment and notices and rights of every kind. You certify that you have reviewed and acknowledged all terms and conditions of this Agreement, including the additional terms and conditions on page two of this Agreement and Exhibit A hereto. BY SIGNING BELOW, YOU AGREE THAT YOUR PROMISES HEREIN ARE IRREVOCABLE AND UNCONDITIONAL IN ALL RESPECTS AND SHALL CONTINUE IN FULL FORCE AND EFFECT REGARDLESS OF ANY DEFECT, DEFICIENCY OR NON-CONFORMITY IN OR OF THE EQUIPMENT, YOUR INABILITY TO USE THE EQUIPMENT OR ANY OTHER CIRCUMSTANCE WHATSOEVER; AND THAT SUCH OBLIGATIONS SHALL NOT BE AFFECTED BY ANY COUNTERCLAIM, SET-OFF OR OTHER ALLEGED RIGHT AGAINST ANY VENDOR, US, OR ANY ASSIGNEE; AND YOU MAY NOT CANCEL THIS AGREEMENT. WE MAKE NO (AND HEREBY EXPRESSLY DISCLAIM ANY AND ALL) WARRANTIES, EXPRESS OR IMPLIED, AND INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, IN CONNECTION WITH THIS AGREEMENT OR WITH RESPECT TO THE EQUIPMENT. WE DO NOT TAKE RESPONSIBILITY FOR THE INSTALLATION OR PERFORMANCE OF THE EQUIPMENT. THE VENDOR IS NOT AN AGENT OF OURS AND NOTHING THE VENDOR STATES CAN AFFECT YOUR OBLIGATIONS UNDER THIS AGREEMENT. YOU AGREE THAT YOU HAVE SELECTED THE VENDOR AND EACH ITEM OF EQUIPMENT BASED UPON YOUR OWN JUDGMENT AND DISCLAIM ANY RELIANCE UPON ANY STATEMENTS OR REPRESENTATIONS MADE BY US. YOU AGREE THAT REGARDLESS OF CAUSE, WE ARE NOT RESPONSIBLE FOR AND YOU WILL NOT MAKE ANY CLAIM AGAINST US FOR ANY DAMAGES, WHETHER CONSEQUENTIAL, DIRECT, SPECIAL, OR INDIRECT. YOU AUTHORIZE THE PURCHASE OF THE EQUIPMENT FROM THE VENDOR, AND YOU MAY CONTACT THE ABOVE VENDOR FOR YOUR WARRANTY RIGHTS, IF ANY, AND ANY SEPARATE SERVICE OBLIGATIONS, NEITHER OF WHICH ARE OUR RESPONSIBILITY. YOU HEREBY AGREE THAT YOUR OBLIGATIONS HEREUNDER SHALL BE PAID AND PERFORMED WITHOUT ANY ABATEMENT, REDUCTION, DIMINUTION, SETOFF, DEFENSE, COUNTERCLAIM OR RECOUPMENT WHATSOEVER, INCLUDING ANY PAST, PRESENT OR FUTURE CLAIMS THAT BORROWER MAY HAVE AGAINST US OR OUR AFFILIATES, ANY VENDOR OR ANY OTHER PERSON OR ENTITY WHATSOEVER

**Governing Law; Jury Trial Waiver; Miscellaneous.** This Agreement contains the entire agreement between the parties and may not be amended except by written agreement. The validity, construction and enforcement of this Agreement are governed by the internal laws of Wisconsin. Invalidity of any provision of this Agreement shall not affect the validity of any other provision. If any provision of this Agreement is declared unenforceable, the other provisions shall remain in full force and effect. **You expressly and unconditionally consent to the jurisdiction and venue of any court in the State of Wisconsin and waive right to trial by jury for any claim or action arising out of or relating to this Agreement or the Equipment.** You agree that a facsimile copy of this Agreement with facsimile signature may be treated as an original. You agree to take any other action we request to protect our rights under this Agreement from time to time. You authorize us to insert or correct missing information on this Agreement including your proper legal name, serial numbers and any other information describing the Equipment. The undersigned individual executing this Agreement on behalf of Borrower hereby represents and warrants that he or she has the requisite authority to enter into this Agreement on behalf of Borrower.

### Additional Terms and Conditions

**1. Finance Agreement; Term; Security Interest:** Rather than pay the Vendor directly for the Equipment, you have chosen for us to finance such amounts for you in accordance with the terms of this Agreement. This Agreement is not a “Consumer Transaction”, as defined in the Uniform Commercial Code, and you acknowledge that the funds advanced hereunder and Equipment purchased therewith are each **SOLELY FOR YOUR BUSINESS PURPOSES** and **not** for consumer, personal, family or household purposes. The term of this Agreement (the “Term”) shall commence on the date on which we advance any portion of the Amount Advanced to the Vendor (the “Commencement Date”) and, provided that you have successfully performed all of your duties and obligations hereunder, the Term shall end on the same day of the month as the Commencement Date at the end of the number of months set forth in Section C as the “Length of Term”; provided, however, that if we elect in our sole discretion for your first payment hereunder to be due on a date (the “Initial Payment Date”) that we specify that is not more than thirty (30) days after the Commencement Date, the Term shall be extended by the number of days lapsing between the Commencement Date and the Initial Payment Date. To secure your obligations hereunder and under all other agreements with us, including, without limitation, the payment of all principal, interest, charges, fees and indemnities provided for hereunder and under any other agreement with us and any extensions, renewals,

Initials \_\_\_\_\_

deferrals, modifications or consolidations of the same (together, the "Obligations"), you hereby grant to us a first priority, purchase money security interest in the Equipment; all leases, chattel paper, accounts and security deposits relating thereto; and all proceeds of any of the foregoing.

**2. Payments:** In consideration for our agreement to loan you the Amount Advanced, you promise to repay to us such amount, together with interest and certain other amounts we charge in connection with the loan made hereunder, by making payments to us or our assigns as follows: (a) you shall make monthly payments, each in the amount of the "Monthly Payment Amount" set forth in Section C on the first page, with the first such payment being due on the Initial Payment Date and subsequent payments being due each month thereafter on the same day of the month as the Initial Payment Date; and (b) without limiting the foregoing, on the Initial Payment Date, in addition to the Monthly Payment Amount, you shall also make an interim payment calculated on a per diem basis (1/30th of a Monthly Payment Amount) that is equal to such per diem amount multiplied by the number of days lapsing between the Commencement Date and the Initial Payment Date. All payments due hereunder shall be payable to us at our address set forth on the first page hereof or to any other address we subsequently give to you in writing for purposes of making payment. We will have the right to apply all sums received from you to any amounts due and owed to us under the terms of this Agreement in the order we determine in our sole discretion. We may charge you a \$30.00 fee for any check that is returned. Late payments are subject to a late charge of 15% for each late payment or \$25.00, whichever is greater. You also agree to reimburse us, on demand, for costs and expenses we incur in documenting and servicing this transaction or protecting or enforcing our rights, including filing fees or titling fees we incur to protect our interest under the Uniform Commercial Code or otherwise and all costs of collection, including attorneys' fees. You expressly acknowledge and agree that the maximum interest rate we charge for advancing the Amount Advanced in accordance with the terms hereof can be calculated using the Amount Advanced, the Term and the amount and timing of each scheduled payment and is therefore ascertainable within the four corners of this Agreement. You also expressly agree that the effective interest rate may be less after taking into account documentation fees or out of pocket amounts that we pay to third parties or otherwise incur in connection with this transaction, including broker or origination fees, legal fees and filing fees. If any interest payment hereunder exceeds the highest amount allowed by law, it shall be reduced to such rate and the excess amount shall be deemed to be a repayment of principal. In such event, you agree we will not be subject to any penalties provided by law for collecting or charging interest in excess of lawful rates.

**3. Location; Maintenance; Inspection; Indemnity:** You hereby agree that you shall: (a) not move the Equipment from the "Equipment Location" identified on Exhibit A without our prior written consent; (b) immediately advise us in writing of any change in your name or address; (c) at your own expense: (i) maintain the Equipment in good condition and repair and not permit its value to be impaired; (ii) keep the Equipment free from all liens, encumbrances and security interests (other than those created or expressly permitted by this Agreement); and (iii) defend the Equipment against all claims and legal process by persons other than us; (d) not sell, lease or otherwise dispose of the Equipment or permit it to become a fixture or an accession to other goods except as specifically authorized in this Agreement or in writing by us; (e) not permit the Equipment to be used in violation of any applicable law, regulation or policy of insurance; (f) allow us to examine the Equipment wherever located at any reasonable time or times and you shall assist us in making any such inspection; and (g) indemnify us from and against any liabilities, damages, claims, costs, and expenses, including reasonable attorneys' fees, incurred by or asserted against us in any way relating to or arising out of this Agreement or the Equipment. This indemnity shall survive the termination of this Agreement and repayment of the Obligations.

**4. Insurance; Risk of Loss; Casualty Occurrence:** Throughout the entire term of this Agreement, you shall keep the Equipment insured against all risks under insurance policies with such provisions, by such insurers and for such amounts as shall be satisfactory to us from time to time, but in no event less than the greater of (a) replacement value (special form replacement insurance) or (b) the total of all unpaid Monthly Payments and other amounts due for the remaining term of the Agreement. You shall furnish evidence of such insurance satisfactory to us upon our request. You shall ensure that we are named loss payee and additional insured on all insurance policies required hereunder. You assign (and direct any insurer to pay) to us the proceeds of all such insurance and any premium refund. You authorize us to, and grant us an irrevocably power of attorney (coupled with an interest), to endorse, in your name, any instrument for such proceeds or refunds. You expressly agree that: (i) no loss, damage, theft or requisition of the Equipment from any cause whatsoever (each, a "Casualty Occurrence") shall release you from any of your Obligations hereunder; (ii) in any event, including a casualty occurrence, in any event within three (3) days thereof, give us written notification of said event and the facts pertaining thereto; and (iii) if, in our sole judgment, any Equipment is damaged in any material respect, then, at our option, you shall pay to us, on the next Monthly Payment date following the Casualty Occurrence, an amount we reasonably calculate (without regard to insurance) to be equal to the portion of the Prepayment Amount (as defined in Section 7 below) that we determined corresponds to such Equipment. In determining such amount we may, but shall not be obligated to, consider the initial cost of the applicable Equipment as well as the depreciation thereof.

**5. Assignment; Lease; Encumbrance; Taxes and Fees:** You agree not to transfer, sell, lease, assign, pledge or encumber either the Equipment or any rights under this Agreement without our prior written consent. You agree that we may assign this Agreement without prior notice to you and without your consent. Our assignee will have the same rights and benefits we now have under this Agreement but none of our obligations. You agree that the rights of our assignee will not be subject to any claims, defenses or setoffs that you may have against us or any other person or entity, including the Vendor. As owner of the Equipment, you agree to pay when due all taxes and fees (including without limitation all sales, use, and personal property taxes, fines, and penalties) relating to this Agreement or the Equipment, including its purchase and use. If we pay any of the above for you, you agree to reimburse us and to pay us a processing fee selected by us for each payment we make on your behalf.

**6. Default:** Each of the following, together or individually, shall constitute an "Event of Default": (a) you fail to pay any amount hereunder when due or to perform any other of your Obligations hereunder or in any evidence of or document relating to the Obligations; (b) you or a guarantor, surety or other party obligated for the Obligations (an "Obligor") (i) dies; (ii) ceases to exist, (iii) becomes insolvent or the subject of bankruptcy or insolvency proceedings; or (iv) without our prior written consent, merges with or into any legal entity or sells substantially all of your or its assets, or changes your or its composition, form of business association or ownership; (c) any warranty or representation made by you or any other Obligor under this Agreement or in any evidence of or document relating to the Obligations, is false or misleading in any material respect when made; or (d) any other event which causes us, in good faith, to deem ourselves insecure.

**7. Remedies:** Upon an Event of Default, we may in our sole discretion, do any or all of the following, each of which shall be construed as cumulative, and no one of them as exclusive of the others: (a) proceed by appropriate court action or actions, either at law or in equity, to enforce your performance of the Obligations and/or to recover damages for the breach thereof and/or for attachment of and foreclosure on the Equipment or other assets allowed at law or in equity; (b) whether or not this Agreement is terminated, take possession of any or all of the Equipment wherever situated, and for such purpose, enter upon any premises without liability for so doing; (c) disable, sell, dispose of, hold, use or lease (in full or partial satisfaction as the case may be) any Equipment as we in our sole discretion may decide; (d) by written notice to you declare immediately due and payable, as liquidated damages for loss of bargain and not as a penalty, the Prepayment Amount (as hereinafter defined); (e) immediately apply or setoff any deposits or security we hold, including any insurance proceeds or refunds, toward Monthly Payments and/or any of your other Obligations (provided, however, that upon an Event of Default under clause 6(b)(ii) above, all of the foregoing Obligations shall automatically, without notice or demand, become immediately due and payable); and (f) exercise any other right, remedy, election or recourse provided by the Wisconsin Uniform Commercial Code or any other applicable law, as well as any evidence of or document relating to the Obligations. As used herein, the "Prepayment Amount" means an amount equal to the sum of: (i) all unpaid Monthly Payments set forth herein, discounted to present value at a rate equal to the interest rate implicit in the Monthly Payments; plus (ii) a prepayment premium equal to the product of: (A) the amount calculated pursuant to subsection (i) of this definition; times (B) the Prepayment Rate in Section C of the first page hereof times the number of full or partial years remaining under the original Term hereof; plus (iii) all costs and expenses we incur in any repossession, storage, refurbishing, advertising, sale, re-lease, or other disposition of the Equipment or the enforcement of our rights hereunder, including attorneys' fees; plus (iv) interest on all of the foregoing from the date due at a rate equal to 18% per year. For purposes of clarity, if there were twenty-five months remaining in the scheduled Term of this Agreement and the Prepayment Rate were one percent, the prepayment premium described in subsection (ii) of the foregoing definition would be equal to three percent times the amount we calculate under subsection (i) of such definition. With respect to all rights and remedies hereunder: (1) we may take possession of the Equipment without notice or hearing, which you waive; (2) we may require you to assemble the Equipment and to make it available to us at any convenient place designated by us; (3) you and we each agree that written notice, when required by law, sent at least five calendar days (counting the day of sending) before the date of a proposed disposition shall be deemed sufficient; (4) we may apply the proceeds of payment to the Obligations in such order and amounts as we elect; and (5) we may waive any default without waiving any other subsequent or prior default by you.

BORROWER:

Print Name

Signature

Title

Federal Tax ID:

State of Incorporation

LENDER: ADVANTAGE LEASING CORPORATION

Signature

Date

Print Name

Title

Loan#

# EXHIBIT A

**EQUIPMENT LOCATION:**

**EQUIPMENT DESCRIPTION:**

**ADDITIONAL PROVISIONS**

(None)

Initials \_\_\_\_\_

# CONTINUING GUARANTY

Borrower: \_\_\_\_\_

Contract Number: \_\_\_\_\_

Dated: \_\_\_\_\_, 20\_\_

**GUARANTY.** For value received, and to induce Advantage Leasing Corporation, a Wisconsin corporation (“Lender”), to extend credit to the person or persons identified above as Borrower (the “Borrower”), the undersigned jointly and severally guaranties payment of all indebtedness, obligations and liabilities evidenced by an Equipment Finance Agreement between Lender and Borrower, dated on or about the date hereof, and under all other past, present or future agreements with Lender plus interest, charges, fees and indemnities provided for in any of the foregoing and any extensions, renewals, deferrals, modifications or consolidations of the same (the “Obligations”). Without limiting the foregoing, the Obligations for the undersigned is jointly and severally liable includes the amount of payments made to Lender or another by or on behalf of Borrower which are recovered from Lender by a trustee, receiver, creditor or other party pursuant to applicable federal or state law, and to the extent not prohibited by law, all costs, expenses and attorneys’ fees at any time paid or incurred before and after judgment in endeavoring to collect all or part of any of the above, or to realize upon this Guaranty, or any collateral securing any of the above, including those incurred in successful defense or settlement of any counterclaim brought by Borrower or the undersigned or incident to any action or proceeding brought pursuant to the United States Bankruptcy Code. This Guaranty is valid and enforceable against the undersigned even if any Obligation is invalid or unenforceable against Borrower. **THIS IS A GUARANTY OF PAYMENT AND PERFORMANCE AND NOT A GUARANTY OF COLLECTION.**

**WAIVER.** To the extent not prohibited by applicable law, the undersigned expressly waive (a) notice of the acceptance of this Guaranty, the creation of any present or future Obligation, default under any Obligation, proceedings to collect from Borrower or anyone else, (b) all diligence of collection and presentment, demand, notice and protest, (c) any right to disclosures from Lender regarding the financial condition of any Borrower or guarantor of the Obligations or the enforceability of the Obligations, and (d) all other legal and equitable surety defenses. No claim, including a claim for reimbursement, subrogation, contribution or indemnification which any of the undersigned may, as a guarantor of the Obligations, have against a co-guarantor of any of the Obligations or against Borrower shall be enforced nor any payment accepted until the Obligations are paid in full and no payments to or collections by Lender are subject to any right of recovery.

**PERSONS BOUND.** This Guaranty benefits the Lender, its successors and assignees, and binds the undersigned and its successors and assignees. This Guaranty shall continue in full force and effect notwithstanding any change in structure or status of Borrower, whether by merger, consolidation, reorganization or otherwise.

**ENTIRE AGREEMENT.** This Guaranty is intended by the undersigned and Lender as a final expression of this Guaranty and as a complete and exclusive statement of its terms, there being no conditions to the full effectiveness of the Guaranty. This Guaranty may not be supplemented or modified except in writing.

**CONSENT.** To the extent not prohibited by applicable law, with respect to any of the Obligations, Lender may from time to time without notice to the undersigned and without affecting the liability of the undersigned (a) release, impair, sell or otherwise dispose of any security or collateral, (b) release or agree not to sue any guarantor or surety, (c) fail to perfect its security interest in or realize upon any security or collateral, (d) fail to realize upon any of the Obligations or to proceed against the Borrower or any guarantor or surety, (e) renew or extend the time of payment, (f) increase or decrease the rate of interest, (g) accept additional security or collateral, (h) determine the allocation and application of payments and credits and accept partial payments, (i) determine what, if anything, may at any time be done with reference to any security or collateral, and (j) settle or compromise the amount due or owing or claimed to be due or owing from any Borrower, guarantor or surety, which settlement or compromise shall not affect the undersigned’s liability for the full amount of the Obligations. The undersigned expressly consent to and waive notice of all of the above.

**REPRESENTATIONS.** The undersigned acknowledges and agrees that Lender (a) has not made any representations or warranties with respect to, (b) does not assume any responsibility to the undersigned for, and (c) has no duty to provide information to the undersigned regarding, the enforceability of any of the Obligations or the financial condition of the Borrower or any guarantor. The undersigned has independently determined the creditworthiness of Borrower and the enforceability of the Obligations and until the Obligations are paid in full will independently and without reliance on Lender continue to make such determinations.

### NOTICE TO GUARANTOR

You are being asked to guarantee the obligations of the Borrower identified above. If Borrower does not pay, you will have to. You may also have to pay collection/legal costs. Lender can collect the obligations from you without first trying to collect from Borrower or another guarantor.

#### Guarantor One

X \_\_\_\_\_  
Guarantor Signature Date

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

Home Phone: \_\_\_\_\_

Work Phone: \_\_\_\_\_

Mobile Phone: \_\_\_\_\_

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

#### Guarantor Two

X \_\_\_\_\_  
Guarantor Signature Date

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

Home Phone: \_\_\_\_\_

Work Phone: \_\_\_\_\_

Mobile Phone: \_\_\_\_\_

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

## INSURANCE LETTER

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Date: July 20, 2018  
From:

**Please complete the information below:**

Insurance Agent: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Policy #: \_\_\_\_\_

To Whom It May Concern:

We have entered into a loan agreement with Advantage Leasing Corporation for the following equipment, valued at \$\_\_\_\_\_:

Equipment:

Equipment Location:

We are responsible for the insurance cost as well as providing the coverage identified below. Please see to it that we have immediate coverage and list ADVANTAGE LEASING CORPORATION, its successors and/or assigns, 13400 Bishop's Ln., Ste. 280 Brookfield, WI 53005 as certificate holder in the form of a copy of the insurance policy or a Certificate of Insurance.

PHYSICAL DAMAGE: Insurance is to be provided for fire, theft, extended coverage, vandalism and malicious mischief for the full value of the equipment. Advantage Leasing Corporation, its successors and/or assigns is to be named LENDERS LOSS PAYEE as their interest may appear.

Please fax a copy of the certificate to: 262-361-3837, Attn: \_\_\_\_\_ or email to: \_\_\_\_\_@AdvantagePlusFinancing.com.

Should you have any questions, please contact our documentation department at 800-949-7040.

Sincerely,

\_\_\_\_\_  
(Signature)

**EXHIBIT L**

**CAR-X FINANCING DOCUMENTS**

**CAR-X, LLC**  
**AGREEMENT FOR SALE OF ASSETS**

THIS AGREEMENT is effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and is made by CAR-X, LLC, a Delaware limited liability company (“Seller”) and \_\_\_\_\_, a \_\_\_\_\_ (“Purchaser”).

**1. Introduction.** Seller owns, or has the right to sell, the assets of the Car-X Auto Service business (“Business”) at \_\_\_\_\_ (“Location”). Seller desires to sell the Business and sublease the Location to Purchaser and Purchaser desires to obtain the Business on the terms and conditions described in this Agreement.

**2. Sale of Assets.** Subject to the terms of this Agreement, Seller will sell to Purchaser, as of the effective date of closing (defined below), the following assets of the Business:

- (a) Except as provided below, the personal property listed on **Exhibit A**;
- (b) The inventory referred to in Section 6 below;
- (c) Trade fixtures, signs and leasehold improvements at the Location;
- (d) The right to use any telephone numbers in use at the Business;
- (e) Miscellaneous assets and supplies of the Business.

The assets being transferred do not include any: (i) cash; (ii) accounts receivable; and (iii) if applicable, the oil storage and dispensing equipment owned by Valvoline and loaned by Valvoline for use at the Business (this equipment is not included even if listed on **Exhibit A**). The assets included in the sale are referred to in this Agreement as the “Assets”.

At closing, Seller will sign a Bill of Sale in the form attached as **Exhibit B** to transfer the Assets.

**3. Sublease of Location.** Purchaser acknowledges that Seller is leasing the Location from \_\_\_\_\_ under a lease dated \_\_\_\_\_. Purchaser will sublease the Location from Seller for operation of the Business. Seller and Purchaser will sign, on or before closing, a Sublease in the form attached to the Car-X, LLC Franchise Disclosure Document previously delivered to Purchaser. On or before closing, Purchaser will pay to Seller a security deposit in the amount of \$\_\_\_\_\_ and the first month’s rent and tax, insurance and CAM escrow payments due under the Sublease in the amount of \$\_\_\_\_\_. The total amount due under the Sublease on or before closing is \$\_\_\_\_\_.

**4. Franchise Agreement.** Purchaser and Seller will sign, on or before closing, a Car-X, LLC Franchise Agreement, which will give Purchaser the right to operate a Car-X Auto Service franchise at the Location. The Franchise Agreement will be in the form attached to the Car-X, LLC Franchise Disclosure Document previously delivered to Purchaser. Purchaser acknowledges that he received a copy of the current Franchise Agreement and a copy of the

Franchise Disclosure Document more than 14 days before the signing of the Franchise Agreement. The initial license fee due under Section 3.1(a) of the Franchise Agreement in the amount of \$\_\_\_\_\_ will be paid in the manner set forth in Section 5 below.

**5. Purchase Price and Payment.** The consideration to be paid by Purchaser for the Assets will be \_\_\_\_\_ (\$\_\_\_\_\_) Dollars, plus payment of the value of the inventory of the Business as described in Section 6 below. The consideration for the Assets along with the payments due under the Sublease as described in Section 3 above and the initial license fee referred to in Section 4 above will be paid as follows: The value of the inventory will be paid in the manner described in Section 6 below.

(a) The amount of \$\_\_\_\_\_ will be paid at closing by cashier's check or wire transfer.

(b) The remaining amount of \_\_\_\_\_ (\$\_\_\_\_\_) Dollars will be paid pursuant to the terms of a Promissory Note that will be issued by Purchaser to Seller at closing. The Promissory Note will bear interest at \_\_\_% per annum and will be payable in equal monthly payments of principal and interest based on a \_\_\_ year amortization (\$\_\_\_\_\_ per month for months). Interest will begin to accrue under the Promissory Note on \_\_\_\_\_, 20\_\_\_ and the first payment under the Promissory Note will be due on \_\_\_\_\_, 20\_\_\_. The Promissory Note will be in the form attached as **Exhibit C**.

**6. Inventory.** A physical inventory of all inventory of the Business at the Location as of the effective date of closing will be taken on or immediately before or after the effective date of closing. The inventory will be valued at the price at which such inventory is sold to Car-X, LLC franchisees. Purchaser must pay the price for this inventory pursuant to the terms of a Promissory Note in the form attached as **Exhibit D**. The Promissory Note will bear interest at \_\_\_ percent (\_\_\_%) per annum and will be payable in \_\_\_ equal monthly payments. Interest will begin to accrue under this Promissory Note on \_\_\_\_\_, 20\_\_\_ and the first payment under this Promissory Note will be due on \_\_\_\_\_, 20\_\_.

**7. Security for Obligations.** As security for Purchaser's obligations to Seller under this Agreement, Purchaser will sign, at closing, a Security Agreement in the form attached as **Exhibit E**. Also, \_\_\_\_\_ must personally guaranty the obligations of Purchaser to Seller by signing the Guaranty Agreement in the form attached to the Car-X, LLC Franchise Disclosure Document previously delivered to Purchaser.

**8. Assumption of Seller's Obligations.** Purchaser is not assuming any liabilities or obligations of Seller, including any liabilities or obligations arising from the operation of the Business, except as specifically set forth in this Agreement.

Purchaser will assume and be responsible for the following obligations relating to the Business:

(a) Purchaser will assume and be responsible for any Car-X Auto Service authorized customer warranty obligations validly issued from the Business before the effective date of closing.

(b) Purchaser will assume and be responsible for all payments due on or after the effective date of closing for all yellow page advertisements for the Business.

(c) Purchaser will assume and be responsible for Seller's obligations to Valvoline under the agreement dated \_\_\_\_\_, 20\_\_\_, a copy of which has been provided to Purchaser.

(d) Purchaser will assume and be responsible for any service contracts entered into by Seller for the Business, such as cable, telephone, alarm services and uniform contracts. Purchaser acknowledges and agrees that in some cases Seller may have to continue to hold some or all of these contracts in Seller's name, in which case Seller will bill Purchaser for amounts due under those contracts relating to the Business and Purchaser will pay those amounts to Seller within 14 days of the billing.

**9. Representations, Warranties and Agreements of Seller.** Seller represents, warrants and agrees that:

(a) At closing, Seller will hold clear title to the Assets and Seller will convey the Assets to Purchaser at closing, free and clear of all claims, liens and encumbrances other than the security interest referenced in Section 7 of this Agreement.

(b) Seller warrants that the equipment of the business will be in working condition as of the effective date of closing. ANY CLAIMS UNDER THIS WARRANTY MUST BE MADE IN WRITING WITHIN SEVEN (7) DAYS AFTER THE EFFECTIVE DATE OF CLOSING. ANY DEFECTIVE EQUIPMENT SUBJECT TO A VALID WARRANTY CLAIM WILL BE REPAIRED OR REPLACED AS DETERMINED BY SELLER. UNDER NO CIRCUMSTANCES WILL SELLER BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES FOR BREACH OF THIS WARRANTY.

(c) Except as provided above, **THE ASSETS ARE SOLD "AS IS" AND SELLER MAKES NO EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES REGARDING THE CONDITION OF THE ASSETS, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. UNDER NO CIRCUMSTANCES WILL SELLER BE LIABLE TO PURCHASER FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES AS A RESULT OF THE CONDITION OF THE ASSETS.**

(d) Seller is a validly existing Delaware corporation in good standing.

(e) The signing of this Agreement and the closing of the transaction described in this Agreement by Seller do not contradict the Articles of Incorporation or By-Laws of Seller and do not conflict in or result in a breach or default under any agreement, instrument, judgment or ruling to which Seller is a party and by which Seller or any part of its assets are bound or affected.

(f) The appropriate officers of Seller have been validly authorized to sign this Agreement on behalf of Seller.

(g) There is no litigation, liens, claims, proceeding or governmental investigation pending or threatened against or relating to the Assets, or that would affect the transactions contemplated by this Agreement, nor, to the knowledge of Seller, is there any basis for such action.

**10. Representations, Warranties and Agreements of Purchaser.** The Purchaser represents, warrants and agrees that:

(a) Purchaser is a validly existing \_\_\_\_\_ in good standing.

(b) Purchaser acknowledges that, except as provided in Section 9(b), SELLER IS SELLING THE ASSETS "AS IS" AND SELLER MAKES NO EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES REGARDING THE CONDITION OF THE ASSETS AND DISCLAIMS ANY SUCH REPRESENTATIONS AND WARRANTIES, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. UNDER NO CIRCUMSTANCES WILL SELLER BE LIABLE TO PURCHASER FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES AS A RESULT OF THE CONDITION OF THE ASSETS.

(c) Purchaser has inspected the Location and agrees to lease the Location under the Sublease "AS-IS." Purchaser acknowledges that Seller makes no representations or warranties as to the condition of the real estate comprising the Location.

(d) The signing of this Agreement and the closing of the transaction described in this Agreement by Purchaser do not contradict the Articles of Incorporation, Articles of Organization or Operating Agreement of Purchaser and do not conflict in or result in a breach or default under any agreement, instrument, judgment or ruling to which Purchaser is a party and by which Purchaser or any part of its assets are bound or affected.

(e) \_\_\_\_\_ is the \_\_\_\_\_ of Purchaser and has been validly authorized to sign this Agreement on behalf of Purchaser.

(f) There is no litigation, liens, claims, proceeding or governmental investigation pending or threatened against or relating to Purchaser, its properties, business or the transactions contemplated by this Agreement, nor, to the knowledge of Purchaser, is there any basis for such action.

(g) Until all of Purchaser's obligations to Seller have been fulfilled, Purchaser will keep its insurable property insured against loss or damage to the same extent as is usual in similar businesses. Purchaser will provide evidence satisfactory to the Seller of the insurance coverage and that the policies are in full force and effect.

(h) Until all of Purchaser's obligations to Seller have been fulfilled, Purchaser will promptly notify Seller of any litigation, government proceeding, default or any other

occurrence that may have a material adverse effect on the Purchaser's business, property or condition.

**11. Proration of Taxes; Adjustments.** Real and personal property taxes due in the calendar year of the effective date of closing will be prorated between the parties based on the number of days each party will be in possession of the Business during that calendar year. Each party will pay its proportion of those taxes when the taxes become due. All prepaid or accrued items such as telephone, utilities, utility deposits, rent, alarm services and scavenger services will be ratably adjusted between the parties as of the effective date of closing.

**12. Accounts Receivable.** Seller will be entitled to receive all accounts receivable generated by the Business as of the effective date of closing. Purchaser will refer to places designated by Seller any payments on accounts offered by former customers of the Business in full or partial satisfaction of their indebtedness.

**13. Default.** If Purchaser defaults under any terms or conditions of this Agreement, the Sublease referred to in Section 3, the Franchise Agreement referred to in Section 4, the Promissory Notes referred to in Sections 5 and 6, the Security Agreement referred to in Section 7 or any other agreement between the parties, Seller may give written notice to Purchaser of the default and Purchaser will have fifteen (15) days after notice to correct its default. If a default is not cured within the fifteen (15) day period, Seller will have the right to:

(a) Declare the Promissory Notes immediately due and payable in full without the need for presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by Purchaser;

(b) Collect from Purchaser on demand all Seller's costs and expenses, including reasonable attorney fees, incurred in connection with the enforcement of this Agreement or any other agreement between the parties; and

(c) Foreclose on the collateral under the Security Agreement and exercise all other rights of a secured party under applicable law with respect to the collateral.

The rights set forth in this Section will be in addition to and will not prejudice any rights the Seller has under any Promissory Note, Security Agreement, Sublease, Franchise Agreement, or any other agreement between the parties, or otherwise provided by law or equity.

**14. Indemnity.** Seller will indemnify and hold harmless Purchaser from all loss, costs and expense, including attorney fees, incident to or arising out of any breach by Seller of the terms of this Agreement or any of the representations and warranties of Seller in this Agreement.

Purchaser will indemnify and hold harmless Seller from all loss, costs and expense, including attorney fees, incident to or arising out of any breach by Purchaser of the terms of this Agreement or any of the representations and warranties of Purchaser in this Agreement or arising out of the operation of the Business or use of the Assets or the Location on or after the effective date of closing.

**15. Employees of Business.** The parties acknowledge that Purchaser is not obligated to hire any of the existing employees of the Business. If Purchaser elects to hire any existing employees, those employees will be considered new employees of Purchaser; and Seller will be responsible for termination and payment of all benefit and compensation plans and insurance policies (including, but not limited to vacation pay, group term life insurance plans, pension plans, deferred compensation plans, medical plans, disability plans and bonus plans) existing at or before the effective date of closing. Purchaser will not be liable for the balance of any employment contracts of Seller.

**16. Risk of Loss.** Before closing, Purchaser does not assume and will not in any event be responsible or liable for any loss or damage to the Assets from any cause.

**17. Closing; Signing of Documents.** Closing of this transaction will take place at Seller's offices in Schaumburg, Illinois, or by mail, on or before \_\_\_\_\_, 20\_\_\_. The closing will be effective and Purchaser will receive possession of the Assets and Location as of the open/close of business on \_\_\_\_\_, 20\_\_\_ ("effective date of closing").

The parties agree, in conjunction with closing of this transaction, to perform all acts and sign all documents necessary or incidental to accomplish this sale and to further evidence this Agreement, including signing of closing statements in the forms attached as **Exhibit F** and **Exhibit G**, and all other documents attached as Exhibits.

**18. Notices.** Notices under this Agreement must be in writing signed by the party serving the same and must be sent by: (a) registered or certified mail, return receipt requested, postage pre-paid, in which case the notice will be complete two days after mailing; (b) overnight courier service, in which case the notice will be complete one day after delivery to the overnight courier; or (c) facsimile with proof of completion, in which case the notice will be complete one day after proof of completion; to the parties at the addresses set forth below or at such address as designated by notice pursuant to this Section.

Seller:

Car-X, LLC  
Attn: President  
1100 E. Woodfield Road, Suite 105  
Schaumburg, Illinois 60173

Purchaser Before Closing:

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

Purchaser After Closing:

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

**19. No Assignment.** Purchaser will have no right to assign or transfer its rights under this Agreement without the written consent of Seller. Any assignment or transfer by Purchaser without the written consent of Seller will be null and void.

**20. Applicable Law and Jurisdiction.** This Agreement and the construction of this Agreement will be governed by the laws of the New York (without reference to the conflict of laws provisions). Any legal proceedings between the parties must be brought and conducted only in a state or federal court located in the county in which the Seller's principal place of business is located, except legal proceedings brought by Seller for injunctive relief or to obtain possession of real or personal property from Purchaser or to collect on a judgment may, at Seller's option, be brought in a state or federal court for the county in which Purchaser's business is located. Purchaser consents to and waives any objections to jurisdiction and venue in the courts specified in this Section.

**21. Miscellaneous.** The following additional provisions will apply to this Agreement:

(a) Agreement Binding. This Agreement and all the representations and warranties in this Agreement will survive the closing and will be binding on the heirs, executors, administrators, successors, and assigns of the parties.

(b) Entire Agreement. This Agreement supersedes all prior written or oral agreements or understandings and contains the entire agreement by and between the parties with respect to the matters covered.

(c) Amendment or Modification. This Agreement may be amended or modified only by an agreement in writing between the parties.

(d) Waiver. The failure of any party to demand strict compliance with a covenant or condition of this Agreement will not be a waiver of its rights to demand strict compliance in the future.

(e) Titles and Captions. All paragraph titles or captions in this Agreement are for convenience only and will not be deemed part of the context of this Agreement.

(f) Counterparts; Signature by Facsimile or Email. This Agreement may be signed in two (2) or more counterparts, each of which will be deemed an original. A party may sign this Agreement and any agreements necessary to close this transaction by sending a copy of the Agreement containing that party's signature to the other party by facsimile or email.

(g) Pronouns and Plurals. All pronouns and variations thereof will be deemed to refer to the masculine, feminine, neuter, singular, or plural as the identity of the person or persons may require.

The parties have signed this Agreement on the dates set forth opposite their signatures to be effective as of the date set forth at the beginning of this Agreement.

CAR-X, LLC

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

By: \_\_\_\_\_  
\_\_\_\_\_, President

\_\_\_\_\_

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

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

**EXHIBIT A**

**LIST OF PERSONAL PROPERTY**

See the attached list consisting of \_\_\_\_\_ pages.

**EXHIBIT B**  
**BILL OF SALE**

**BILL OF SALE**

CAR-X, LLC, a Delaware limited liability company, whose address is 1100 E. Woodfield Road, Suite 105, Schaumburg, Illinois 60173 ("Seller"), for valuable consideration paid by \_\_\_\_\_, a \_\_\_\_\_, whose address is \_\_\_\_\_ ("Purchaser"), sells to Purchaser, its assigns and successors, the following assets of the Car-X Auto Service business ("Business") operated at \_\_\_\_\_ ("Location"):

- (a) Except as provided below, the personal property listed on Schedule 1;
- (b) Inventory;
- (c) Trade fixtures, signs and leasehold improvements at the Location;
- (d) The right to use any telephone numbers in use at the Business; and
- (e) Miscellaneous assets and supplies of the Business;

but excluding any: (i) cash; (ii) accounts receivable; and (iii) the oil storage and dispensing equipment owned by Valvoline and loaned by Valvoline for use at the Business (this equipment is not included even if listed on Schedule 1).

This Bill of Sale is issued pursuant to an Agreement for Sale of Assets and is subject to the terms of that Agreement.

Seller has signed this Bill of Sale on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, to be effective on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

CAR-X, LLC

By: \_\_\_\_\_  
\_\_\_\_\_, President

Acknowledged before me in \_\_\_\_\_ County, \_\_\_\_\_, on \_\_\_\_\_ 20\_\_\_\_, by \_\_\_\_\_, President of Car-X, LLC a Delaware limited liability company.

Notary Signature:  
Print Name: \_\_\_\_\_  
Notary Public, \_\_\_\_\_ County, \_\_\_\_\_  
Commission Expires: \_\_\_\_\_  
Acting in the County of: \_\_\_\_\_

**SCHEDULE 1**

**LIST OF PERSONAL PROPERTY**

See the attached list consisting of \_\_\_\_ pages.

**EXHIBIT C**

**PROMISSORY NOTE**

**PROMISSORY NOTE**

\$ \_\_\_\_\_, 20\_\_

For value received, \_\_\_\_\_, a \_\_\_\_\_ (“Purchaser”), promises to pay to the order of Car-X, LLC, a Delaware limited liability company (“Seller”) at 1100 E. Woodfield Road, Suite 105, Schaumburg, Illinois 60173, the principal sum of \_\_\_\_\_ (\$ \_\_\_\_\_) Dollars, plus interest from the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, at the rate of \_\_\_% per annum until paid. This note must be paid in equal monthly payments of principal and interest based on a \_\_\_\_\_ year amortization. Monthly payments of \_\_\_\_\_ (\$ \_\_\_\_\_) Dollars will begin \_\_\_\_\_, 20\_\_, and continue on the \_\_\_\_\_ day of each month thereafter. The entire unpaid balance, including principal and interest, will be due and payable on or before \_\_\_\_\_, 20\_\_. Monthly payments will be applied first to any costs of enforcing this Note, second to the payment of interest due and third to the payment and reduction of principal.

This note may be prepaid at any time, in whole or in part, without penalty. Any installment not paid when due will be assessed a late charge of five percent (5%) of the installment. If Purchaser is in default under this Note and the default continues for a period of fifteen (15) days, then the entire indebtedness represented by this Note will become immediately due and payable at the option of the Holder. Purchaser agrees to pay reasonable attorneys’ fees and disbursements and other reasonable expenses incurred by the Holder in connection with enforcement of this Note.

Every person at any time liable for the payment of the debt evidenced by this Note waives presentment for payment and demand for payment of this Note, and consents that the Holder may extend the time of payment on any part or the whole of the debt at any time at the request of any person liable.

Purchaser will be considered in default under this Note if it fails to make any payment due under the terms of this Note or fails to comply with any other agreement between Purchaser and Seller including, but not limited to, the Agreement for Sale of Assets, Security Agreement, Franchise Agreement or Sublease entered into by the parties. This Note is issued in connection with an Agreement for Sale of Assets and is subject to the terms and conditions of that Agreement. This Note is also subject to the terms and conditions of the Security Agreement executed to provide security for the payment of Purchaser’s obligations to Seller.

This Note and the construction of this Note will be governed by the laws of the State of New York (without reference to the conflict of laws provisions). Any legal proceedings between the parties must be brought and conducted only in a state or federal court located in the county in which the Seller’s principal place of business is located, except legal proceedings brought by Seller for injunctive relief or to obtain possession of real or personal property from Purchaser or to collect on a judgment may, at Seller’s option, be brought in a state or federal court for the county in which Purchaser’s business is located. Purchaser consents to and waives any objections to jurisdiction and venue in the courts specified in this Section.

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

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

**EXHIBIT D**

**PROMISSORY NOTE--INVENTORY**

**PROMISSORY NOTE--INVENTORY**

\$ \_\_\_\_\_, 20\_\_

For value received, \_\_\_\_\_, a \_\_\_\_\_ (“Purchaser”), promises to pay to the order of Car-X, LLC, a Delaware limited liability company (“Seller”) at 1100 E. Woodfield Road, Suite 105, Schaumburg, Illinois 60173, the principal sum of \_\_\_\_\_ (\$ \_\_\_\_\_) Dollars, plus interest from the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, at the rate of \_\_\_% per annum until paid. This note must be paid in equal monthly payments of principal and interest based on a \_\_\_\_\_ year amortization. Monthly payments of \_\_\_\_\_ (\$ \_\_\_\_\_) Dollars will begin \_\_\_\_\_, 20\_\_, and continue on the \_\_\_\_\_ day of each month thereafter. The entire unpaid balance, including principal and interest, will be due and payable on or before \_\_\_\_\_, 20\_\_. Monthly payments will be applied first to any costs of enforcing this Note, second to the payment of interest due and third to the payment and reduction of principal.

This note may be prepaid at any time, in whole or in part, without penalty. Any installment not paid when due will be assessed a late charge of five percent (5%) of the installment. If Purchaser is in default under this Note and the default continues for a period of fifteen (15) days, then the entire indebtedness represented by this Note will become immediately due and payable at the option of the Holder. Purchaser agrees to pay reasonable attorneys’ fees and disbursements and other reasonable expenses incurred by the Holder in connection with enforcement of this Note.

Every person at any time liable for the payment of the debt evidenced by this Note waives presentment for payment and demand for payment of this Note, and consents that the Holder may extend the time of payment on any part or the whole of the debt at any time at the request of any person liable.

Purchaser will be considered in default under this Note if it fails to make any payment due under the terms of this Note or fails to comply with any other agreement between Purchaser and Seller including, but not limited to, the Agreement for Sale of Assets, Security Agreement, Franchise Agreement or Sublease entered into by the parties. This Note is issued in connection with an Agreement for Sale of Assets and is subject to the terms and conditions of that Agreement. This Note is also subject to the terms and conditions of the Security Agreement executed to provide security for the payment of Purchaser’s obligations to Seller.

This Note and the construction of this Note will be governed by the laws of the State of New York (without reference to the conflict of laws provisions). Any legal proceedings between the parties must be brought and conducted only in a state or federal court located in the county in which the Seller’s principal place of business is located, except legal proceedings brought by Seller for injunctive relief or to obtain possession of real or personal property from Purchaser or to collect on a judgment may, at Seller’s option, be brought in a state or federal court for the county in which Purchaser’s business is located. Purchaser consents to and waives any objections to jurisdiction and venue in the courts specified in this Section.

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

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

**EXHIBIT E**  
**SECURITY AGREEMENT**

## SECURITY AGREEMENT

THIS AGREEMENT is made effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between CAR-X, LLC, a Delaware limited liability company (“Seller”) and \_\_\_\_\_, a \_\_\_\_\_ (“Purchaser”).

**1. Security Interest in Collateral.** Purchaser grants to Seller a continuing security interest in the following:

All personal and fixture property of every kind and nature including without limitation all goods (including inventory, equipment and any accessions thereto), instruments (including promissory notes), documents, accounts (including health-care-insurance receivables), chattel paper (whether tangible or electronic), deposit accounts, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), commercial tort claims, securities and all other investment property, supporting obligations, any other contract rights or rights to payment of money, insurance claims and proceeds, tort claims, and all general intangibles (including all payment intangibles) now or hereafter owned by the Purchaser wherever the collateral is located, including, but not limited to, the personal property and fixtures located at \_\_\_\_\_, and all proceeds and products arising from the sale, exchange or other disposition of any or all of the aforesaid types of properties, whether cash or non-cash in nature (all such property is hereinafter sometimes called the “Collateral”).

This security interest is granted to secure payment of indebtedness represented by the Promissory Notes of Purchaser issued and payable to Seller pursuant to an Agreement for Sale of Assets and also any and all other indebtedness of Purchaser to Seller now existing or arising in the future, absolute or contingent, due or to become due, including, but not limited to all costs and expenses incurred in the collection of any of Purchaser’s indebtedness to Seller and all future advances made by Seller to the Purchaser for taxes levied, insurance and repairs to or maintenance of the Collateral (“Indebtedness”).

Purchaser agrees to sign financing statements and other documents and to take all other action that Seller deems necessary to perfect this security interest. Purchaser must, upon acquiring any new or additional assets, including commercial tort claims, promptly notify Seller of the acquisition of those assets, stating the nature, description, cost and amount of the fixed assets acquired and must execute and deliver to Seller any additional security agreements, financing statements or other documents with respect to the additional fixed assets as are deemed necessary by Seller.

This is a purchase money security interest.

**2. Authorization to File Financing Statements** Purchaser irrevocably authorizes Seller at any time and from time to time to file in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of Purchaser or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code

of an applicable state or such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by part 5 of Article 9 of the Uniform Commercial Code of the applicable state for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether the Purchaser is an organization, the type of organization and any organization identification number issued to the Purchaser, and (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. Purchaser agrees to furnish any such information to Seller on request.

**3. Location of Collateral** The Collateral will be kept at its present location. Purchaser will notify Seller of any proposed changes in location of the Collateral and will not remove the Collateral from its present location without the written consent of Seller.

**4. Restriction on Disposition of Collateral** Purchaser must not sell or offer to sell or otherwise transfer, dispose of or encumber the Collateral without the written consent of Seller. The sale of inventory in the ordinary course of Purchaser's business will not be subject to the restrictions of this Paragraph as long as Purchaser is not in default under this Agreement. Seller's security interest will, however, attach to all proceeds of all sales or other disposition of Purchaser's inventory.

**5. Representations, Warranties and Agreements of Purchaser** The Purchaser represents, warrants and agrees that:

(a) Purchaser has, and will maintain throughout the term of this Agreement, good and marketable title to all the Collateral, free and clear of all security interests, liens and encumbrances other than the security interest created by this Agreement or by other Security Agreements between the parties.

(b) Purchaser will use the Collateral only in its Car-X Auto Service business and will not misuse, abuse or waste the Collateral.

(c) Purchaser will not use the Collateral or permit the Collateral to be used in violation of any law or ordinance of any governmental authority.

(d) Purchaser will maintain the Collateral in good condition and repair, reasonable wear and tear alone excepted.

(e) If Purchaser is a corporation, limited liability company, limited partnership or entity formed by filing with a state government agency, Purchaser has delivered a copy of its organizational documents to Seller and Purchaser represents and warrants that the information in the organizational documents accurately and completely states: (i) the exact legal name of Purchaser, (ii) the jurisdiction of organization of Purchaser, (ii) the organizational identification number of Purchaser (if Purchaser has one), and (iv) Purchaser's place of business and mailing address if different.

(f) Without providing at least 30 days prior written notice to Seller, Purchaser will not change its name, its place of business or, if more than one, chief executive office, or its mailing address or organizational identification number if it has one.

(g) If Purchaser does not have an organizational identification number and later obtains one, Purchaser will promptly notify Seller of such organizational number.

(h) Purchaser will not change its type of organization, jurisdiction or organization or other legal structure without the prior written consent of Seller.

**6. Insurance** Purchaser must have and maintain at all times, with respect to the Collateral, policies of insurance against risks of fire, so called extended coverage and other risks customarily insured against by companies engaged in similar businesses to that of Purchaser. The insurance policies must be in an amount and must contain terms and be written by companies satisfactory to Seller. The insurance policies must be payable to Purchaser and Seller as their interests may appear. Purchaser must furnish Seller with certificates or other evidence of compliance with the provisions of this Paragraph. If Purchaser fails to procure, maintain or provide proof of the required insurance, Seller may insure the Collateral to its satisfaction and Purchaser must immediately repay Seller for the cost of the insurance.

**7. Possession** Except as otherwise provided in this Agreement, until default Purchaser may have possession of the Collateral subject to this Security Agreement and may use it in any lawful manner not inconsistent with this Security Agreement.

**8. Inspection of Collateral and Records of Purchaser** Seller may examine and inspect the Collateral subject to this Security Agreement and all the books and records of the Purchaser at any time during normal business hours, wherever the Collateral, books and records are located. Purchaser will deliver to Seller signed and/or certified financial statements when requested by Seller and Purchaser will keep records relating to the Collateral as required by Seller.

**9. Payment of Taxes and Assessments** Purchaser must pay when due all taxes and assessments, which may become a lien on the Collateral and must promptly satisfy any and all liens that may attach to the Collateral by operation of law or otherwise.

**10. Seller's Performance of Purchaser's Obligations** At its option, Seller may discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the Collateral, may pay for insurance on the Collateral, may pay for the maintenance and preservation of the Collateral or may perform any other obligations of Purchaser under this Security Agreement. If Seller performs any of Purchaser's obligations, Purchaser must reimburse Seller, upon demand, for any expense incurred by Seller in performing those obligations and the expenses incurred by Seller will be included in the Indebtedness secured by this Agreement.

**11. Special Account** If Purchaser is in default under this Agreement, then on Seller's demand, Purchaser must maintain a special bank account with Seller, over which Seller alone has power of withdrawal and Purchaser must deposit in the special account, upon receipt, checks, drafts, cash and other remittances in payment of inventory sold or in payment of or on account of Purchaser's receivables. Seller will hold the funds in the special account as security for the Indebtedness. The items deposited into the special account must be deposited in precisely the form received by Purchaser, except for the endorsement of Purchaser where necessary to permit

collection of items, which endorsement Purchaser agrees to make and which Seller is also authorized to make on Purchaser's behalf. Pending deposit into the special account, Purchaser will not commingle any checks, drafts, cash or other remittances with any of Purchaser's funds or property, but will hold them separate and apart and as an express trust for Seller. Seller may, at least once a week, apply the whole or any part of the amounts in the special account against the principal and/or interest of the Indebtedness whether or not such obligation is then due. Any portion of the funds in the special account that Seller elects not to so apply may be paid over by Seller to Purchaser.

**12. Collection of Accounts** If Purchaser is in default under this Agreement, then Seller will have the right to notify the account debtor obligated on any or all of Purchaser's receivables, to make payment directly to Seller, and to take control of all proceeds of any such receivable, which rights Seller may exercise at any time, whether or not the Purchaser is then in default under this Agreement or was previously making collections on such receivables. Until such time as Seller elects to exercise the rights set forth in this Paragraph, by mailing to Purchaser written notice of exercise, Purchaser is authorized to collect and enforce its receivables. The costs of collection and enforcement of the receivables, including attorney fees and out-of-pocket expenses will be paid by Purchaser, whether Seller or Purchaser incurs those expenses.

**13. Default** Purchaser will be in default under this Security Agreement on the happening of any of the following events or conditions:

(a) The failure of Purchaser to make any payment to Seller within fifteen (15) days of the date the payment is due including, but not limited to, any payments required under any Promissory Note issued by Purchaser to Seller;

(b) Any default by Purchaser under this Security Agreement, the Agreement for Sale of Assets, the Franchise Agreement or Sublease between Purchaser and Seller, or any other agreement between the parties, which default is not cured within fifteen (15) days after notice of said default is given to Purchaser;

(c) Any warranty, representation or statement made or furnished to Seller by or on behalf of the Purchaser proves to have been false in any material respect when made or furnished;

(d) The filing of a petition by or against Purchaser under the provisions of any state insolvency laws or under the provisions of the Federal Bankruptcy laws;

(e) Any assignment by the Purchaser for the benefit of any creditor;

(f) The appointment of a receiver over substantially all the assets of Purchaser or the initiation of any proceeding for the dissolution or full or partial liquidation of Purchaser;

(g) Seller deems the margin of Collateral insufficient or itself insecure, in good faith believing that the prospect of payment of the Indebtedness or the performance

of this Security Agreement is impaired or fears deterioration, removal or waste of the Collateral, or any substantial portion thereof; or

(h) The loss, theft, damage, destruction, sale or encumbrance to or of any of the Collateral covered by this Security Agreement, or the making of any attachment, levy, garnishment or other judicial process of or on Purchaser or any of the Collateral.

**14. Remedies on Default** In the event of default as set forth in Paragraph 13:

(a) Any and all liabilities of Purchaser to Seller will, at the option of Seller and notwithstanding any time or credit allowed by this Agreement or any other instrument, be immediately due and payable without notice or demand;

(b) Seller will have all the rights and remedies of a secured party under the Uniform Commercial Code as enacted and in force in the State of New York, and under any other applicable statutory or common law, and in addition may enter any premises where the Collateral is stored and remove the Collateral, or may require Purchaser to assemble the Collateral and make it available to Seller at a place to be designated by Seller which is reasonably convenient to both parties;

(c) Seller may sell all of the Collateral or any part thereof at a public or private sale on ten (10) days prior written notice to Purchaser of the time and place of such sale. Seller may purchase the Collateral at such sale;

(d) Seller will have the right to settle or compromise disputed claims on the Collateral it collects directly; and

(e) Seller will be reimbursed by Purchaser for and/or may retain out of the proceeds of any sale of or collection on the Collateral, all costs and charges incurred in enforcing its rights under this Security Agreement or under any note or other obligation secured by this Security Agreement, including reasonable attorney fees, or expenses incurred for pursuing, reclaiming, seeking to reclaim, taking, keeping, removing, storing, selling and advertising the Collateral for sale, or expenses incurred in the discharge of any prior liens on the Collateral, including, but not limited to, liabilities due and owing to taxing authorities. Any balance received from the sale of or collection on the Collateral, after paying the charges set forth above, will be applied upon the obligations of Purchaser to Seller, and in the event of any deficiency Purchaser will remain liable to Seller. Any surplus will promptly be paid to Purchaser.

The remedies provided in this Paragraph are in addition to any other remedies provided in this Agreement or by law or equity.

**15. Notices** Notices under this Agreement must be in writing signed by the party serving the same and must be sent by: (a) registered or certified mail, return receipt requested, postage pre-paid, in which case the notice will be complete two days after mailing; (b) overnight courier service, in which case the notice will be complete one day after delivery to the overnight courier; or (c) facsimile with proof of completion, in which case the notice will be complete one

day after proof of completion; to the parties at the addresses set forth below or at such address as designated by notice pursuant to this Section.

CAR-X, LLC \_\_\_\_\_  
Attn: President \_\_\_\_\_  
1100 E. Woodfield Road, Suite 105 \_\_\_\_\_  
Schaumburg, Illinois 60173 \_\_\_\_\_

**16. Controlling Law and Jurisdiction** The laws of the State of New York will govern this Agreement and the construction of this Agreement, except that the laws of the State in which the Collateral is located will control perfection of this security interest. Except for any action by Seller for possession of the Collateral, any legal proceedings between the parties must be brought and conducted only in a state or federal court located in the County in which Seller's principal place of business is located and Purchaser consents to such courts having jurisdiction over its person.

**17. Miscellaneous** The following additional provisions will apply to this Agreement:

(a) Agreement Binding. This Agreement will be binding upon the heirs, executors, administrators, successors and assigns of the parties. If any provision of this Agreement or any evidence of the Indebtedness is contrary to the laws of any State, the remainder of this Agreement shall remain in full force and effect.

(b) Entire Agreement. This Agreement contains the entire agreement of the parties as to the matters covered and supersedes any prior written or oral agreements.

(c) Amendment or Modification. This Agreement may be amended or modified only by an agreement in writing between all the parties.

(d) Waiver. The failure of any party to demand strict compliance with a covenant or condition of this Agreement will not be a waiver of its rights to demand strict compliance in the future.

(e) Titles and Captions. All Paragraphs, titles or captions contained in this Agreement are for convenience only and will not be deemed part of the context of this Agreement.

(f) Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which will be deemed an original.

(g) Pronouns and Plurals. All pronouns and variations thereof will be deemed to refer to the masculine, feminine, singular or plural as the identity of the person or persons may require.

The parties have signed this Agreement on the dates set forth next to their signatures to be effective as of the date set forth at the beginning of this Agreement.

CAR-X, LLC

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

By: \_\_\_\_\_  
\_\_\_\_\_, President

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

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

**EXHIBIT F**  
**CLOSING STATEMENT**

**CLOSING STATEMENT**

PURCHASER: \_\_\_\_\_  
SELLER: CAR-X, LLC  
LOCATION: \_\_\_\_\_  
EFFECTIVE DATE: \_\_\_\_\_

---

PURCHASE PRICE \$ \_\_\_\_\_

SELLER'S CREDITS \$ \_\_\_\_\_

Initial Franchise Fee \$ \_\_\_\_\_

Security Deposit under Sublease \$ \_\_\_\_\_

1st Month's Payments under Sublease \$ \_\_\_\_\_

TOTAL CREDITS TO SELLER \$ \_\_\_\_\_

TOTAL DUE TO SELLER \$ \_\_\_\_\_

PURCHASER'S CREDITS \$ \_\_\_\_\_

Deposit \$ \_\_\_\_\_

Promissory Note \$ \_\_\_\_\_

TOTAL CREDITS TO PURCHASER \$ \_\_\_\_\_

NET DUE TO SELLER AT CLOSING \$ \_\_\_\_\_

CAR-X, LLC

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

By: \_\_\_\_\_  
\_\_\_\_\_, President

\_\_\_\_\_

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

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

**EXHIBIT G**

**CLOSING STATEMENT--INVENTORY**

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**EXHIBIT N**

**LIST OF FRANCHISEES**

Exhibit N

Franchise Stores as of Year End 2023							
STATE	CITY	ADDRESS	ZIPCODE	PHONE	LAST NAME	FIRST NAME	
IL	BELLEVILLE	5409 ILLINOIS ROUTE 159	62208	(618) 236-1710	ISABELL/KEELEY	JIM/JOHN	
IL	CARPENTERSVILLE	8000 BINNIE ROAD	60110	(847) 428-9100	DONMEZ	BOB	
IL	CHICAGO	11203 S HALSTED STREET	60628	(773) 785-7676	ANDERSON	ED	
IL	CHICAGO	10157 S WESTERN AVE	60643	(773) 233-3178	WILSON	ROGER	
IL	CRYSTAL LAKE	393 VIRGINIA STREET	60014	(815) 459-5442	ISABELL/KEELEY	JIM/JOHN	
IL	GLEN ELLYN	480 ROOSEVELT ROAD	60137	(630) 858-4430	ISABELL/KEELEY	JIM/JOHN	
IL	GRANITE CITY	3711 NAMEOKI ROAD	62040	(618) 877-2283	ISABELL/KEELEY	JIM/JOHN	
IL	HANOVER PARK	1655 IRVING PARK ROAD	60133	(630) 830-7720	ISABELL/KEELEY	JIM/JOHN	
IL	LIBERTYVILLE	311 S MILWAUKEE	60048	(847) 367-8688	AHMAD	MANZOOOR	
IL	MUNDELEIN	25758 NORTH ROUTE 83	60060	(847) 949-9500	IMTIAZ	SALMAN	
IL	NILES	8900 N MILWAUKEE	60714	(847) 635-7000	ISABELL/KEELEY	JIM/JOHN	
IL	PALATINE	1098 E DUNDEE	60074	(847) 881-9744	ISABELL/KEELEY	JIM/JOHN	
IL	SCHAUMBURG	423 W GOLF ROAD	60195	(847)882-2535	ISABELL/KEELEY	JIM/JOHN	
IL	SKOKIE	5115 W DEMPSTER	60077	(847) 677-3850	ISABELL/KEELEY	JIM/JOHN	
IL	SPRINGFIELD	750 LINTON	62703	(217) 528-9700	SHURES	WAYNE	

Exhibit N

IL	VILLA PARK	361 E NORTH AVENUE	60181	(630) 279-7575	ISABELL/KEELEY	JIM/JOHN
IL	WAUKEGAN	119 S GREEN BAY ROAD	60085	(847) 336-2324	AHMAD	MANZOOR
IL	WHEELING	548 N MILWAUKEE	60090	(847) 520-4944	ISABELL/KEELEY	JIM/JOHN
18						
IN	EVANSVILLE	900 N. BURKHARDT ROAD	47715	(812) 473-1000	MAY	G. FRANK
IN	PORTAGE	6693 W US HWY 6	46368	(219) 763-9900	HALLMEN	MARK
2						
KY	ALEXANDRIA	6901 ALEXANDRIA PIKE	41001	(859) 635-7764	BUTEN	BETH
KY	NEWPORT	1742 MONMOUTH STREET	41071	(859) 292-8600	BUTEN	BETH
2						
MIN	MINNEAPOLIS	3021 E LAKE STREET	55406	(612) 721-9419	BERNSTEIN	JEFF
MIN	ROBBINSDALE	4044 LAKELAND AVENUE N	55422	(763) 504-0090	BERNSTEIN	JEFF
MIN	ST PAUL	1201 WHITE BEAR AVENUE	55106	(651) 774-8686	BERNSTEIN	JEFF
3						
MO	ARNOLD	1427 JEFFCO BLVD	63010	(636) 285-8958	ISABELL/KEELEY	JIM/JOHN
MO	BALLWIN	15487 MANCHESTER ROAD	63011	(636) 394-4150	ISABELL/KEELEY	JIM/JOHN
MO	BRIDGETON	11229 ST CHARLES ROCK ROAD	63044	(314) 291-2279	ISABELL/KEELEY	JIM/JOHN
MO	CONCORD VILLAGE	11420 TESSON FERRY ROAD	63123	(314) 842-7100	ISABELL/KEELEY	JIM/JOHN

Exhibit N

MO	COUNTRY CLUB HILLS	7557 W FLORISSANT	63136	(314) 261-3600	ISABELL/KEELEY	JIM/JOHN
MO	CRESTWOOD	9965 WATSON ROAD	63126	(314) 984-9963	ISABELL/KEELEY	JIM/JOHN
MO	FLORISSANT	8100 LINDBERGH NORTH	63031	(314) 921-3940	ISABELL/KEELEY	JIM/JOHN
MO	FLORISSANT	14227 OLD HALLS FERRY ROAD	63034	(314) 741-4300	ISABELL/KEELEY	JIM/JOHN
MO	KIRKWOOD	11139 MANCHESTER ROAD	63122	(314) 965-4450	ISABELL/KEELEY	JIM/JOHN
MO	MARYLAND HEIGHTS	11825 DORSETT ROAD	63043	(314) 770-2366	ISABELL/KEELEY	JIM/JOHN
MO	MEHLVILLE	3560 LEMAY FERRY ROAD	63125	(314) 894-0089	ISABELL/KEELEY	JIM/JOHN
MO	O'FALLON	3004 HIGHWAY K	63368	(636) 379-3367	ISABELL/KEELEY	JIM/JOHN
MO	OVERLAND	9507 PAGE AVENUE	63132	(314) 428-2610	ISABELL/KEELEY	JIM/JOHN
MO	SHREWSBURY	7050 WATSON	63119	(314) 351-4899	ISABELL/KEELEY	JIM/JOHN
MO	ST LOUIS	3460 S KINGSHIGHWAY	63109	(314) 353-7306	ISABELL/KEELEY	JIM/JOHN
MO	ST PETERS	6620 MEXICO ROAD	63373	(636) 278-4488	ISABELL/KEELEY	JIM/JOHN
MO	UNIVERSITY CITY	7720 OLIVE STREET	63130	(314) 727-7270	ISABELL/KEELEY	JIM/JOHN
17						
OH	CINCINNATI	1184 ASBURY ROAD	45255	(513) 474-5300	BUTEN	BETH
OH	CINCINNATI	4384 GLEN ESTE-WITHAMSVILLE ROAD	45245	(513)-753-9702	BUTEN	BETH
OH	CINCINNATI	740 OHIO PIKE	45245	(513)735-6000	BUTEN	BETH

Exhibit N

OH	MILFORD	960 STATE ROAD	45150	(513) 831-0616	BUTEN	BETH
OH	WEST CHESTER	7880 TYLERSVILLE SQ DRIVE	45069	(513) 777-7945	BUTEN	BETH
OH	WEST CHESTER	4851 WUNNENBERG WAY	45069	(513) 777-7000	BUTEN	BETH
6						
WI	MADISON	303 N LAWN AVE	53704	(608) 251-5570	BERNSTEIN	JEFF
WI	MADISON	5633 ODANA ROAD	53719	(608) 271-7511	BERNSTEIN	JEFF
2						
<u>50</u>						

**EXHIBIT O**

**LIST OF FRANCHISEES THAT HAVE RECENTLY LEFT THE SYSTEM**

## **LIST OF FRANCHISEES THAT HAVE RECENTLY LEFT THE SYSTEM**

The following are the names and last known addresses and telephone numbers of every Franchisee who has had a franchise terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a License Agreement during 2023 or who have not communicated with us within 10 weeks of our application date (or the date of this Franchise Disclosure Document, if this Franchise Disclosure Document is not for use in a state requiring registration of franchises).

Daytex Auto Services, Inc Indy Auto Servies, Inc. Gorrepati Cincinnati, Inc. Gorrepati Service Systems, Inc. P&M Exhaust Systems Warehouse, Inc. Ranga Gorrepati 11843 Kemper Springs Dr Cincinnati, OH 45240 (513) 825-660
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**EXHIBIT P**

**FINANCIAL STATEMENTS**

**FINANCIAL STATEMENTS  
REPORTS**

**Report on Management’s Assessment of Internal Control Over Financial Reporting**

Management of Monro, Inc. (the “Company”) is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of March 30, 2024. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013). Based on our assessment, management determined that the Company maintained effective internal control over financial reporting as of March 30, 2024.

The Company’s independent registered public accounting firm, PricewaterhouseCoopers LLP, is appointed by the Company’s Audit Committee. PricewaterhouseCoopers LLP has audited the consolidated financial statements included in this Annual Report on Form 10-K and the effectiveness of the Company’s internal control over financial reporting as of March 30, 2024, and as a part of their integrated audit, has issued their report, included herein, on the effectiveness of the Company’s internal control over financial reporting.

/s/ Michael T. Broderick  
Michael T. Broderick  
Chief Executive Officer  
(Principal Executive Officer)

/s/ Brian J. D’Ambrosia  
Brian J. D’Ambrosia  
Chief Financial Officer  
(Principal Financial Officer)

May 28, 2024

FINANCIAL STATEMENTS  
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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Monro, Inc.

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Monro, Inc. and its subsidiaries (the “Company”) as of March 30, 2024 and March 25, 2023, and the related consolidated statements of income and comprehensive income, of shareholders’ equity and of cash flows for each of the three years in the period ended March 30, 2024, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of March 30, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 30, 2024 and March 25, 2023, and the results of its operations and its cash flows for each of the three years in the period ended March 30, 2024 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 30, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

***Basis for Opinions***

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report on Management’s Assessment of Internal Control Over Financial Reporting. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

***Definition and Limitations of Internal Control over Financial Reporting***

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

FINANCIAL STATEMENTS  
REPORTS

***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Evaluation of Long-Lived Assets for Impairment for Certain Asset Groups*

As described in Notes 1, 4 and 12 to the consolidated financial statements, property and equipment, net, finance lease and financing obligation assets, net and operating lease assets, net were \$280 million, \$181 million and \$203 million, respectively, as of March 30, 2024. As disclosed by management, an assessment of potential impairment to long-lived assets is performed by management whenever events or changes in circumstances indicate that the carrying value of an asset group may not be recoverable. The carrying value of an asset group is considered impaired when its carrying value exceeds its estimated undiscounted future cash flows. The amount of any impairment loss recorded is calculated as the excess of the asset group's carrying value over its fair value. During the fourth quarter, management considered changes in the actual and forecasted financial performance of certain asset groups and determined such events indicated that a triggering event occurred for certain asset groups. Management assessed the recoverability of certain asset groups through the use of an undiscounted cash flow model, which involved significant judgment in a number of assumptions, including projected revenues and operating income.

The principal considerations for our determination that performing procedures relating to the evaluation of long-lived assets for impairment for certain asset groups is a critical audit matter are (i) the significant judgment by management when developing the estimates of recoverability for certain asset groups and (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to projected revenues and operating income.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's evaluation of long-lived assets for impairment, including controls over the development of the undiscounted cash flows for certain asset groups. These procedures also included, among others (i) testing management's process for developing the estimates of recoverability for certain asset groups; (ii) evaluating the appropriateness of the undiscounted cash flow models; (iii) testing the completeness and accuracy of underlying data used in the undiscounted cash flow models; and (iv) evaluating the reasonableness of the significant assumptions used by management related to projected revenues and operating income. Evaluating management's assumptions related to projected revenues and operating income involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of certain asset groups; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.

/s/ PricewaterhouseCoopers LLP

Fairport, New York  
May 28, 2024

We have served as the Company's auditor since at least 1984. We have not been able to determine the specific year we began serving as auditor of the Company.

FINANCIAL STATEMENTS

**Consolidated Balance Sheets**

(thousands, except footnotes)	March 30, 2024	March 25, 2023
<b>Assets</b>		
Current assets		
Cash and equivalents	\$ 6,561	\$ 4,884
Accounts receivable	11,738	13,294
Inventory	154,085	147,397
Other current assets	80,905	92,892
<b>Total current assets</b>	<b>253,289</b>	<b>258,467</b>
Property and equipment, net	280,154	304,989
Finance lease and financing obligation assets, net	180,803	217,174
Operating lease assets, net	202,718	211,101
Goodwill	736,435	736,457
Intangible assets, net	13,298	16,562
Assets held for sale	6,961	—
Other non-current assets	19,156	29,365
Long-term deferred income tax assets	—	2,762
<b>Total assets</b>	<b>\$ 1,692,814</b>	<b>\$ 1,776,877</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities		
Current portion of finance leases and financing obligations	\$ 38,233	\$ 39,982
Current portion of operating lease liabilities	39,442	37,520
Accounts payable	251,940	261,724
Federal and state income taxes payable	880	541
Accrued payroll, payroll taxes and other payroll benefits	21,205	15,951
Accrued insurance	55,547	47,741
Deferred revenue	15,155	15,422
Other current liabilities	32,754	30,296
<b>Total current liabilities</b>	<b>455,156</b>	<b>449,177</b>
Long-term debt	102,000	105,000
Long-term finance leases and financing obligations	249,484	295,281
Long-term operating lease liabilities	181,852	191,107
Other long-term liabilities	10,553	10,721
Long-term deferred income tax liabilities	36,962	30,460
Long-term income taxes payable	32	209
<b>Total liabilities</b>	<b>1,036,039</b>	<b>1,081,955</b>
Commitments and contingencies – <a href="#">Note 14</a>		
Shareholders' equity		
Class C Convertible Preferred stock	29	29
Common stock	400	400
Treasury stock	(250,115)	(205,648)
Additional paid-in capital	254,484	250,702
Accumulated other comprehensive loss	(3,451)	(4,115)
Retained earnings	655,428	653,554
<b>Total shareholders' equity</b>	<b>656,775</b>	<b>694,922</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,692,814</b>	<b>\$ 1,776,877</b>

**Class C Convertible Preferred stock** Authorized 150,000 shares, \$1.50 par value, one preferred stock share to 61.275 common stock shares and one preferred stock share to 23.389 common stock shares conversion value as of March 30, 2024 and March 25, 2023, respectively: 19,664 shares issued and outstanding

**Common stock** Authorized 65,000,000 shares, \$0.01 par value; 40,017,264 shares issued as of March 30, 2024 and 39,966,401 shares issued as of March 25, 2023

**Treasury stock** 10,104,688 and 8,561,121 shares as of March 30, 2024 and as of March 25, 2023, respectively, at cost

See accompanying [Notes to Consolidated Financial Statements](#).

FINANCIAL STATEMENTS

**Consolidated Statements of Income and Comprehensive Income**

(thousands, except per share data)	2024	2023	2022
Sales	\$ 1,276,789	\$ 1,325,382	\$ 1,359,328
Cost of sales, including distribution and occupancy costs	824,686	869,207	877,492
Gross profit	452,103	456,175	481,836
Operating, selling, general and administrative expenses	380,678	376,425	380,538
Operating income	71,425	79,750	101,298
Interest expense, net of interest income	20,005	23,176	24,631
Other income, net	(460)	(593)	(618)
Income before income taxes	51,880	57,167	77,285
Provision for income taxes	14,309	18,119	15,717
<b>Net income</b>	<b>\$ 37,571</b>	<b>\$ 39,048</b>	<b>\$ 61,568</b>
Other comprehensive income			
Changes in pension, net	664	379	125
Other comprehensive income	664	379	125
<b>Comprehensive income</b>	<b>\$ 38,235</b>	<b>\$ 39,427</b>	<b>\$ 61,693</b>
<b>Earnings per share</b>			
Basic	\$ 1.18	\$ 1.20	\$ 1.82
Diluted	\$ 1.18	\$ 1.20	\$ 1.81
Weighted average common shares outstanding			
Basic	30,903	32,144	33,527
Diluted	31,894	32,653	34,038

See accompanying [Notes to Consolidated Financial Statements](#).

**FINANCIAL STATEMENTS**

**Consolidated Statements of Changes in Shareholders' Equity**

(thousands)	Class C Convertible Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at March 27, 2021	20	\$ 29	39,848	\$ 398	6,360	\$ (108,729)	\$ 238,244	\$ (4,619)	\$ 624,361	\$ 749,684
Net income									61,568	61,568
Other comprehensive income										
Pension liability adjustment								125		125
Dividends declared										
Preferred									(469)	(469)
Common									(34,205)	(34,205)
Dividend payable									(131)	(131)
Stock options and restricted stock			59	1			2,003			2,004
Share-based compensation							4,330			4,330
Balance at March 26, 2022	20	\$ 29	39,907	\$ 399	6,360	\$ (108,729)	\$ 244,577	\$ (4,494)	\$ 651,124	\$ 782,906
Net income									39,048	39,048
Other comprehensive income										
Pension liability adjustment								379		379
Dividends declared										
Preferred									(515)	(515)
Common									(35,889)	(35,889)
Dividend payable									(214)	(214)
Repurchase of stock					2,201	(96,919)				(96,919)
Stock options and restricted stock			59	1			474			475
Share-based compensation							5,651			5,651
Balance at March 25, 2023	20	\$ 29	39,966	\$ 400	8,561	\$ (205,648)	\$ 250,702	\$ (4,115)	\$ 653,554	\$ 694,922
Net income									37,571	37,571
Other comprehensive income										
Pension liability adjustment								664		664
Dividends declared										
Preferred									(1,141)	(1,141)
Common									(34,364)	(34,364)
Dividend payable									(192)	(192)
Repurchase of stock <sup>(a)</sup>					1,544	(44,467)				(44,467)
Stock options and restricted stock			51				(526)			(526)
Share-based compensation							4,308			4,308
Balance at March 30, 2024	20	\$ 29	40,017	\$ 400	10,105	\$ (250,115)	\$ 254,484	\$ (3,451)	\$ 655,428	\$ 656,775

(a) Inclusive of excise tax of \$0.4 million for the year ended March 30, 2024. The excise tax is assessed at one percent of the fair value of net stock repurchased after December 31, 2022.

We declared \$1.12, \$1.12 and \$1.02 dividends per common share or equivalent for the years ended March 30, 2024, March 25, 2023 and March 26, 2022, respectively.

See accompanying [Notes to Consolidated Financial Statements](#).

FINANCIAL STATEMENTS

**Consolidated Statements of Cash Flows**

(thousands)	2024	2023	2022
<b>Operating activities</b>			
Net income	\$ 37,571	\$ 39,048	\$ 61,568
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	72,204	77,037	81,169
Share-based compensation expense	4,308	5,651	4,330
Gain on disposal of assets	(1,187)	(4,668)	(932)
Gain on divestiture	—	(2,394)	—
Impairment of long-lived assets	1,915	982	759
Deferred income tax expense	9,031	4,242	14,019
Change in operating assets and liabilities (excluding acquisitions and divestitures)			
Accounts receivable	1,556	(2,483)	527
Inventories	(6,354)	(18,205)	(2,390)
Other current assets	(7,356)	(8,962)	(6,679)
Other non-current assets	46,028	36,841	31,115
Accounts payable	(9,784)	129,735	19,611
Accrued expenses	14,929	(2,651)	(3,984)
Federal and state income taxes payable	339	(2,380)	13,765
Other long-term liabilities	(37,827)	(36,403)	(38,674)
Long-term income taxes payable	(177)	(374)	(445)
Cash provided by operating activities	125,196	215,016	173,759
<b>Investing activities</b>			
Capital expenditures	(25,480)	(38,990)	(27,830)
Acquisitions, net of cash acquired	—	(6,685)	(83,333)
Proceeds from divestiture	—	56,586	—
Deferred proceeds received from divestiture	20,596	8,671	—
Proceeds from the disposal of assets	2,953	7,220	1,240
Other	(25)	(256)	122
Cash (used for) provided by investing activities	(1,956)	26,546	(109,801)
<b>Financing activities</b>			
Proceeds from borrowings	155,568	156,795	166,276
Principal payments on long-term debt, finance leases and financing obligations	(197,599)	(267,804)	(219,219)
Repurchase of stock	(44,044)	(96,919)	—
Exercise of stock options	17	733	2,144
Dividends paid	(35,505)	(36,404)	(34,674)
Deferred financing costs	—	(1,027)	(497)
Cash used for financing activities	(121,563)	(244,626)	(85,970)
Increase (decrease) in cash and equivalents	1,677	(3,064)	(22,012)
Cash and equivalents at beginning of period	4,884	7,948	29,960
<b>Cash and equivalents at end of period</b>	<b>\$ 6,561</b>	<b>\$ 4,884</b>	<b>\$ 7,948</b>
<b>Supplemental information</b>			
Interest paid, net	\$ 19,882	\$ 22,857	\$ 24,312
Income taxes paid, net of (refund)	5,283	16,936	(11,611)
Leased assets (reduced) obtained in exchange for (reduced) new finance lease liabilities	(5,258)	(11,156)	8,833
Leased assets obtained in exchange for new operating lease liabilities	28,652	30,142	12,401

See accompanying [Notes to Consolidated Financial Statements](#).

FINANCIAL STATEMENTS  
NOTES

## Note 1 – Description of Business, Basis of Presentation and Summary of Significant Accounting Policies

### Description of business

Monro, Inc. and its direct and indirect subsidiaries (together, “Monro”, the “Company”, “we”, “us”, or “our”), are engaged principally in providing automotive undercar repair and tire replacement sales and tire related services in the United States. Monro had 1,288 Company-operated retail stores located in 32 states and 50 Car-X franchised locations as of March 30, 2024.

A certain number of our retail locations also service commercial customers. Our locations that serve commercial customers generally operate consistently with our other retail locations, except that the sales mix for these locations includes a higher number of commercial tires.

As of March 30, 2024, Monro had two retread facilities. The retread facilities re-manufacture tires through the replacement of tread on worn tires that are later sold to customers.

Monro’s operations are organized and managed as one single segment designed to offer our customers replacement tires and tire related services, automotive undercar repair services as well as a broad range of routine maintenance services, primarily on passenger cars, light trucks and vans. We also provide other products and services for brakes; mufflers and exhaust systems; and steering, drive train, suspension and wheel alignment. The internal management financial reporting that is the basis for evaluation to assess performance and allocate resources by our chief operating decision maker consists of consolidated data that includes the results of our retail and commercial locations. As such, our one operating segment reflects how our operations are managed, how resources are allocated, how operating performance is evaluated by senior management, and the structure of our internal financial reporting.

### Basis of presentation

#### *Principles of consolidation*

The consolidated financial statements include the accounts of Monro, Inc. and its direct and indirect subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

#### *Management’s use of estimates*

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with such principles requires the use of estimates by management during the reporting period. Actual results could differ from those estimates.

#### *Fiscal year*

We operate on a 52/53-week fiscal year ending on the last Saturday in March. Fiscal year 2024 contains 53 weeks and fiscals 2023 and 2022 each contained 52 weeks. Unless specifically indicated otherwise, any references to “2024” or “fiscal 2024,” “2023” or “fiscal 2023,” and “2022” or “fiscal 2022” relate to the years ended March 30, 2024, March 25, 2023, and March 26, 2022, respectively.

#### *Recent accounting pronouncements*

In September 2022, the Financial Accounting Standards Board (“FASB”) issued new accounting guidance which requires certain disclosure requirements for supplier finance programs used in connection with the purchase of goods and services. We adopted this guidance during the first quarter of fiscal 2024, other than the roll forward information disclosure which we expect to adopt during the first quarter of the fiscal year ending March 29, 2025. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In October 2021, the FASB issued new accounting guidance which requires an acquiring entity to recognize and measure contract assets and contract liabilities acquired in a business combination as if they entered into the original contract at the same time and same date as the acquiree. We adopted this guidance during the first quarter of fiscal 2024. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In November 2023, the FASB issued new accounting guidance which requires expanding disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment’s profit or loss and assets. This guidance is effective for fiscal years beginning after December 15, 2023, and for interim periods within those years beginning after December 15, 2024. Early adoption is permitted. We are currently evaluating the impact of adopting this guidance.

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In December 2023, the FASB issued new accounting guidance which requires income tax disclosure updates, primarily by requiring specific categories and greater disaggregation within the rate reconciliation and disaggregation of income taxes paid by jurisdiction. This guidance is effective for fiscal years periods beginning after December 15, 2024. Early adoption is permitted. We are currently evaluating the impact of adopting this guidance.

Other recent authoritative guidance issued by the FASB (including technical corrections to the Accounting Standards Codification (“ASC”)) and the Securities and Exchange Commission (“SEC”) did not or are not expected to have a material effect on our consolidated financial statements.

**Summary of significant accounting policies**

*Cash and cash equivalents*

Cash consists primarily of cash on hand and deposits with banks. Cash equivalents include highly liquid investments with an original maturity of three months or less from the time of purchase. Cash equivalents also include amounts due from third-party financial institutions for credit and debit card transactions. These receivables typically settle in three days or less.

*Inventories*

Our inventories, which consist of automotive parts and oil as well as tires, are valued at the lower of weighted average cost and net realizable value.

*Property and equipment, net*

Property and equipment, net is stated at historical cost less accumulated depreciation. Property and equipment are depreciated using the straight-line method over estimated useful lives. Leasehold improvements are depreciated over the shorter of their estimated useful lives or the related lease terms. When assets are disposed of, the resulting gain or loss is recognized in operating, selling, general and administrative (“OSG&A”) expense on the Consolidated Statement of Income and Comprehensive Income. Expenditures for maintenance and repairs are expensed as incurred.

<b>Estimated Useful Lives</b>	<b>Life (Years)</b>
Buildings and improvements	5 - 39
Equipment, signage, and fixtures	3 - 15
Vehicles	5 - 10

*Valuation of long-lived assets*

We review for impairment to our long-lived assets, which include property and equipment and right-of-use (“ROU”) assets, whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. Long-lived assets are grouped at the store level and evaluated for impairment at the lowest level for which there are identifiable cash flows that are independent of the cash flows of other groups of assets. If it is determined that the carrying amounts of such long-lived assets are not recoverable, the assets are written down to their estimated fair values. Fair value of the assets is determined based on the highest and best use of the asset group, considering external market participant assumptions.

*Leases*

We determine if an arrangement is or contains a lease at inception. We record ROU assets and lease obligations for our finance and operating leases, which are initially based on the discounted future minimum lease payments over the term of the lease. As the rate implicit in our leases is not easily determinable, our applicable incremental borrowing rate is used in calculating the present value of the lease payments. We estimate our incremental borrowing rate considering the market rates of our outstanding borrowings and comparisons to comparable borrowings of similar terms.

Lease term is defined as the non-cancelable period of the lease plus any option to extend the lease when it is reasonably certain that it will be exercised. For leases with an initial term of 12 months or less, no ROU assets or lease obligations are recorded on the balance sheet, and we recognize short-term lease expense for these leases on a straight-line basis over the lease term.

Certain of our lease agreements include rental payments based on a percentage of retail sales over specified levels and others include rental payments adjusted periodically for inflation. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. For most classes of underlying assets, we have elected to separate lease from non-lease components.

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We have elected to combine lease and non-lease components for certain classes of equipment. We generally sublease excess space to third parties.

Operating lease expense is recognized on a straight-line basis over the lease term and is included in cost of sales, including occupancy costs (“cost of sales”) or OSG&A expense. Amortization expense for finance leases is recognized on a straight-line basis over the lease term and is included in cost of sales or OSG&A expense. Interest expense for finance leases is recognized using the effective interest method, and is included in interest expense, net of interest income. Variable payments, short-term rentals and payments associated with non-lease components are expensed as incurred.

*Goodwill and intangible assets*

We have a history of growth through acquisitions. Assets and liabilities of acquired businesses are recorded at their estimated fair values as of the date of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. The carrying value of goodwill is subject to an annual impairment test, which we perform in the third quarter of the fiscal year. Impairment tests may also be triggered by any significant events or changes in circumstances affecting our business.

We have one reporting unit which encompasses all operations including new acquisitions. In performing our annual goodwill impairment test, we perform a qualitative assessment to determine if it is more likely than not that the fair value is less than the carrying value of goodwill. The qualitative assessment includes a review of business changes, economic outlook, financial trends and forecasts, growth rates, industry data, market capitalization, and other relevant qualitative factors. If the qualitative factors indicate a potential impairment, we compare the fair value of our reporting unit to the carrying value of our reporting unit. If the fair value is less than its carrying value, an impairment charge is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of goodwill. As a result of our annual qualitative assessment performed in the third quarter of 2024, we determined that it is not more likely than not that the fair value is less than the carrying value. No impairment was recorded in 2024, 2023 or 2022.

Our intangible assets primarily represent allocations of purchase price to identifiable intangible assets of acquired businesses and are amortized over their estimated useful lives. All intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that an impairment may exist. If such indicators are present, it is determined whether the sum of the estimated undiscounted future cash flows attributable to such assets is less than their carrying values. Based on our review as of March 30, 2024, we concluded that the carrying values of our intangible assets were not impaired. No impairment was recorded in 2024, 2023 or 2022.

A deterioration of macroeconomic conditions may not only negatively impact the estimated operating cash flows used in our cash flow models but may also negatively impact other assumptions used in our analyses, including, but not limited to, the estimated cost of capital and/or discount rates. Additionally, we are required to ensure that assumptions used to determine fair value in our analyses are consistent with the assumptions a hypothetical marketplace participant would use. As a result, the cost of capital and/or discount rates used in our analyses may increase or decrease based on market conditions and trends, regardless of whether our actual cost of capital has changed. Therefore, we may recognize an impairment of an intangible asset or assets even though realized actual cash flows are approximately equal to or greater than our previously forecasted amounts.

*Insurance reserves*

We maintain a high retention deductible plan with respect to workers’ compensation and general liability insurance claims (except for in Ohio in which we are self-insured) and are otherwise self-insured for employee medical claims. To reduce our risk and better manage our overall loss exposure, we purchase stop-loss insurance that covers individual claims more than the deductible amounts, and caps total losses in a fiscal year. We maintain an accrual for the estimated cost to settle open claims as well as an estimate of the cost of claims that have been incurred but not reported. These estimates take into consideration the historical average claim volume, the average cost for settled claims, current trends in claim costs, changes in our business and workforce, and general economic factors. These accruals are reviewed on a quarterly basis. For more complex reserve calculations, such as workers’ compensation, we periodically use the services of an actuary to assist in determining the required reserve for open claims.

*Warranty*

We provide an accrual for estimated future warranty costs for parts that we install based upon the historical relationship of warranty costs to sales. See [Note 7](#) for additional information on tire road hazard warranty agreements.

*Comprehensive income*

As it relates to Monro, comprehensive income is defined as net income as adjusted for pension liability adjustments and is reported net of related taxes in the Consolidated Statements of Income and Comprehensive Income and in the Consolidated Statements of Changes in Shareholders’ Equity.

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*Income taxes*

We account for income taxes pursuant to the asset and liability method which requires the recognition of deferred tax assets and liabilities related to the expected future tax consequences arising from temporary differences between the carrying amounts and tax bases of assets and liabilities based on enacted statutory tax rates applicable to the periods in which the temporary differences are expected to reverse. Any effects of changes in income tax rates or laws are included in income tax expense in the period of enactment. A valuation allowance is recognized if we determine it is more likely than not that all or a portion of a deferred tax asset will not be recognized. In making such determination, the Company considers all available evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent and expected future results of operation. Monro recognizes a tax benefit from an uncertain tax position in the financial statements only when it is more likely than not that the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits and a consideration of the relevant taxing authority's administrative practices and precedents.

*Treasury stock*

Treasury stock is accounted for using the par value method.

*Share-based compensation*

We provide share-based compensation through non-qualified stock options, restricted stock awards, and restricted stock units. We measure compensation cost arising from the grant of share-based payments to an employee at fair value and recognize such cost in income over the period during which the employee is required to provide service in exchange for the award, usually the vesting period. The fair value of each option award is estimated on the date of grant primarily using the Black-Scholes option valuation model. The assumptions used to estimate fair value require judgment and are subject to change in the future due to factors such as employee exercise behavior, stock price trends, and changes to type or provisions of share-based awards. Any material change in one or more of these assumptions could have an impact on the estimated fair value of a future award.

**Black-Scholes Valuation Model Assumptions**

(weighted average)	2024	2023	2022
Risk-free interest rate <sup>(a)</sup>	4.22 %	2.85 %	0.61 %
Expected term (years) <sup>(b)</sup>	4	4	4
Expected volatility <sup>(c)</sup>	40.6 %	38.7 %	34.9 %
Dividend yield <sup>(d)</sup>	3.07 %	2.33 %	1.78 %

(a) Risk-free interest rates are yields for zero coupon U.S. Treasury notes maturing approximately at the end of the expected option term.

(b) Expected term is based on historical exercise behavior and on the terms and conditions of the stock option award.

(c) Expected volatility is based on a combination of historical volatility, using Monro stock prices over a period equal to the expected term, and implied market volatility.

(d) Dividend yield is based on historical dividend experience and expected future changes, if any.

The fair value of restricted stock awards and restricted stock units (collectively “restricted stock”) is determined based on the stock price at the date of grant.

We are required to estimate forfeitures and only record compensation costs for those awards that are expected to vest. The assumptions for forfeitures were determined based on type of award and historical experience. Forfeiture assumptions are adjusted at the point in time a significant change is identified, with any adjustment recorded in the period of change, and the final adjustment at the end of the requisite service period to equal actual forfeitures.

We recognize compensation expense related to stock options and restricted stock using the straight-line approach. Option awards and restricted stock generally vest equally over the service period established in the award, typically three years or four years.

*Earnings per common share*

Basic earnings per common share amounts are calculated by dividing income available to common shareholders, after deducting preferred stock dividends, by the weighted average number of shares of common stock outstanding. Diluted earnings per common share amounts are calculated by dividing net income by the weighted average number of shares of common stock outstanding adjusted to give effect to potentially dilutive securities.

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*Advertising*

The cost of advertising is generally expensed at the first time the advertising takes place, except for direct response advertising which is capitalized and amortized over its expected period of future benefit.

Direct response advertising consists primarily of coupons for Monro's services. The capitalized costs of this advertising are amortized over the period of the coupon's validity, which is typically two months.

*Vendor rebates*

We receive vendor support in the form of allowances through a variety of vendor-sponsored programs, such as volume rebates, promotions, and advertising allowances, referred to as "vendor rebates". Vendor rebates are recorded as a reduction of cost of sales.

We establish a receivable for vendor rebates that are earned but not yet received. Based on purchase data and the terms of the applicable vendor-sponsored programs, we estimate the amount earned. Most of the year-end vendor rebates receivable is collected within the following first quarter. See [Note 3](#) for additional information.

*Working capital management*

As part of our ongoing efforts to manage our working capital and improve our cash flow, certain financial institutions offer to certain of our suppliers a voluntary supply chain finance program to provide our suppliers with the opportunity to sell receivables due from us (our accounts payable) to a participating financial institution at the sole discretion of both the supplier and the financial institution. Should a supplier choose to participate in the program, it may receive payment from the financial institution in advance of agreed contractual payment terms; our responsibility is limited to making payments to the respective financial institution on the terms originally negotiated with our supplier and no other guarantees are provided by us under the supply chain finance program. We have no economic interest in a supplier's decision to participate and we have no direct financial relationship with the financial institutions, as it relates to the supply chain finance program. We have concluded that the program is a trade payable program and not indicative of a borrowing arrangement.

**Note 2 – Acquisitions and Divestitures**

**Acquisitions**

Monro's acquisitions are strategic moves in our plan to fill in and expand our presence in our existing and contiguous markets, expand into new markets and leverage fixed operating costs such as advertising and administration. Acquisitions in this footnote include acquisitions of five or more locations as well as acquisitions of one to four locations that are part of our greenfield store growth strategy.

**2023**

During 2023, we acquired the following businesses for an aggregate purchase price of \$6.4 million. The acquisitions were financed through our Credit Facility, as defined in [Note 6](#). The results of operations for these acquisitions are included in our financial results from the respective acquisition dates. On February 19, 2023, we acquired five retail tire and automotive repair stores located in Iowa and Illinois from Hawkeye Mufflers Inc. These stores are operating under the Car-X name. On December 4, 2022, we acquired one retail tire and automotive repair store operating as a Car-X franchise location in Wisconsin from Spinler's Service Systems, Inc. This store operates under the Car-X name.

The acquisitions resulted in goodwill related to, among other things, growth opportunities, synergies and economies of scale expected from combining the businesses with ours, as well as unidentifiable intangible assets. All of the goodwill is expected to be deductible for tax purposes.

We expensed all costs related to the acquisitions during 2023. The total costs related to the completed acquisitions were immaterial to the Consolidated Statement of Income and Comprehensive Income and these costs are included primarily under OSG&A expenses.

Sales and net income related to the completed acquisitions totaled \$0.6 million and \$0.1 million, respectively for the period from acquisition date through March 25, 2023. The net income of \$0.1 million includes an allocation of certain traditional corporate related items, including vendor rebates, interest expense, and income taxes.

Supplemental pro forma information for the current or prior reporting periods has not been presented due to the impracticability of obtaining detailed, accurate or reliable data for the periods the acquired entities were not owned by Monro.

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We accounted for each 2023 acquisition as a business combination using the acquisition method of accounting in accordance with the FASB ASC Topic 805, “Business Combinations.” As a result of the updated purchase price allocation for the 2023 acquisitions, certain of the fair value amounts previously estimated were adjusted during the measurement period. These measurement period adjustments resulted from updated valuation reports and appraisals received from our external valuation specialists, as well as revisions to internal estimates. The measurement period adjustments were not material to the Consolidated Balance Sheet as of March 30, 2024 and March 25, 2023 and the Consolidated Statement of Income and Comprehensive Income for 2024 and 2023.

The assets acquired and liabilities assumed were recorded at their assigned acquisition-date fair values and were consolidated with those of the Company as of the acquisition date. The consideration transferred over the net identifiable assets acquired was recorded as goodwill.

**2023 Acquisition-date Fair Values Assigned**

(thousands)

Inventory	\$	108
Other current assets		80
Property and equipment		82
Operating lease assets		5,310
Intangible assets		153
Long-term deferred income tax assets		88
<b>Total assets acquired</b>		<b>5,821</b>
Current portion of operating lease liabilities		448
Other current liabilities		4
Long-term operating lease liabilities		5,202
<b>Total liabilities assumed</b>		<b>5,654</b>
<b>Total net identifiable assets acquired</b>	<b>\$</b>	<b>167</b>
<b>Total consideration transferred</b>	<b>\$</b>	<b>6,425</b>
Less: total net identifiable assets acquired		167
<b>Goodwill</b>	<b>\$</b>	<b>6,258</b>

We have recorded customer list intangible assets with a useful life of seven years at their estimated fair value of approximately \$0.2 million to amortizable intangible assets. We have recorded acquired ROU assets at the present value of remaining lease payments adjusted to reflect unfavorable market terms of the lease.

**Divestitures**

2023

On June 17, 2022, we completed the divestiture of assets relating to our wholesale tire operations (seven locations) and internal tire distribution operations to American Tire Distributors, Inc. (“ATD”). We received \$62 million from ATD at the closing of the transaction, of which approximately \$5 million was held in escrow and subsequently paid in December 2023. The remaining \$40 million (“Earnout”) of the total consideration of \$102 million will be paid quarterly over approximately three years based on our tire purchases from or through ATD pursuant to a distribution and fulfillment agreement with ATD. We received \$16.0 million of the Earnout during fiscal 2024, \$8.7 million of the Earnout was received during fiscal 2023 and \$15.3 million of the Earnout is outstanding as of March 30, 2024. Under a distribution agreement between us and ATD, ATD agreed to supply and sell tires to retail locations we own.

After ATD satisfies the Earnout payments, our company-owned retail stores will be required to purchase at least 90 percent of their forecasted requirements for certain passenger car tires, light truck replacement tires, and medium truck tires from or through ATD. Any tires that ATD is unable to supply or fulfill from those categories will be excluded from the calculation of our requirements for tires. The initial term of the distribution agreement is five years after the completion of the Earnout Period, with automatic 12-month renewal periods thereafter. The divestiture enables us to focus our resources on our core retail business operations. The divestiture did not meet the criteria to be reported as discontinued operations in our consolidated financial statements as our decision to divest this business did not represent a strategic shift that would have a major effect on our operations and financial results.

In connection with this transaction in fiscal 2023, we recognized a pre-tax gain of \$2.4 million within OSG&A expenses. We also recognized a gain of \$1.1 million on the subsequent sale of related warehouses, net of associated closing costs, within OSG&A expenses. Additionally, we incurred \$1.3 million in costs in connection with restructuring and elimination of certain executive management positions upon completion of the divestiture in the year ended March 25, 2023.

For additional information regarding discrete tax impacts because of the divestiture, see [Note 8](#).

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**Note 3 – Other Current Assets**

<b>Other Current Assets</b>		
(thousands)	March 30, 2024	March 25, 2023
Prepaid assets	\$ 30,440	\$ 22,309
Divestiture deferred proceeds receivable	15,335	19,892
Vendor rebates receivable	14,020	18,795
Other	21,110	31,896
<b>Total</b>	<b>\$ 80,905</b>	<b>\$ 92,892</b>

**Note 4 – Property and Equipment**

The major classifications of property and equipment are as follows:

<b>Property and Equipment</b>		
(thousands)	March 30, 2024	March 25, 2023
Land	\$ 83,590	\$ 84,936
Buildings and improvements	300,198	307,489
Equipment, signage, and fixtures	320,079	310,849
Vehicles	15,977	22,720
Construction-in-progress	5,211	5,735
Property and equipment	725,055	731,729
Less - Accumulated depreciation	444,901	426,740
<b>Property and equipment, net</b>	<b>\$ 280,154</b>	<b>\$ 304,989</b>

Depreciation expense totaled \$38.8 million, \$40.9 million, and \$42.7 million for 2024, 2023, and 2022, respectively.

**Note 5 – Goodwill and Intangible Assets**

<b>Reconciliation of Changes in Goodwill</b>		
(thousands)	2024	2023
Balance at beginning of period	\$ 736,457	\$ 776,714
Current fiscal year acquisitions	—	6,280
Current fiscal year divestiture	—	(46,426)
Adjustments to prior fiscal year acquisitions	(22)	(111)
<b>Balance at end of period</b>	<b>\$ 736,435</b>	<b>\$ 736,457</b>

<b>Intangible Assets</b>	March 30, 2024		March 25, 2023	
(thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer lists	\$ 31,043	\$ 25,654	\$ 31,043	\$ 23,967
Trade names	16,432	11,957	16,432	11,139
Franchise agreements and reacquired rights	8,800	5,366	8,800	4,607
Other intangible assets	50	50	50	50
<b>Total</b>	<b>\$ 56,325</b>	<b>\$ 43,027</b>	<b>\$ 56,325</b>	<b>\$ 39,763</b>

<b>Estimated Weighted Average Useful Lives</b>	Life (Years)
Customer lists	10
Trade names	15
Franchise agreements and reacquired rights	12

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Amortization expense was \$3.3 million, \$3.7 million, and \$4.2 million for 2024, 2023, and 2022, respectively.

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**Estimated Future Amortization Expense**

(thousands)	Amortization
2025	\$ 2,896
2026	2,677
2027	2,327
2028	2,182
2029	1,826

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**Note 6 – Long-term Debt**

*Credit Facility*

In April 2019, we entered into a five-year \$600 million revolving credit facility agreement with eight banks (the “Credit Facility”). Interest only is payable monthly throughout the Credit Facility’s term. The borrowing capacity for the Credit Facility of \$600 million includes an accordion feature permitting us to request an increase in availability of up to an additional \$250 million. The Credit Facility initially bore interest at 75 to 200 basis points over the London Interbank Offered Rate (“LIBOR”) (or replacement index) or at the prime rate, depending on the type of borrowing and the rates then in effect.

On June 11, 2020, we entered into a First Amendment to the Credit Facility (the “First Amendment”), which, among other things, amended the terms of certain of the financial and restrictive covenants in the credit agreement through the first quarter of 2022 to provide us with additional flexibility to operate our business. The First Amendment amended the interest rate charged on borrowings to be based on the greater of adjusted one-month LIBOR or 0.75 percent. For the period from June 30, 2020 to June 30, 2021, the minimum interest rate spread charged on borrowings was 225 basis points over LIBOR. Additionally, during the same period, we were permitted to declare, make, or pay any dividend or distribution up to \$38.5 million in the aggregate and the acquisition of stores or other businesses up to \$100 million in the aggregate were permitted if we are in compliance with the financial covenants and other restrictions in the First Amendment and Credit Facility. The Credit Facility requires fees payable quarterly throughout the term between 0.125 percent and 0.35 percent of the amount of the average net availability under the Credit Facility during the preceding quarter.

On October 5, 2021, we entered into a Second Amendment to the Credit Facility (the “Second Amendment”). The Second Amendment amended the interest rate charged on borrowings to be based on the greater of adjusted one-month LIBOR or 0.00 percent. In addition, the Second Amendment updated certain provisions regarding a successor interest rate to LIBOR.

On November 10, 2022, we entered into a Third Amendment to the Credit Facility (the “Third Amendment”). The Third Amendment, among other things, extended the term of the Credit Facility to November 10, 2027 and amended certain of the financial terms in the Credit Agreement, as amended by the Second Amendment. The Third Amendment amended the interest rate charged on borrowings to be based on 0.10 percent over the Secured Overnight Financing Rate (“SOFR”), replacing the previously used LIBOR. In addition, one additional bank was added to the bank syndicate for a total of nine banks now within the syndicate.

We are required to maintain an interest coverage ratio, as defined in the Credit Facility, of at least 1.55 to 1. In addition, our ratio of adjusted debt to EBITDAR, as defined in the Credit Facility, cannot exceed 4.75 to 1, subject to certain exceptions under the Credit Facility.

At both March 30, 2024 and March 25, 2023, the interest rate spread paid by the Company was 125 basis points over SOFR.

Within the Credit Facility, we have a sub-facility of \$80 million available for the purpose of issuing standby letters of credit. The sub-facility requires fees aggregating 87.5 to 212.5 basis points annually of the face amount of each standby letter of credit, payable quarterly in arrears. There was a \$30.1 million and \$29.6 million outstanding letter of credit as of March 30, 2024 and March 30, 2023, respectively.

Mortgages and specific lease financing arrangements with other parties (with certain limitations) are permitted under the Credit Facility. Other specific terms and the maintenance of specified ratios are generally consistent with our prior financing agreement that was replaced with the new agreement entered into in April 2019. Additionally, the Credit Facility is not secured by our real property, although we have agreed not to encumber our real property, with certain permissible exceptions.

There was \$102.0 million outstanding and \$467.9 million available under the Credit Facility as of March 30, 2024.

We were in compliance with all debt covenants as of March 30, 2024.

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On May 23, 2024, we entered into an amendment (the “Fourth Amendment”) to our Credit Facility. The Fourth Amendment amends the terms of certain of the financial and restrictive covenants in the Credit Facility to provide us with additional flexibility to operate our business from the first quarter of fiscal 2025 through the fourth quarter of fiscal 2026 (the “Covenant Relief Period”). We may voluntarily exit the Covenant Relief Period at any time, which would revert the terms of the Credit Facility to the terms existing before the Fourth Amendment, with the exception of the modified definition of “EBITDAR,” described below.

During the Covenant Relief Period, the minimum interest coverage ratio will be reduced from 1.55x to 1.00x to: (a) 1.25x to 1.00x from the first quarter of fiscal 2025 through the first quarter of fiscal 2026; (b) 1.35x to 1.00x from the second quarter of fiscal 2026 through the fourth quarter of fiscal 2026; and (c) 1.55x to 1.00x for the first quarter of fiscal 2027 and thereafter. During the Covenant Relief Period, the maximum ratio of adjusted debt to EBITDAR remains at 4.75x to 1.00x, except that, if we completed a qualified acquisition during the Covenant Relief Period, the maximum ratio would increase to 5.00x to 1.00x for a certain 12-month period after the qualified acquisition. In addition, the Fourth Amendment modifies the definition of “EBITDAR” to permit add-backs relating to expenses, and restrict add-backs related to gains, associated with store closures of (a) all non-cash items and (b) cash items up to 20% of EBITDA from the first quarter of fiscal 2025 through the fourth quarter of fiscal 2026 and up to 15% of EBITDA from the first quarter of fiscal 2027 and thereafter.

During the Covenant Relief Period, the interest rate spread charged on borrowings increases by 25 basis points.

During the Covenant Relief Period, the restrictions on our ability to declare dividends were modified to reduce the cushion inside the threshold required for us to be able to declare dividends without restriction from 0.50x to 0.25x. In addition, during the Covenant Relief Period, we must have minimum liquidity of at least \$400 million to declare dividends. We are prohibited from repurchasing our securities during the Covenant Relief Period if there are outstanding amounts under the Credit Facility immediately before or after giving effect to the repurchase. During the Covenant Relief Period, we may acquire stores or other businesses as long as we have minimum liquidity of at least \$400 million after completing the acquisition.

Except as amended by the First Amendment, Second Amendment, Third Amendment and Fourth Amendment, the remaining terms of the Credit Facility remain in full force and effect.

Long-term debt had a carrying amount and a fair value of \$102.0 million as of March 30, 2024, as compared to a carrying amount and a fair value of \$105.0 million as of March 25, 2023. The carrying value of our debt approximated its fair value due to the variable interest nature of the debt.

## Note 7 – Revenue

Automotive undercar repair, tire replacement sales and tire related services represent most of our revenues. We also earn revenue from the sale of tire road hazard warranty agreements as well as commissions earned from the delivery of tires on behalf of certain tire vendors.

Revenue from automotive undercar repair, tire replacement sales and tire related services is recognized at the time the customers take possession of their vehicle or merchandise. For sales to certain customers that are financed through the offering of credit on account, payment terms are established for customers based on our pre-established credit requirements. Payment terms vary depending on the customer and generally are 30 days. Based on the nature of receivables, no significant financing components exist. Sales are recorded net of discounts, sales incentives and rebates, sales taxes, and estimated returns and allowances. We estimate the reduction to sales and cost of sales for returns based on current sales levels and our historical return experience. Such amounts are immaterial to our consolidated financial statements.

<b>Revenues</b>			
(thousands)	2024	2023	2022
Tires <sup>(a)</sup>	\$ 616,075	\$ 655,113	\$ 716,325
Maintenance Service	357,197	356,936	330,732
Brakes	175,421	178,468	174,854
Steering	104,235	109,725	109,793
Exhaust	19,068	22,474	24,398
Franchise Royalties	4,793	2,666	3,226
<b>Total</b>	<b>\$ 1,276,789</b>	<b>\$ 1,325,382</b>	<b>\$ 1,359,328</b>

(a) Includes the sale of tire road hazard warranty agreements and tire delivery commissions.

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Revenue from the sale of tire road hazard warranty agreements is initially deferred and is recognized over the contract period as costs are expected to be incurred, typically 21 to 36 months. The deferred revenue balances at March 30, 2024 and March 25, 2023 were \$21.7 million and \$22.4 million, respectively, of which \$15.2 million and \$15.4 million, respectively, are reported in Deferred revenue and \$6.5 million and \$7.0 million, respectively, are reported in Other long-term liabilities in our Consolidated Balance Sheets.

**Changes in Deferred Revenue**

(thousands)	2024		2023	
Balance at beginning of period	\$	22,354	\$	20,632
Deferral of revenue		21,590		23,093
Recognition of revenue		(22,257)		(21,371)
Balance at end of period	\$	21,687	\$	22,354

We expect to recognize \$15.2 million of deferred revenue related to road hazard warranty agreements during our fiscal year ending March 29, 2025 and \$6.5 million of such deferred revenue thereafter.

Under various arrangements, we receive from certain tire vendors, a delivery commission and reimbursement for the cost of the tire that we may deliver to customers on behalf of the tire vendor. The commission we earn from these transactions is as an agent and the net amount retained is recorded as sales.

**Note 8 – Income Taxes**

**Provision for Income Taxes**

(thousands)	2024		2023		2022	
<b>Current:</b>						
Federal	\$	4,910	\$	11,174	\$	256
State		368		2,703		1,442
Total current		5,278		13,877		1,698
<b>Deferred:</b>						
Federal		5,649		1,855		12,602
State		3,382		2,387		1,417
Total deferred		9,031		4,242		14,019
Total provision	\$	14,309	\$	18,119	\$	15,717

	2024	2023	2022
<b>Income Tax Rate Reconciliation</b>			
Expected U.S. federal income taxes at statutory rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal tax benefit	5.7	4.9	3.0
Tax adjustments <sup>(a)</sup>	0.0	5.3	(4.0)
Other	0.9	0.5	0.3
Effective tax rate	27.6 %	31.7 %	20.3 %

(a) The 2023 adjustments reflect expense due to the sale of our wholesale tire locations and tire distribution assets as well as the revaluation of deferred tax balances due to changes in the mix of pre-tax income in various U.S. state jurisdictions because of the sale. The 2022 adjustments reflect benefit due to differences in statutory tax rates from a loss year to years in which such net operating loss may be carried back.

As provided under the Coronavirus Aid, Relief and Economic Security Act, a taxpayer must carry net operating losses generated in certain tax years to the earliest tax year in the five-year carryback period. Under this provision, Monro has carried back a net operating loss generated in fiscal 2021 to carryback years within the five-year carryback period with a 35% U.S. federal statutory tax rate.

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<b>Net Deferred Tax Asset/(Liability)</b>	March 30, 2024	March 25, 2023
(thousands)		
Deferred tax assets:		
Lease liabilities	\$ 155,158	\$ 174,055
Insurance Accrual	11,304	10,288
Other	15,060	15,670
Total gross deferred tax assets	181,522	200,013
Valuation allowance	(162)	—
Total deferred tax assets	181,360	200,013
Deferred tax liabilities:		
Leased assets	(120,479)	(136,057)
Goodwill	(79,895)	(70,145)
Property and equipment	(16,099)	(20,631)
Other	(1,849)	(878)
Total deferred tax liabilities	(218,322)	(227,711)
Total net deferred tax liability	\$ (36,962)	\$ (27,698)

We have \$6.1 million of state net operating loss carryforwards available as of March 30, 2024. The state net operating loss carryforwards expire in varying amounts through 2044.

We evaluate the realizability of our deferred tax assets on a quarterly basis and establish valuation allowances when it is more likely than not that all or a portion of a deferred tax asset may not be realized. As of March 30, 2024, we concluded, based on the weight of all available positive and negative evidence, that most of our deferred tax assets are more likely than not to be realized.

#### **Changes in Liability for Unrecognized Tax Benefits**

(thousands)	2024	2023	2022
Balance at beginning of period	\$ 3,709	\$ 5,006	\$ 5,035
Additions based on tax positions related to the current year	—	97	1,271
Additions for tax positions of prior years	67	—	49
Reductions for tax positions of prior years	—	(224)	—
Lapse in statutes of limitation	(1,391)	(1,170)	(1,349)
Balance at end of period	\$ 2,385	\$ 3,709	\$ 5,006

The total amount of unrecognized tax benefits was \$2.4 million, \$3.7 million, and \$5.0 million at March 30, 2024, March 25, 2023, and March 26, 2022, respectively, the majority of which, if recognized, would affect the effective tax rate.

In the normal course of business, Monro provides for uncertain tax positions and the related interest and penalties and adjusts its unrecognized tax benefits and accrued interest and penalties and, accordingly, we had approximately \$0.1 million of interest and penalties associated with uncertain tax benefits accrued as of March 25, 2023. We did not have any interest and penalties associated with uncertain tax benefits accrued as of March 30, 2024.

We file U.S. federal income tax returns and income tax returns in certain state jurisdictions. Our U.S. federal income tax returns for 2021 – 2023 and various state tax years remain subject to income tax examinations by tax authorities.

#### **Note 9 – Stock Ownership**

Holders of at least 60 percent of the Class C convertible preferred stock must approve any action authorized by the holders of Common Stock. In addition, there are certain restrictions on the transferability of shares of Class C convertible preferred stock. In the event of a liquidation, dissolution or winding-up of Monro, the holders of the Class C convertible preferred stock would be entitled to receive an amount equal to the greater of \$1.50 per share and the amount the holder would have received had each share of Class C convertible preferred stock been converted to shares of common stock immediately prior to the liquidation, dissolution, or winding up before any amount would be paid to holders of Common Stock. The conversion value of the Class C convertible preferred stock was one to 61.275 common stock shares and one to 23.389 common stock shares as of March 30, 2024 and March 25, 2023, respectively.

In May 2023, we entered into an agreement to reclassify our equity capital structure to eliminate the Class C convertible preferred stock. See [Note 17](#) for additional information regarding the equity capital structure reclassification.

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**Note 10 – Share-based Compensation**

We maintain a long-term incentive plan whereby eligible employees and non-employee directors may be granted non-qualified service condition stock options, non-qualified market condition stock options, restricted stock awards, and restricted stock units. We grant share-based awards to continue to attract and retain employees and to better align employees' interests with those of our shareholders. Monro issues new shares of Common Stock upon the exercise of stock options.

Share-based compensation expense included in cost of sales and OSG&A expense in Monro's Consolidated Statements of Income and Comprehensive Income for 2024, 2023, and 2022 was \$4.3 million, \$5.7 million, and \$4.3 million, respectively, and the related income tax benefit for each year was \$1.1 million, \$1.4 million, and \$1.0 million, respectively.

Monro currently grants stock option awards, shares of restricted stock and restricted stock units under the 2007 Incentive Stock Option Plan (the "2007 Plan"), as amended and restated effective August 2017. At March 30, 2024, there were a total of 5,001,620 shares and 735,189 shares that were authorized and available for grant under the 2007 Plan, respectively.

**Non-Qualified Stock Options**

Generally, employee options vest over a four-year period, and have a duration of six years. Outstanding options are exercisable for various periods through October 2029.

<b>Stock Option Activity</b>	Stock Options	Weighted average Exercise Price	Weighted average Remaining Contractual Term (years)	Aggregate Intrinsic Value <sup>(a)</sup>
Outstanding as of March 25, 2023	534,018	\$ 57.39		
Granted	100,085	37.43		
Exercised	(375)	46.14		
Canceled	(215,818)	57.75		
Outstanding as of March 30, 2024	417,910	\$ 52.44	4.21	\$ 87,000
Vested and exercisable as of March 30, 2024	213,303	\$ 59.11	3.37	\$ —

(a) Total shares valued at the market price of the underlying stock as of March 30, 2024 less the exercise price.

As of March 30, 2024, the total unrecognized compensation expense related to unvested stock option awards was \$1.6 million, which is expected to be recognized over a weighted average period of approximately three years. The weighted average grant date fair value of options granted during 2024, 2023, and 2022 was \$11.02, \$12.73, and \$13.96, respectively. The total fair value of stock options vested during 2024, 2023, and 2022 was \$1.4 million, \$1.7 million, and \$1.0 million, respectively.

**Stock Option Exercises**

(millions)	2024	2023	2022
Total intrinsic value of stock options exercised	\$ 0.0	\$ 0.1	\$ 0.5
Cash received for exercise price	0.0	0.7	2.1
Income tax benefit	—	—	—

**Restricted Stock**

Monro issues restricted stock and restricted stock units to certain members of management as well as non-employee directors of the Company. Restricted stock units represent shares issued upon vesting in the future whereas restricted stock awards represent shares issued upon grant that are restricted. The fair value for restricted stock units and restricted stock awards is calculated based on the stock price on the date of grant. Restricted stock units do not have voting rights but earn dividends during the vesting period. The recipients of the restricted stock awards have voting rights and earn dividends during the vesting period. The dividends are paid to the recipient at the time the restricted stock or restricted stock unit becomes vested. If the recipient leaves Monro prior to the vesting date for any reason, the shares of restricted stock, or the shares underlying the restricted stock unit, and the dividends accrued on those shares will be forfeited and returned to Monro. The restricted stock units and awards vest equally over three years or four years.

During 2022, the Company granted 40,000 restricted stock units in connection with the appointment of its new President and Chief Executive Officer effective April 5, 2021. 20,000 restricted stock units are time vesting. 20,000 restricted stock units would have vested upon the Company's common stock price meeting certain market conditions between April 2021 and December 2023. These shares did not vest because the stock price market conditions were not achieved by December 31, 2023.

In 2024, 2023 and 2022, the Company issued a limited number of restricted stock units to members of senior management which may vest upon the achievement of a three-year average return on invested capital target.

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<b>Non-vested Restricted Stock Activity</b>	Restricted Shares	Weighted average Grant-date Fair Value per Share
Outstanding as of March 25, 2023	215,931	\$ 50.92
Granted	140,335	37.09
Vested	(69,063)	53.73
Forfeited	(27,309)	44.06
Outstanding as of March 30, 2024	259,894	\$ 43.43

As of March 30, 2024, the total unrecognized compensation expense related to unvested restricted shares was \$5.4 million, which is expected to be recognized over a weighted average period of approximately two years. The weighted average grant date fair value of restricted shares granted during 2024, 2023, and 2022 was \$37.09, \$46.43, and \$58.06, respectively. The total fair value of restricted shares vested during 2024, 2023, and 2022 was \$3.7 million, \$2.8 million, and \$1.0 million, respectively.

**Note 11 – Earnings per Common Share**

<b>Earnings per Common Share</b>			2024	2023	2022
(thousands, except per share data)					
<b>Numerator for earnings per common share calculation:</b>					
Net income	\$	37,571	\$	39,048	\$ 61,568
Less: Preferred stock dividends		(1,141)		(515)	(469)
Income available to common stockholders	\$	36,430	\$	38,533	\$ 61,099
<b>Denominator for earnings per common share calculation:</b>					
Weighted average common shares - basic		30,903		32,144	33,527
<b>Effect of dilutive securities:</b>					
Preferred stock		918		460	460
Stock options		—		—	12
Restricted stock		73		49	39
Weighted average common shares - diluted		31,894		32,653	34,038
Basic earnings per common share	\$	1.18	\$	1.20	\$ 1.82
Diluted earnings per common share	\$	1.18	\$	1.20	\$ 1.81

The computation of diluted earnings per common share for 2024, 2023, and 2022 excludes the effect of the assumed exercise of approximately 608,000, 658,000, and 460,000 of stock options, respectively, as the exercise price of these options was greater than the average market value of our common stock for those periods, resulting in an anti-dilutive effect on diluted earnings per common share.

**Note 12 – Leases**

We lease certain retail stores, office space and land as well as service contracts that are considered leases.

Our leases have remaining lease terms, including renewals reasonably certain to be exercised, of less than one year to approximately 34 years. Most of our leases include one or more options to extend the lease, for periods ranging from three years to 25 years.

Historical failed sale leasebacks that were assumed through acquisitions and do not qualify for sale leaseback accounting continue to be accounted for as financing obligations. As of March 30, 2024 and March 25, 2023, net assets of \$3.3 million and \$3.7 million, respectively, and liabilities of \$5.9 million and \$6.5 million, respectively, due to failed sale leaseback arrangements were included with finance lease assets and liabilities, respectively, on the Consolidated Balance Sheets.

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<b>Lease Cost</b>	2024	2023	2022
(thousands)			
Operating lease cost	\$ 44,454	\$ 41,308	\$ 38,947
Finance lease/financing obligations cost:			
Amortization of leased assets	30,286	32,515	34,369
Interest on lease liabilities	13,513	16,099	18,346
Short term and variable lease cost	1,749	1,495	1,425
Sublease income	(166)	(115)	(102)
<b>Total lease cost</b>	<b>\$ 89,836</b>	<b>\$ 91,302</b>	<b>\$ 92,985</b>

<b>Maturity of Lease Liabilities</b>	Operating Leases <sup>(a)</sup>	Finance Leases and Financing Obligations <sup>(b)</sup>
(thousands)		
2025	\$ 46,895	\$ 49,955
2026	43,766	47,738
2027	39,602	45,115
2028	33,211	42,812
2029	25,074	33,704
Thereafter	67,406	131,576
<b>Total undiscounted lease obligations</b>	<b>\$ 255,954</b>	<b>\$ 350,900</b>
Less: imputed interest	(34,660)	(63,183)
<b>Present value of lease obligations</b>	<b>\$ 221,294</b>	<b>\$ 287,717</b>

(a) Operating lease obligations include \$49.8 million related to options to extend operating leases that are reasonably certain of being exercised.

(b) Finance lease payments include \$77.2 million related to options to extend finance leases that are reasonably certain of being exercised.

<b>Lease Term and Discount Rate</b>	2024	2023	2022
Weighted average remaining lease term (years):			
Operating leases	7.3	7.8	8.2
Finance leases and financing obligations	8.5	9.1	9.7
Weighted average discount rate			
Operating leases	3.77 %	3.38 %	3.05 %
Finance leases and financing obligations	5.41 %	5.67 %	5.77 %

**Other Information**

(thousands)	2024	2023	2022
Cash paid for amounts included in measurement of lease obligations:			
Operating cash flows from operating leases	\$ 46,355	\$ 42,579	\$ 39,426
Operating cash flows from finance leases and financing obligations	13,712	16,327	18,400
Financing cash flows from finance leases and financing obligations	39,030	39,512	39,408

**Note 13 – Defined Benefit and Defined Contribution Plans**

**Defined Benefit Plan**

We have a defined benefit pension plan covering employees who met eligibility requirements. This plan is closed to new participants. Eligibility and the level of benefits under the plan were primarily dependent on date of hire, age, length of service and compensation. The funding policy for our plan is consistent with the funding requirements of U.S. federal law and regulations.

The measurement date used to determine the pension plan measurements disclosed herein is March 31 for both 2024 and 2023. The overfunded status of Monro's defined benefit plan is recognized as an Other non-current asset in the Consolidated Balance Sheets as of March 30, 2024 and March 25, 2023, respectively.

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**Funded Status**

(thousands)	2024	2023
Projected benefit obligations	\$ 16,489	\$ 17,104
Fair value of plan assets	17,272	17,176
Overfunded status	\$ 783	\$ 72

*Contributions and Estimated Future Benefit Payment*

Our obligations to plan participants can be met over time through a combination of Company contributions to these plans and earnings on plan assets. There are no required or expected contributions in our fiscal year ending March 29, 2025 (“fiscal 2025”) to the plan. However, depending on investment performance and plan funded status, we may elect to make a contribution.

**Estimated Future Benefit Payments**

(thousands)	Pension Benefits
2025	\$ 1,134
2026	1,172
2027	1,199
2028	1,213
2029	1,256
2030 - 2034	6,285

*Cost of Plans*

**Net Pension Benefits Expense**

(thousands)	2024	2023	2022
Interest cost on projected benefit obligation	\$ 812	\$ 683	\$ 638
Expected return on plan assets	(818)	(982)	(1,041)
Amortization of unrecognized actuarial loss	192	378	501
Total	\$ 186	\$ 79	\$ 98

*Assumptions*

<b>Benefit Obligation Weighted Average Assumption</b>	2024	2023
Discount rate	5.22 %	4.94 %

<b>Net Periodic Benefit Expense Weighted Average Assumptions</b>	2024	2023	2022
Discount rate	4.94 %	3.58 %	3.01 %
Expected long-term rate of return on plan assets	5.00 %	5.00 %	5.00 %

Our expected long-term rate of return on plan assets assumption is based upon historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

*Benefit Obligation*

**Change in Projected Benefit Obligation**

(thousands)	2024	2023
Benefit obligation at beginning of year	\$ 17,104	\$ 20,826
Interest cost	812	683
Actuarial gain	(258)	(3,290)
Benefits paid	(1,169)	(1,115)
Benefit obligation at end of year <sup>(a)</sup>	\$ 16,489	\$ 17,104

(a) Accumulated benefit obligation-the present value of benefits earned to date assuming no future salary growth-is materially consistent with the projected benefit obligation in each period presented.

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*Plan Assets*

**Change in Plan Assets**

(thousands)		2024		2023
Fair value of plan assets at beginning of year	\$	17,176	\$	20,464
Actual gain (loss) on plan assets		1,265		(2,173)
Benefits paid		(1,169)		(1,115)
Fair value of plan assets at end of year	\$	17,272	\$	17,176

Our asset allocation strategy is to conservatively manage the assets to meet the plan's long-term obligations while maintaining sufficient liquidity to pay current benefits. This is achieved by holding equity investments while investing a portion of assets in long duration bonds to match the long-term nature of the liabilities.

Asset Category	Current Targeted Allocation	Actual Allocation	
		2024	2023
Cash and cash equivalents		2.1 %	0.7 %
Fixed income	70.0 %	70.0 %	62.7 %
Equity securities	30.0 %	27.9 %	36.6 %
Total	100.0 %	100.0 %	100.0 %

**Fair Value Measurements**

(thousands)	Pricing Category <sup>(a)</sup>	Fair Value at	
		March 30, 2024	March 25, 2023
Assets in the fair value hierarchy			
Shares of registered investment companies	Level 1	\$ 9,713	\$ 11,200
Total assets in the fair value hierarchy		9,713	11,200
Common collective trusts <sup>(b)</sup>		7,195	5,855
Pooled separate accounts <sup>(b)</sup>		364	121
Total plan assets		\$ 17,272	\$ 17,176

(a) Fair value measurements are reported in one of three levels based on the lowest level of significant input used: Level 1 (unadjusted quoted prices in active markets); Level 2 (observable market inputs, other than quoted prices included in Level 1); and Level 3 (unobservable inputs that cannot be corroborated by observable market data). The fair value amounts presented in this table are intended to permit reconciliation of the assets in the fair value hierarchy to total plan assets at end of year.

(b) Certain investments measured at net asset value as a practical expedient have not been classified in the fair value hierarchy. The fair values presented are intended to permit reconciliation of the total assets in the fair value hierarchy to the total plan assets.

*Amounts included in Shareholders' Equity*

**Amounts in Accumulated Other Comprehensive Loss**

(thousands)		2024		2023
Unamortized net actuarial loss	\$	4,570	\$	5,467
Amounts in Accumulated Other Comprehensive Loss <sup>(a)</sup>	\$	4,570	\$	5,467

(a) \$3,451 and \$4,115, net of tax, at the end of 2024 and 2023, respectively.

*Amounts included in Comprehensive Income*

**Amounts in Other Comprehensive Income**

(thousands)		2024		2023		2022
Net actuarial income	\$	897	\$	513	\$	166
Amounts in Other Comprehensive Income <sup>(a)</sup>	\$	897	\$	513	\$	166

(a) \$664, \$379, and \$125, net of tax, during 2024, 2023, and 2022, respectively.

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**Defined Contribution Plan**

Our employees are eligible to participate in a defined contribution 401(k) plan that covers full-time employees who meet the age and service requirements of the plan. The plan is funded by employee and employer contributions. We match 50 percent of the first 6 percent of employee contributions. Employer contributions totaled approximately \$1.9 million, \$1.7 million, and \$2.0 million for 2024, 2023, and 2022, respectively. We may also make annual profit-sharing contributions to the plan at the discretion of Monro's Compensation Committee of the Board of Directors.

In addition, we maintain an executive deferred compensation plan (the "Executive Deferred Compensation Plan") for a broad management group whose participation in our 401(k) plan is limited by statute or regulation. The Executive Deferred Compensation Plan permits participants to defer all or any portion of the compensation that would otherwise be payable to them for the calendar year. We credit to the participants' accounts such amounts as would have been contributed to Monro's 401(k) plan but for the limitations that are imposed by statute or regulation. The Executive Deferred Compensation Plan is an unfunded arrangement and the participants or their beneficiaries have an unsecured claim against the general assets of Monro to the extent of their Executive Deferred Compensation Plan benefits. We maintain accounts to reflect the amounts owed to each participant. At least annually, the accounts are credited with earnings or losses calculated based on an interest rate or other formula as determined by Monro's Compensation Committee. The total liability recorded in our financial statements at March 30, 2024 and March 25, 2023 related to the Executive Deferred Compensation Plan was approximately \$1.9 million and \$2.0 million, respectively.

**Note 14 – Commitments and Contingencies**

**Commitments**

<b>Commitments Due by Period</b> (thousands)	Total	Within 1 Year	2 to 3 Years	4 to 5 Years	After 5 Years
Principal payments on long-term debt	\$ 102,000			\$ 102,000	
Finance lease commitments/financing obligations <sup>(a)</sup>	350,900	\$ 49,955	\$ 92,853	76,516	\$ 131,576
Operating lease commitments <sup>(a)</sup>	255,954	46,895	83,368	58,285	67,406
<b>Total</b>	<b>\$ 708,854</b>	<b>\$ 96,850</b>	<b>\$ 176,221</b>	<b>\$ 236,801</b>	<b>\$ 198,982</b>

(a) Finance and operating lease commitments represent future undiscounted lease payments and include \$77.2 million and \$49.8 million, respectively, related to options to extend lease terms that are reasonably certain of being exercised.

We believe that we can fulfill our commitments utilizing our cash flow from operations and, if necessary, cash on hand and/or bank financing.

**Contingencies**

We are currently a party to various claims and legal proceedings incidental to the conduct of our business. If management believes that a loss arising from any of these matters is probable and can reasonably be estimated, we will record the amount of the loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Litigation is subject to inherent uncertainties, and unfavorable rulings could occur and may include monetary damages. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on the financial position and results of operations of the period in which any such ruling occurs, or in future periods.

A purported class action filed in March 2021 and a related Private Attorneys General Action (PAGA) filed in September 2021 in Los Angeles County Superior Court of California alleged we violated the rights of certain hourly, non-exempt employees in California under state wage and hour laws. The parties entered into a settlement agreement to resolve this matter, which received final court approval on May 9, 2024. We included \$2.0 million in OSG&A expenses in our Consolidated Statements of Income and Comprehensive Income for the matter during 2023.

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**Note 15 – Supplier Finance Program**

We facilitate a voluntary supply chain financing program to provide our suppliers with the opportunity to sell receivables due from us (our accounts payable) to a participating financial institution at the sole discretion of both the supplier and the financial institution. Should a supplier choose to participate in the program, it may receive payment from the financial institution in advance of agreed payment terms; our responsibility is limited to making payments to the respective financial institution on the terms originally negotiated with our supplier, which are generally for a term of 360 days. We have concluded that the program is a trade payable program and not indicative of a borrowing arrangement.

Our outstanding supplier obligations eligible for advance payment under the program totaled \$167.2 million, and \$167.3 million as of March 30, 2024, and March 25, 2023, respectively, and are included within Accounts Payable on our Consolidated Balance Sheets. Our outstanding supplier obligations do not represent actual receivables sold by our suppliers to the financial institutions, which may be lower.

**Note 16 – Share Repurchase**

We periodically repurchase shares of our common stock under a board-authorized repurchase program through open market transactions. The share repurchase activity below does not include excise tax of \$0.4 million during the year-end March 30, 2024. The excise tax is assessed at one percent of the fair market value of net stock repurchases after December 31, 2022.

<b>Share Repurchase Activity</b> (thousands, except per share data)	2024	2023
Number of shares purchased	1,543.6	2,201.3
Average price paid per share	\$ 28.50	\$ 44.00
Total repurchased	\$ 43,997	\$ 96,853

**Note 17 – Equity Capital Structure Reclassification**

On May 12, 2023, we entered into a reclassification agreement (the “Reclassification Agreement”) with the holders (the “Class C Holders”) of our Class C Convertible Preferred Stock (the “Class C Preferred Stock”) to reclassify our equity capital structure to eliminate the Class C Preferred Stock.

Under the Reclassification Agreement, after receiving shareholder approval on August 15, 2023, we filed amendments to our certificate of incorporation (the “Certificate of Incorporation”) to create a mandatory conversion of any outstanding shares of Class C Preferred Stock prior to an agreed sunset date of the earliest of (i) August 15, 2026; (ii) the first business day immediately prior to the record date established for the determination of the shareholders of the Company entitled to vote at the Company’s 2026 annual meeting of shareholders; and (iii) the date on which the Class C Holders, in the aggregate, cease to beneficially own at least 50% of all shares of the Class C Preferred Stock issued and outstanding as of May 12, 2023. In exchange for this sunset of the Class C Preferred Stock, the conversion rate of Class C Preferred Stock was adjusted so that each share of Class C Preferred Stock will convert into 61.275 shares of common stock (the “adjusted conversion rate”), an increase from the prior conversion rate of 23.389 shares of common stock for each share of Class C Preferred Stock under the Certificate of Incorporation. At the end of the sunset period, all shares of Class C Preferred Stock remaining outstanding will be automatically converted into shares of common stock at the adjusted conversion rate. In addition, the liquidation preference for the Class C Preferred Stock was amended to provide that, upon a liquidation event, each holder of Class C Preferred Stock would be entitled to receive, for each share of Class C Preferred Stock held by the holder upon a liquidation, dissolution, or winding up of the affairs of the Company, an amount equal to the greater of \$1.50 per share and the amount the holder would have received had each share of Class C Preferred Stock been converted to shares of common stock immediately prior to the liquidation, dissolution, or winding up. There was no Class C Preferred Stock converted during the year ended March 30, 2024. The Reclassification Agreement also provides that, during the sunset period, the Class C Holders will have the right to appoint one member of the Board of Directors. This designee is expected to be Peter J. Solomon, who is one of the Company’s current directors and one of the Class C Holders.

We have determined the amendments to the Class C Preferred Stock, because of the Reclassification Agreement, should be accounted for as a modification.

**FINANCIAL STATEMENTS**  
NOTES

**Note 18 – Subsequent Events**

On May 9, 2024, our Board of Directors declared a cash dividend of \$0.28 per common share or common share equivalent to be paid to shareholders of record as of June 4, 2024. The dividend will be paid on June 18, 2024.

On May 23, 2024, we entered into a Fourth Amendment to the Credit Facility, which, among other things, amends the terms of certain of the financial and restrictive covenants in the credit agreement to provide us with additional flexibility to operate our business from the first quarter of fiscal 2025 through the fourth quarter of fiscal 2026. See [Note 6](#) for additional discussion related to the Fourth Amendment.

**EXHIBIT Q**

**STATE SPECIFIC DISCLOSURES AND STATE SPECIFIC ADDENDA TO AGREEMENTS**

# ILLINOIS

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR USE IN THE STATE OF ILLINOIS**

The Franchise Disclosure Document is amended for use in the State of Illinois as follows:

Illinois Cover Page and  
**ITEM 17 -- RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

Illinois law shall apply to and govern the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' right upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

**ADDENDUM TO CAR-X, LLC FRANCHISE AGREEMENT  
FOR USE IN THE STATE OF ILLINOIS**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ and modifies a Franchise Agreement of the same date entered into by CAR-X, LLC, a Delaware limited liability company with its principal office at 1100 E. Woodfield Road, Suite 105, Schaumburg, Illinois 60173 ("Franchisor"), and \_\_\_\_\_ with its principal office at \_\_\_\_\_ ("Franchisee").

A. Termination. Subsections 14.3(a) and (f) of the Franchise Agreement are removed from Section 14.3 and are added to Section 14.4 as Subsections (u) and (v).

B. Laws and Jurisdiction. The governing law and jurisdiction provisions of Section 17.1 of the Franchise Agreement are void with respect to franchises subject to Illinois law.

C. Limitations of Claims. The following language is added to the end of Section 17.4 of the Franchise Agreement:

However, nothing in this Section shall shorten any period within which Franchisee may bring a claim under Section 705/27 of the Illinois Franchise Disclosure Act or constitute a condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act of 1987 or any other Illinois law (as long as the jurisdictional requirements of that Illinois law are met).

D. Representations. The second sentence of the "Acknowledgements of Franchisee" section of the Introduction in the Franchise Agreement is deleted.

Sections 18.1 and 18.2 of the Franchise Agreement are replaced by the following:

Franchisee recognizes the uncertainties inherent in all business ventures. Franchisee acknowledges that the prospects for successful operations, the level of business or profits that Franchisee might reasonably expect, the desirability, profitability or expected traffic volume or profit of the Center (whether or not Franchisor assisted Franchisee in the selection of the location of the Center) are necessarily dependent upon variables beyond Franchisor's control, including without limitation, the ability, motivation and amount and quality of effort expended by Franchisee.

Franchisee must, at the time of execution of the Franchise Agreement, execute the Disclosure Acknowledgment Statement, which is attached to the Franchise Agreement; provided that, the first sentence of Section 3 of the Disclosure Acknowledgment Statement is hereby deleted.

E. Illinois Franchise Disclosure Act. The Franchise Agreement is amended by adding the following Section as Section 19.10:

19.10 Illinois Franchise Disclosure Act. Section 41 of the Illinois Franchise Disclosure Act states that "Any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of Illinois is void."

CAR-X LLC  
Franchisor

\_\_\_\_\_  
Franchisee

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

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

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

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

**ADDENDUM TO CAR-X, LLC  
AREA DEVELOPMENT AGREEMENT  
FOR USE IN THE STATE OF ILLINOIS**

THIS ADDENDUM is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ and modifies an Area Development Agreement of the same date entered into by CAR-X, LLC, a Delaware limited liability company with its principal office at 1100 E. Woodfield Road, Suite 105, Schaumburg, Illinois 60173 ("Franchisor"), and \_\_\_\_\_ with its principal office at \_\_\_\_\_ ("Developer").

A. Laws and Jurisdiction. The governing law and jurisdiction provisions of Section 13 of the Area Development Agreement are void with respect to franchises subject to Illinois law.

CAR-X LLC  
Franchisor

\_\_\_\_\_  
Developer

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

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

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

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

**ADDENDUM TO CAR-X, LLC SUBLEASE LF  
FOR USE IN THE STATE OF ILLINOIS**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ and modifies a Sublease of the same date entered into by CAR-X, LLC, a Delaware limited liability company with its principal office at 1100 E. Woodfield Road, Suite 105, Schaumburg, Illinois 60173 ("Sublessor"), and \_\_\_\_\_ with its principal office at \_\_\_\_\_ ("Subtenant").

A. Controlling Law; Venue. Section 30 of the Sublease is void with respect to franchises subject to Illinois law.

CAR-X LLC  
Franchisor

\_\_\_\_\_  
Subtenant

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

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

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

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

# INDIANA

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR USE IN THE STATE OF INDIANA**

The Franchise Disclosure Document is amended for use in the State of Indiana as follows:

**REGISTRATION OF THIS FRANCHISE IN THE STATE OF INDIANA DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER.**

**ITEM 12 - TERRITORY**

Under the Franchise Agreement for use in Indiana, we are prohibited from establishing company owned units that market similar products or services in your protected area under a different trademark. Under the Area Development for use in Indiana, we are prohibited from establishing company-owned units that market similar products or services in your Territory under a different trademark.

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

The post-termination, non-competition covenant contained in Section 12.3 of the Franchise Agreement for use in the State of Indiana only applies to your territory and not a 5 mile radius of your former franchise location or any other Car-X location.

**ADDENDUM TO CAR-X, LLC FRANCHISE AGREEMENT  
FOR USE IN INDIANA**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ and modifies a Franchise Agreement of the same date entered into by CAR-X, LLC, a Delaware limited liability company with its principal office at 1100 E. Woodfield Road, Suite 105, Schaumburg, Illinois 60173 ("Franchisor"), and \_\_\_\_\_ with its principal office at \_\_\_\_\_ ("Franchisee").

A. Protected Area. Section 1.2 of the Franchise Agreement is amended by adding the following language:

"During the term of this Agreement, Franchisor will not establish a company-owned business that markets similar products and services within the Protected Area whether or not the business is operated under the Car-X Marks."

B. Restrictions on Competition. Section 12.5 of the Franchise Agreement is amended to read as follows:

On the termination (including termination on transfer), expiration or non-renewal of this Agreement, Franchisee, its shareholders, officers, directors, partners, owners and investors, must not, for a period of five years commencing on the later of the effective date of termination, expiration or non-renewal, or the date of any Court order enforcing this provision if necessary, have an interest, directly or indirectly, as an owner (except ownership of no more than 1% of a publicly traded entity), partner, director, officer, manager, employee, consultant, representative or agent, or in any other capacity, or engage in any other capacity in any Competing Business or in any business or entity that franchises, licenses or otherwise grants to others the right to operate a Competing Business or that consults with or in any other manner aids or assists a Competing Business within the Protected Area.

CAR-X LLC  
Franchisor

\_\_\_\_\_  
Franchisee

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

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

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

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

**ADDENDUM TO CAR-X, LLC AREA DEVELOPMENT AGREEMENT  
FOR USE IN INDIANA**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ and modifies an Area Development Agreement of the same date entered into by CAR-X, LLC, a Delaware limited liability company with its principal office at 1100 E. Woodfield Road, Suite 105, Schaumburg, Illinois 60173 ("Franchisor"), and \_\_\_\_\_ with its principal office at \_\_\_\_\_ ("Developer").

A. Development Rights. Section 2(a) of the Area Development Agreement is amended by adding the following language:

"During the term of this Agreement, Franchisor will not establish a company-owned business that markets similar products and services within the Protected Area whether or not the business is operated under the Car-X Marks."

CAR-X LLC  
Franchisor

\_\_\_\_\_  
Developer

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

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

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

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

# MINNESOTA

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR USE IN THE STATE OF MINNESOTA**

The Franchise Disclosure Document is amended for use in the State of Minnesota as follows:

**RISK FACTORS ON COVER PAGE**

The sections of the franchise documents requiring arbitration in New York and the application of New York law have been revised to provide that those sections will not in any way affect or limit your rights under Minnesota Statutes 1984, Chapter 80C.

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

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

Minn. Stat. § 80C and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Franchise Disclosure Document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided by the laws of the jurisdiction.

Pursuant to Minn. Rule 2860.4400D, other than with respect to the voluntary settlement of disputes between us, no general release of claims requested by us from you or any transferor will include claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated under that law.

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

Franchisee

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

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

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

**ADDENDUM TO CAR-X, LLC FRANCHISE AGREEMENT  
FOR USE IN MINNESOTA**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ and modifies a Franchise Agreement of the same date entered into by CAR-X, LLC, a Delaware limited liability company with its principal office at 1100 E. Woodfield Road, Suite 105, Schaumburg, Illinois 60173 ("Franchisor"), and \_\_\_\_\_ with its principal office at \_\_\_\_\_ ("Franchisee").

A. Notices of Termination and Non-Renewal. With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C14, Subds. 3, 4, and 5, which require, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. § 80C and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum or remedies provided by the laws of the jurisdiction.

B. Release on Renewal. Section 2.2 of the Franchise Agreement is amended by deleting subsection a.

C. Products and Services. Section 9.4 of the Franchise Agreement is amended by deleting the 2nd paragraph of that section relating to liquidated damages.

D. Release on Transfer. Subsection 13.4 c of the Franchise Agreement is amended to read as follows:

c. Franchisee must pay all amounts owed to Franchisor and must execute at the time of the sale an agreement terminating this agreement.

E. Immediate Termination. Section 14.3 of the Franchise Agreement is amended to read as follows:

14.3 Immediate Termination. Any of the following events constitutes good cause for termination of this Agreement and entitles Franchisor to terminate this Agreement effective immediately upon receipt of written notice by Franchisee:

a. voluntary abandonment of the franchise relationship by Franchisee. Abandonment will be presumed if Franchisee fails to open the Center for business for a period of three (3) consecutive business days without the prior written consent of Franchisor, but will not include such failure if caused by a situation described in Section 14.4(k) below;

b. the conviction of one of the Principals in a court of competent jurisdiction of an offense directly related to the business conducted pursuant to this Agreement; or

c. failure to cure a default under this Agreement that materially impairs the goodwill associated with the Franchisor's Marks after Franchisee has received written notice to cure of at least twenty-four (24) hours in advance.

F. Termination After Notice Period. Section 14.4 of the Franchise Agreement is amended by adding the following Sub-Sections:

s. Any willful and material falsification by Franchisee of any report or other written data furnished to Franchisor.

t. Any willful and repeated issuance of guarantees or warranties other than those permitted and authorized by Franchisor.

u. Any attempted or purported transfer of this Agreement not in compliance with this Agreement.

v. The conviction of, or plea of guilty or no contest to any crime by the Franchisee or one of the Principals for which the minimum penalty includes imprisonment for more than one (1) year.

w. Willful failure to maintain the high standards and image established by Franchisor.

G. Loss of Bargain. Section 14.7 of the Franchise Agreement is amended to read as follows:

In addition to any other remedies available to Franchisor, in the event this Agreement is terminated prior to its expiration (other than termination by Franchisee for cause), Franchisor will be entitled to recover from Franchisee damages attributable to the loss of bargain resulting from that termination.

H. Law and Jurisdiction. Section 17.1 of the Franchise Agreement is amended by adding the following:

Minn. Stat. § 80C and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum or remedies provided by the laws of the jurisdiction.

I. Injunctive Relief. Section 17.2 of the Franchise Agreement is amended to read as follows:

17.2 Injunctive Relief. The Franchisor will have the right to apply for specific enforcement of the terms of this Franchise Agreement, by petitions for temporary and permanent injunctions or other similar equitable relief. Specifically,

the Franchisor will have the right to apply for such relief to prevent Franchisee from: (a) misusing any of the rights licensed by this Agreement; (b) engaging in competitive operations in derogation of the in-term and post-term covenants set forth in Article 12; (c) transferring or assigning this Agreement without complying with this Agreement; (d) engaging in acts or practices in violation of applicable laws and regulations or which are fraudulent, dishonest or create health or other hazards to the public; (e) failing to issue or honor warranties specified by Franchisor; or (f) significantly impairing the goodwill associated with the Franchisor. Franchisor's rights to apply for such relief are in addition to all other remedies available to Franchisor under applicable law.

CAR-X LLC

Franchisor

\_\_\_\_\_  
Franchisee

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

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

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

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

**ADDENDUM TO AREA DEVELOPMENT AGREEMENT  
FOR USE IN THE STATE OF MINNESOTA**

THIS ADDENDUM is made the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies an Area Development Agreement of the same date entered into by CAR-X, LLC, a Delaware limited liability company, with its principal office at 1100 E. Woodfield Road, Suite 105, Schaumburg, Illinois 60173 ("Franchisor") and \_\_\_\_\_ ("Developer").

A. Notices of Termination and Non-Renewal. With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C14, Subds. 3, 4, and 5, which require, except in certain specific cases, that a Developer be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Area Development Agreement.

Minn. Stat. § 80C and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Area Development Agreement can abrogate or reduce any of Developer's rights as provided for in Minnesota Statutes, Chapter 80C, or Developer's rights to any procedure, forum or remedies provided by the laws of the jurisdiction.

B. Law and Jurisdiction. Section 13 of the Area Development Agreement will be amended by adding the following:

Minn. Stat. § 80C and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Area Development Agreement can abrogate or reduce any of Developer's rights as provided for in Minnesota Statutes, Chapter 80C, or Developer's rights to any procedure, forum or remedies provided by the laws of the jurisdiction.

CAR-X LLC  
Franchisor

\_\_\_\_\_  
Developer

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

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

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

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

# WISCONSIN

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR USE IN THE STATE OF WISCONSIN**

The Franchise Disclosure Document is amended for use in the State of Wisconsin as follows:

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

**CHAPTER 135, STATS., WISCONSIN FAIR DEALERSHIP LAW, SUPERSEDES ANY PROVISION OF THE FRANCHISEE'S FRANCHISE AGREEMENT OR ANY OTHER AGREEMENT INCONSISTENT WITH THAT LAW.**

**ADDENDUM TO CAR-X, LLC  
FRANCHISE AGREEMENT FOR USE IN WISCONSIN**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by and between CAR-X, LLC, a Delaware limited liability company with its principal office at 1100 E. Woodfield Road, Suite 105, Schaumburg, Illinois 60173 ("Franchisor") and \_\_\_\_\_, with its principal office at \_\_\_\_\_ ("Franchisee").

A. Wisconsin Fair Dealership Law. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supercedes any provision of the Franchisee's Franchise Agreement or any other agreement inconsistent with that Law.

CAR-X LLC  
Franchisor

\_\_\_\_\_  
Franchisee

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

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

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

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

**ADDENDUM TO CAR-X, LLC**  
**AREA DEVELOPMENT AGREEMENT FOR USE IN WISCONSIN**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies an Area Development Agreement of the same date entered into by and between CAR-X, LLC, a Delaware limited liability company with its principal office at 1100 E. Woodfield Road, Suite 105, Schaumburg, Illinois 60173 ("Franchisor") and \_\_\_\_\_, \_\_\_\_\_ with its principal office at \_\_\_\_\_ ("Developer").

A. Wisconsin Fair Dealership Law. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supercedes any provision of the Developer's Area Development Agreement or any other agreement inconsistent with that Law.

CAR-X LLC  
Franchisor

\_\_\_\_\_  
Developer

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

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

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

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

**EXHIBIT R**

**STATE EFFECTIVE DATES**

The Exhfollowing states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, 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>
Illinois	Pending
Indiana	Pending
Minnesota	Pending
Wisconsin	Pending

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

**EXHIBIT S**

**RECEIPTS**

**RECEIPT**

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

If we offer you a franchise, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

**New York and Rhode Island** require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days you sign a binding agreement or pay any consideration that relates to the franchise relationship.

**Michigan** requires that we give you this disclosure document at least 10 business days before you sign a binding agreement or pay any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C, 20580 and the applicable state agency.

The name, principal business address and telephone number of each franchise seller offering the franchise *[the prospective franchisee should write-in the names of any employees, agents or brokers of the franchisor if the prospect has had significant contact with the person and the person is not otherwise listed]*:

Daniel LeGault 1100 E. Woodfield Road, Suite 105 Schaumburg, Illinois 60173 (800) 359-2359		
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I received a Franchise Disclosure Document dated May ~~2329~~, ~~2023~~2024, that included the following Exhibits:

- |     |  |   |  |
|-----|--|---|--|
| A   | List of State Administrators           | J | Lease Addendum                         |
| B   | List of Agents for Service of Process  | K | Advantage Leasing Corp. Financing Docs |
| C-1 | Franchise Reservation Agreement        | L | Car-X Financing Documents              |
| C-2 | Franchise Agreement                    | M | Table of Contents—Manuals              |
| D   | License Agreement                      | N | List of Franchises and Co.-Owned Units |
| E   | Addendum to License Agreement-Renewal  | O | List of Franchisees That Recently Left |
| F   | Addendum to License Agreement-Transfer | P | Financial Statements                   |
| G   | Area Development Agreement             | Q | State Specific Disclosures and Addenda |
| H   | Sublease SF                            | R | State Effective Dates                  |
| I   | Sublease LF                            | S | Receipts                               |

Please complete any applicable franchise seller information above and then sign and date this Receipt and return a signed copy to Daniel LeGault by mail, fax or email.

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

X  
\_\_\_\_\_  
[sign above]

\_\_\_\_\_  
[print name (and title if applicable)]

\_\_\_\_\_  
[print name of entity if applicable]

**RECEIPT**

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

If we offer you a franchise, we must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

**New York and Rhode Island** require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days you sign a binding agreement or pay any consideration that relates to the franchise relationship.

**Michigan** requires that we give you this disclosure document at least 10 business days before you sign a binding agreement or pay any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C, 20580 and the applicable state agency.

The name, principal business address and telephone number of each franchise seller offering the franchise *[the prospective franchisee should write-in the names of any employees, agents or brokers of the franchisor if the prospect has had significant contact with the person and the person is not otherwise listed]*:

Daniel LeGault 1100 E. Woodfield Road, Suite 105 Schaumburg, Illinois 60173 (800) 359-2359		
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I received a Franchise Disclosure Document dated May ~~2329~~, ~~2023~~2024, that included the following Exhibits:

- |     |  |   |  |
|-----|--|---|--|
| A   | List of State Administrators           | J | Lease Addendum                         |
| B   | List of Agents for Service of Process  | K | Advantage Leasing Corp. Financing Docs |
| C-1 | Franchise Reservation Agreement        | L | Car-X Financing Documents              |
| C-2 | Franchise Agreement                    | M | Table of Contents—Manuals              |
| D   | License Agreement                      | N | List of Franchises and Co.-Owned Units |
| E   | Addendum to License Agreement-Renewal  | O | List of Franchisees That Recently Left |
| F   | Addendum to License Agreement-Transfer | P | Financial Statements                   |
| G   | Area Development Agreement             | Q | State Specific Disclosures and Addenda |
| H   | Sublease SF                            | R | State Effective Dates                  |
| I   | Sublease LF                            | S | Receipts                               |

Please complete any applicable franchise seller information above and then sign and date this Receipt and return a signed copy to Daniel LeGault by mail, fax or email.

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

X \_\_\_\_\_  
[sign above]

\_\_\_\_\_  
[print name (and title if applicable)]

\_\_\_\_\_  
[print name of entity if applicable]